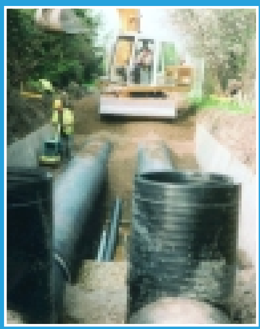
HILL & SMITH HOLDINGS PLC

Annual Report and Financial Statements 2000



Pictures from left to right:
Asset Weholite Pipe
Barkers Fencing

Contents

Results at a glance

		2000 £000	1999 £000
Turnover		**58,858**	61,940
Operating profit		**4,620**	4,778
Profit before taxation		**4,352**	3,562
Profit after taxation		**3,473**	2,293
Ordinary dividends			
Interim		**2.10p**	2.10p
Final		**2.10p**	2.10p
		4.20p	4.20p
Earnings per ordinary share	— basic	**8.96p**	5.82p
	— diluted	**8.93p**	5.81p
	— IIMR	**7.92p**	7.01p
Net assets per ordinary share		**63.92p**	59.28p

Financial calendar

Annual General Meeting 2001	5 March 2001
Payment of final dividend for the year to 30 September 2001 (ex dividend date 7 February 2001)	9 April 2001
Announcement of results for period to 31 March 2001	June 2001
Payment of interim dividend	October 2001
Announcement of results for period to 30 September 2001	December 2001
Preliminary Announcement of results to 31 December 2001	April 2002

Directors, Advisers and Committees

Directors left to right

D.S. Winterbottom FCA, FCT
Chairman (Non-Executive)
David, aged 64, a Chartered Accountant, joined the Board on 1 October 1997. He is also Chairman of CPL Industries Limited, Wightlink Group Limited and TJ Hughes PLC. Additionally, he is Chairman of a number of institutionally owned companies, and Non-Executive Director of Electrocomponents PLC.

D.L. Grove BA, FCA
Deputy Chairman and Chief Executive
David, aged 52, joined the Board on 20 March 1998. He is a chartered accountant and Chairman of a number of private companies involving steel, plastics and consumer products. He is a Pension Fund Trustee for the Hill & Smith Group Pension and Assurance Scheme.

C.J. Burr FCA
Group Finance Director
Joined the Board on 2 November 2000 and was appointed Group Finance Director. Joined Ash & Lacy in 1990 from European Home Products plc having previously held a variety of positions with Singer Company Inc. in the UK & Continental Europe. He is a chartered accountant. Age 51.

H.C. Everett BSc, CA
Executive Director and Company Secretary
Howard, previously Group Finance Director, is 56 and joined the Group from Rapid Metal Developments Limited, an RM Douglas PLC subsidiary, in 1990. He is a Pension Fund Trustee for the Hill & Smith Group Pension and Assurance Scheme.

S.H.J.A. Knott BA (Econ)
Non-Executive Director
Simon, aged 69, was responsible for the flotation of Hill & Smith in 1969 and joined the Board in 1981. He is a Non-Executive Director of other PLCs including Rights & Issues I.T. PLC, of which he is Chairman. He is a Pension Fund Trustee for the Hill & Smith Group Pension and Assurance Scheme.

H.C. Marshall MSc, BSc
Non-Executive Director
Joined the Board on 2 November 2000. Joined Ash & Lacy in 1989 from Bullough plc. He is currently vice-chairman of West Midlands CBI, Board Member of West Midlands Industrial Development Board, Member of West Midlands Chamber of Commerce Council, and Trustee of CBSO Development Fund. Age 57.

R.E. Richardson

Non-Executive Director

Dick, aged 61, was Chairman and Chief Executive of Graystone PLC from 1992 to 1997, and was previously Deputy Chairman and Managing Director of Goring Kerr PLC and Managing Director of Tace PLC. He is a Mechanical and Electrical Engineer, and was appointed Non-Executive in May 1997.

Life President

John G. Silk LLB (Lond.)

John, aged 76, joined the Board in 1981 and was Chairman from 1983 to 1995. He retired from the Board and was appointed Life President on 19 March 1999. He is also Deputy Chairman of Hampson Industries PLC and the Senior Partner of Silks, Solicitors. He is Chairman of the Pension Fund Trustees for the Hill & Smith Group Pension and Assurance Scheme.

Audit Committee
Messrs Winterbottom, Knott, Marshall, and Richardson (Chairman)

Remuneration Committee
Messrs Winterbottom, Knott (Chairman), Marshall, and Richardson

Registered Office
Springvale Industrial and Business Park
Bilston West Midlands WV14 0QL

Company Number 671474

Advisers

Registrars
Computershare Services PLC,
PO Box 82, The Pavilions, Bristol, BS99 7NH

Auditors
KPMG Audit Plc,
2 Cornwall Street, Birmingham, B3 2DL

Bankers
Barclays Bank PLC,
Dudley, West Midlands, DY1 1PP

Solicitors
Silks, Oldbury, West Midlands, B69 4EZ

Wragge & Co, Birmingham, B3 2AS

Stockbrokers
Old Mutual Securities, Birmingham, B4 6ES

. . . it was a sound year of consolidation for the Group . . .

Chairman's Statement

General

Again, I am pleased to report the progress made in the Group during the financial year ended 30 September 2000. Turnover in our continuing businesses increased by 4.2% to £58.86 million (1999: £56.51 million) and, whilst operating profit was a little down on the previous year, profit before tax after accounting for disposals showed a healthy increase of 22.2% to £4.35 million (1999: £3.56 million).

IIMR Earnings per share increased to 7.92p (1999: 7.01p) per share. Gearing at 18.6% (1999: 19.2%) improved slightly against the previous year, reflecting tight control, offset by increased cost of holding raw materials, and infill acquisitions made during the year. We also bought in a small number of our shares in the market.

All in all, it was a sound year of consolidation for the Group, following our extensive reorganisation. However, at the same time, we continued to develop new products and make appropriate acquisitions to complement our core activities.

Along with other small engineering businesses, the Board is concerned by the need to improve shareholder value. Much time has been devoted to developing our strategy and, following the year end, we completed the acquisition of Ash & Lacy plc ("Ash & Lacy"). We believe that this substantial and innovative acquisition will do much to strengthen our core business activities, introduce new product opportunities and will commence the improvement in shareholder value I referred to earlier. We are evaluating still further our acquisition but we welcome the Ash & Lacy companies and personnel into our Group.

Dividends

Mindful of our recent acquisition and our desire to build on the continuing good health of the Company, the Board is pleased to recommend a final dividend for the year of 2.1p per share (1999: 2.1p per share) making a total for the year of 4.2p per share (1999: 4.2p per share). The Board will be examining the Company's dividend strategy for the future in the context of our enhanced operations.

Board Structure and Employees

Following the acquisition of Ash & Lacy, Howard Marshall joined the Board as a non-executive Director. He was previously Chief Executive of Ash & Lacy. Additionally, Chris Burr joined the Board as Group Finance Director; he was previously Finance Director of Ash & Lacy. I welcome both of them and

Pictures from top to bottom:

Footbridge enclosure manufactured and installed on the M60 by Varley & Gulliver.

Varioguard in process of installation.

Large Constant Effort support being tested at Pipe Supports, Droitwich.

Birtley lintels on site at builders' merchant in Surrey.

look forward to working with them. Howard Everett moves to take the role of Executive Director and Company Secretary.

May I repeat my thanks to all our employees for their sustained efforts during yet another year of change. I say again that they are our most valuable asset.

Trading

It is well publicised that conditions continue to be difficult in our sector but, as long as there is no further adverse change in economic conditions, I look forward to a satisfactory outcome to the current trading period, which has started in line with our expectations.

As Ash & Lacy had a different year end to our company, the decision was taken to change Hill & Smith Holdings' year end to 31 December. This will give a 15 month period for the enlarged Group, which will only include Ash & Lacy companies from the date of acquisition (1 November 2000) to 31 December 2001.

DAVID S. WINTERBOTTOM
Chairman,
23 January 2001

During the year we invested further in our core businesses, both organically and by acquisition.

Operational Review

The increase in pre-tax profits and the continued growth in EPS outlined in the Chairman's Statement was achieved against a background of increased competitive pressures in some of the markets we serve and significant increases in raw material costs, particularly steel. Our "Can Do" management culture enabled us to counter these negative factors.

During the year we invested further in our core businesses, both organically and by acquisition. This strategy will continue to be pursued, encompassing acquisitions, investment in new products and services with higher than average growth prospects, and identifying projects which achieve lower unit costs from a focused capital spend programme.

At the end of the last financial year we were holding three surplus properties following the disposal of a number of non-core businesses. I am pleased to report that all three properties were sold during the year at a combined figure in excess of book value.

In the current financial year a number of business units with common customers, similar markets and related production processes have been investigating shared objectives and co-ordinated export initiatives. This has now reached a stage whereby the businesses of Asset International, Barkers, Varley & Gulliver and Hill & Smith Limited will be combined under one cohesive management team. Hence this will enable us to improve further our production efficiencies and to strengthen our combined sales and marketing efforts. This Infrastructure Products Group (IPG), as the new grouping will be called, would have represented in excess of 50% of the Group's sales in the year being reported.

In May 2000 two small bolt-on acquisitions which had been tracked for some time were completed. Firstly, the Optimum business was acquired for £129,000. This company's products are complementary to Berry Systems, which was acquired by Hill & Smith Limited in 1999 and serves

the barrier protection off-highway market. Optimum was quickly relocated into the premises occupied by Hill & Smith Limited and Berry Systems and has been speedily integrated into these businesses. Secondly, Varley & Gulliver acquired the business of one of its major competitors in the parapet fencing market, BACO Parapets, for a consideration of £475,000. This business has been quickly relocated and integrated on to the Varley & Gulliver site. Following the initial relocation and reorganization costs, both these acquisitions are making a positive contribution to profits.

The crash barrier market served by Hill & Smith Limited and Asset International Limited continues to be very competitive, but significant market penetration was achieved by the Varioguard work zone protection system following its introduction last year. As part of our policy of continuing to expand our range of products, we are currently introducing a wire rope protection system for use in certain highway applications. Barkers and Varley & Gulliver continued to make progress throughout the year and improved financial performances were achieved.

Our galvanising activities now represent a market share of about 10% in the UK and it is pleasing to

Pictures from top to bottom:

Hill & Smith and Varley & Gulliver products on site in Tripoli.

Pedestrian guard rail manufactured and installed by Varley & Gulliver.

Varioguard — on site on the Avonmouth Bridge, a permanent central reserve barrier.

Picture far left:

Gantry cladding manufactured and installed by Varley & Gulliver on the M1/A1 link in Yorkshire.

Operational Review continued

report that both sales and profits again increased compared with the previous year. With the acquisition of Ash & Lacy plc after the year end, this will consolidate our position in this market still further.

Birtley Building Products again experienced tough market conditions and following the year end we disposed of our garage door business, which we regarded as sub-critical mass, and we also acquired a residential doors business to complement our own activity in this area. The main product area of Birtley is lintels, primarily supplying the housing market, and in order to reduce our unit costs of production further we have committed to invest in a fully automated production line which should be installed in the first quarter of 2001. The smaller activities of GRP products and residential doors performed steadily during the year.

Pipe Supports had a mixed year with the newly established USA operation moving into profit following a greenfield start-up, but the UK operation suffered from the high value of sterling and had to counter difficulties in competing in certain traditional export markets. We are not alone in this respect and we are actively seeking solutions to the problem in a positive manner. We are committed to flexible global sourcing of our product range in order to mitigate

the effects of high sterling exchange rates. As part of our global strategy, we have increased to 87% our investment in Thailand from the initial 80.5% acquired in October 1999. We are continuing to invest in sales personnel and representation in areas of the world where our products are in demand.

D & J Steels produced a creditable return and is now offering more value added processing services to its traditional customer base.

Having achieved further progress again in this financial year with our varied but nevertheless more focused portfolio of businesses, we believe we are ready for a larger challenge. The successful acquisition of Ash & Lacy plc after the year end represents an excellent opportunity for us to develop our strategy of managing a balanced portfolio of businesses, some of which have growth prospects, while others in low growth areas have the potential to improve returns from rationalization measures, bolt-on acquisitions or cost reduction and continuous improvement initiatives. This culture will be consolidated into the newly acquired businesses as part of the integration process.

D.L. GROVE

Group Chief Executive, 23 January 2001

Pictures from top to bottom:

Asset multiplate in use for railway tunnel.

Asset Weholite plastic pipe at Newport, South Wales.

Pictures far left from top to bottom:

Loft access trap door from Birtley Building Products.

Canopies manufactured by Birtley-Bainbridge for Penarth Marina in Wales.

Financial Review

Profit & Loss Account

Operating profit was £4.62m (1999: £4.78m). After disposal of property and losses relating to sales of businesses, profit before interest was £5.02m (1999: £4.24m). Interest charges remained at £0.67m (1999: £0.68m). Tax at £0.88m (1999: £1.27m) was below the standard rate due in part to relief obtained in respect of prior years.

Balance Sheet

Increased goodwill at £3.21m reflects the goodwill capitalised during the year on acquisition of the BACO parapets operation and Optimum. Investment in tangible assets for the year exceeds depreciation and as a result the net book value is now £17.47m (1999: £17.05m).

Stocks have risen to £7.63m (1999: £6.62m) as materials were purchased early to safeguard rising prices during 2000. Debtors at £17.69m (1999: £14.84m) were substantially higher than last year due primarily to an uplift in activity at the year end. This increase is also noticeable in trade creditors. Share capital has reduced due to the buy-back of 325,000 shares early in 2000.

Cash

Cash inflow from operating activities was £4.21m (1999: £8.85m), which reflects increased working capital compared with last year.

After accounting for the effects of acquisitions and disposals of fixed assets and businesses, taxation and dividends, net debt increased by £0.16m. Net debt at the year end was £4.59m (1999: £4.43m).

Gearing

Net gearing at 30 September 2000 was 18.6% (1999: 19.2%).

Following the acquisition of Ash & Lacy plc on 1 November 2000, the number of Hill & Smith shares in issue will be approximately 60m and borrowing will be approximately £75m.

D.L. GROVE
23 January 2001

Pictures from top to bottom:

Fencing provided by Barkers to match original Victorian railings at Eaton Park, Manchester.

Varioguard in place protecting roadworks on the motorway network.

Birtley special lintels provided to the Sikh temple in Bradford.

Pictures far left from top to bottom:

Sliding pipe support for a 1200 NS water pipe in Snowdonia from Pipe Supports.

Sliding bearing in use on Killingholme CHP Plant, Humberside from Pipe Supports.

Directors' Report

The Directors present their fortieth annual report together with the financial statements for the year ended 30 September 2000.

Trading review

The Chairman's Statement on pages 4 and 5 and the Operational and Financial Reviews on pages 6 to 11 contain a review of the trading for the year, a statement as to the current trading position and an indication of the outlook for the future.

Principal activities

The principal activities of the Group companies at September 2000 are:

- Galvanising services.
- Motorway barrier, bridge parapet, security and all other types of steel fencing.
- Pipe supports.
- Steel lintels, and ancillary building products.
- Steel and plastic drainage pipes, tunnel and culvert structures.
- Steel stockholding.

Post-balance sheet event

On 1 November 2000 the Company's recommended offer for Ash & Lacy plc was declared unconditional. Over 90% of the shares have been acquired and the remainder will be acquired. The basic offer valued Ash & Lacy plc at £69.6 million. The cost has been funded by share issue and bank borrowing. In the year to December 1999 Ash & Lacy plc reported a pre-tax profit of £11.126 million.

Dividends

The Directors recommend a final dividend of 2.10p per share (1999: 2.10p per share) to be paid, making the total distribution for the year 4.20p per share (1999: 4.20p per share).

Employees

Group policy is to encourage employees to become shareholders in the Company and all employees with at least six months' continuous service qualify for invitations to join the 1995 Savings Related Share Option Scheme.

The Group aims to give autonomy to all its subsidiary undertakings and to make its employees aware of the financial and economic factors affecting the performance of the employing company. This is achieved by consultative policies such as the issue of newsletters and management briefings.

The Group has a consistent policy which ensures equal consideration to applications for employment from any persons including disabled persons. The same equal consideration for training and career development is maintained within the Group.

Directors and Directors' interests

The names and biographical details of the Directors holding office at the date of this report are shown on pages 2 and 3.

Mr Marshall and Mr Burr were appointed following the acquisition of Ash & Lacy plc. As they were appointed since the date of the last Annual General Meeting they retire in accordance with the Company's Articles of Association and a Resolution proposing their re-election will be submitted at the Annual General Meeting.

The Directors retiring by rotation are Mr Knott and Mr Everett who, being eligible, offer themselves for re-election.

The interests of the Directors in office at the year end and their families in the ordinary shares of the Company according to the register required to be kept by the Companies Act 1985, and their options, are disclosed in note 20 to the financial statements.

Except as disclosed in note 20 to the financial statements, no Director had any interest in any material contract or arrangement in relation to the business of the Company or any of its subsidiaries during the year.

Purchase of own shares

On 28 January 2000, 10 February 2000 and 17 February 2000 the Company purchased 100,000; 75,000; and 150,000 of its own shares at a cost of £198,000 in total. These shares, which represented 0.8% of the issued share capital, were cancelled on 31 March 2000.

Donations

Charitable donations amounting to £1,200 were made in the year. There were no political contributions.

Supplier payment policy

Individual operating companies within the Group are responsible for establishing and adhering to appropriate policies with regard to the payment of their suppliers. The companies agree terms and conditions under which business transactions with suppliers are conducted. The Group does not follow any code or standard on payment practice but it is the Group's policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with agreed terms. It is Group policy to ensure that suppliers know the terms on which payment will take place when business is agreed. The average credit period is 76 days (1999: 75 days). The Holding Company does not have trade creditors.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

H.C. EVERETT
Company Secretary, 23 January 2001

Corporate Governance

The Board is pleased to report that the Company complies, except where stated otherwise, with The Combined Code ("the Code") issued by the UK Listing Authority and has done so in all material respects throughout the year.

Board Committees

The Board has established an Audit Committee, a Remuneration Committee and an Executive Committee.

The Board of Directors, presently comprising the Chairman, the Chief Executive, two executive Directors and three non-executive Directors, meets at least nine times a year and has a list of matters specifically reserved for its decision.

A procedure is in place to allow Directors to take independent professional advice if necessary at the Company's expense. All Directors have free access to the advice and services of the company secretary.

Owing to the small size of the Board a Nomination Committee, as required by the Code, is not deemed appropriate.

The Audit Committee meets at least three times a year and comprises the Chairman and the non-executive Directors, with written terms of reference. The executive Directors may also be invited to attend meetings. The Company's auditors are invited to attend at least two meetings during the year.

The Remuneration Committee comprises the Chairman and the non-executive Directors and meets as and when required. It is responsible for determining the remuneration packages of the executive Directors and for advising on remuneration policy for senior executives. In addition, it also administers the Company's 1995 and 1999 executive share option schemes.

All Directors are required to stand for re-election at the first Annual General Meeting following their appointment and at least every three years by rotation thereafter.

Non-executive Directors

The Company has experienced non-executive Directors who represent a source of strong independent advice and judgement.

The remuneration of non-executive Directors is set by the Board in line with market levels.

Non-executive Directors are not appointed for specified terms as required by the Code.

The senior independent non-executive Director is Mr S.H.J.A. Knott.

Remuneration policy

Details of the Company's remuneration policy is provided in the Board's Report on Remuneration on pages 16 to 19.

Relations with Shareholders

Members of the Board meet regularly with institutional shareholders, mainly in the periods following the announcement of the interim and final results, but also at other times during the year, particularly when proposed transactions would require shareholders' approval.

The Company arranges for the notices of the Annual General Meeting and related papers to be sent to shareholders and gives at least 20 working days' notice in advance of the meeting. At general meetings, the Company counts all proxy votes and, except where a poll is called, indicates the level of proxies lodged on each resolution giving the balance for and against the resolution, after it has been dealt with on a show of hands.

Internal Control

The Board of Directors has overall responsibility for the Group's system of internal controls and for monitoring its effectiveness.

In order to discharge its responsibility in a manner which ensures compliance with laws and regulations and promotes effective and efficient operations, the Board of Directors has established an organisational structure with clear operating procedures, lines of responsibility, and delegated authority.

In particular, there are clear procedures for:

— capital investments, with detailed appraisal, authorisation and post-investment review;
— financial reporting, within a comprehensive financial planning and accounting framework;
— monitoring of business risks, with key risks identified and reported to the Board and Audit Committee.

Responsibility for monitoring the system of internal financial control is delegated by the Board to the Audit Committee which has the following processes to discharge its responsibility:

— whilst there is no formal internal audit function, reports covering financial control weaknesses at specific operations are produced on an *ad hoc* basis by the Group financial controller and are reviewed by the Audit Committee;
— recommendations made by the external auditors as a result of the annual audit process are reviewed by the Audit Committee;
— issues identified by the internal and external audit processes are discussed with management and action plans put in place to address the issues.

The Chairman of the Audit Committee reports the outcome of its meetings to the Board and the Board receives the minutes of all Audit Committee meetings.

The Directors report that they have undertaken during the year a formal review of the effectiveness of the Group's system of internal financial controls as envisaged by the Code.

It must be recognised, however, that such a system can provide only reasonable and not absolute assurance and in that context, the review revealed nothing which, in the opinion of the Board, indicated that the system was inappropriate or unsatisfactory.

Formal guidance as to the review of non-financial internal control, as required by the Code, included transitional rules that did not require full compliance with that guidance until December 2000.

During the year ended 30 September 2000 the Board undertook a formal risk review to address the wider non-financial issues facing the Group. This was based on each operation producing a risk register identifying their key risks, the probability of those risks occurring, their impact if they do occur and the actions being taken to manage those risks to the desired level. This information was then passed up on a filter basis culminating in the production of a Group risk register. This identifies the key risks facing the Group across all its businesses under a number of generic risk areas. These risks are discussed at Executive Committee meetings and regular monitoring reports are received giving an update on progress.

The Board reviews the Group risk register and receives regular reports from the Executive Directors on any major problems that have occurred and how the risks have changed since their initial identification.

The Board reviews the role of insurance in managing risks across the Group.

The Directors report that full procedures are in place to achieve compliance with the internal control aspects of the Code for the next financial period.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Board's Report on Remuneration

The Remuneration Committee

The Remuneration Committee comprises the Chairman, Mr D.S. Winterbottom, and the three non-executive Directors, Mr S.H.J.A. Knott, who chairs the Committee, Mr H.C. Marshall and Mr R.E. Richardson. It is responsible for determining all aspects of the remuneration packages of executive Directors and key senior executives and consults with the Chief Executive on its proposals. The members of the Committee have no personal financial interest, other than as shareholders, in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business.

Remuneration Policy

The remuneration policy is set by the Board as a whole with the Remuneration Committee then working within the policy to set individual executive remuneration.

The basic object of the policy is to ensure that the remuneration packages offered are designed to attract and retain executive Directors and key senior executives of the right calibre and motivate them to make the maximum possible contribution to the Group and to increase shareholder value. The remuneration packages consist of a basic salary and certain benefits in kind; performance related cash bonuses, share options and pension benefits. In framing its remuneration policies, full consideration has been given to Section B of the Code.

The main elements of the remuneration package for executive Directors are:

Basic salary and benefits in kind

Basic salaries are determined by the Remuneration Committee, taking into account the performance of each individual and the rates of salary for similar positions in comparable companies. The salaries are reviewed annually as at 1 October or when a change of responsibilities occurs. Benefits in kind provided are in the main a company car and fuel and private health care insurance.

Performance related cash bonuses

There is a performance related cash bonus scheme in operation for the executive Director, Mr H.C. Everett, and for key senior executives. Under the bonus scheme a cash bonus expressed in terms of a percentage of basic salary is awarded annually on the achievement of specific financial and other targets set at the beginning of each financial year by the Remuneration Committee. The maximum bonus under this scheme is capped at 40 per cent of basic salary.

The Chief Executive, Mr D.L. Grove, does not himself receive any bonus but under an agreement between the Company and Grove Industries Limited ("GIL"), a company of which Mr Grove is the chairman, GIL, in addition to receiving an annual fee for permitting Mr Grove to provide his services to the Company may also receive an annual performance related cash bonus dependent upon the amount of increase in the Group Operating Profit (as therein defined) in accordance with the formula set out in that agreement. That bonus is capped at 1.5 times the sum of the annual salary payable to Mr Grove under his service agreement and the annual fee payable to GIL.

Share options

The Company has three share option schemes under which options can be granted to executive Directors and senior executives. Two of those schemes are executive share option schemes ("the 1995 Executive Share Option Scheme" and "the 1999 Non-Approved Executive Share Option

Scheme") which are administered by the Remuneration Committee and the other scheme is a savings related share option scheme ("the 1995 Savings Related Share Option Scheme").

Options granted under the two executive share option schemes cannot be granted at less than market value and, subject to limited exceptions, can only be exercised if specified performance criteria are met. The performance criteria currently set by the Remuneration Committee under both executive share option schemes are that options may only be exercised if the growth in earnings per share of the Company calculated on an IIMR basis over a 3 year period is not less than the increase in the Retail Price Index plus 6 per cent over the same period.

Options granted under the 1995 Executive Share Option Scheme must be exercised between 3 and 10 years after the date of grant and options granted under the 2000 Non Approved Executive Share Option Scheme must be exercised between 3 and 7 years after the date of grant.

In granting options under the two executive share option schemes, the Remuneration Committee has continued the practice which was adopted by the Company when granting options under a previous executive share option scheme in that the number of options granted to an individual has reflected the salary grade of that individual.

The 1995 Savings Related Share Option Scheme is open to all employees, including executive Directors, who have completed 6 months' continuous service. Under this scheme the Company can, if it thinks fit, grant options at a price up to 20 per cent below the market price. On the last occasion — January 1999 — on which options were granted under this scheme they were granted at market value.

Details of options held by the Directors are shown in note 20 on page 42.

Directors' pension entitlement

Mr H.C. Everett is the only executive Director to participate in the Hill & Smith Group Pension and Assurance Scheme which provides pensions and other benefits within the Inland Revenue limits. The scheme provides an executive Director, at normal retirement age, 65, with a pension of two-thirds of his final pensionable salary, subject to completion of a sufficient number of years' service. In accordance with policy formulated many years ago, pensionable salary includes the annual performance related bonus. Whilst the practice does not comply with the Combined Code, the Remuneration Committee is of the opinion that as such bonus forms an integral part of an executive Director's overall package, it is appropriate for it to continue to be pensionable. Dependants of executive Directors are eligible for a pension of two-thirds of the pension entitlement and the payment of a lump sum in the event of the death of the Director whilst in service.

Service Agreements

The Chairman, Mr D.S. Winterbottom, and two of the executive Directors, Mr D.L. Grove and Mr H.C. Everett, have service agreements with the Company and, as mentioned above, GIL also has an agreement with the Company whereby in consideration of GIL permitting Mr Grove to provide his services to the Company it receives from the Company an annual fee and a performance related cash bonus.

The Chairman's service agreement is terminable by either party giving to the other 12 months' notice to terminate the same but if a Change in Control (as that expression is defined in the service agreement) of the Company takes place the Group Chairman may at any time within the 12 month period immediately following such Change in Control terminate the agreement by 90 days' notice instead of 12 months' notice. In the event of the service agreement being terminated by either party within the 12 month period immediately following such Change in Control the terms of the contract are payable in full without mitigation.

Mr Everett may terminate his service agreement with the Company by giving 6 months' notice to the Company to terminate the same. The Company may terminate this service agreement by giving Mr Everett 12 months' notice to terminate the same but if the notice is given within the period of 12 months immediately following a Change in Control the Notice to be given by the Company must not be less than 18 months. On termination of the service agreement by the Company without proper notice, Mr Everett is under a duty to mitigate any loss unless such termination is effected within the period of 12 months following a Change in Control.

Mr C. Burr, who joined the Board on 2 November 2000, continues to operate under the terms of his contract with Ash & Lacy plc, prior to adoption of a new contract.

Mr D.L. Grove's service agreement is terminable by either party giving to the other 12 months' notice to terminate the same but during the period of 90 days following a Change in Control the period of notice required to be given by the Company to Mr Grove is increased from 12 months to 18 months and the period of notice required to be given by Mr Grove to the Company is reduced from 12 months to 90 days. If, during the period of 90 days immediately following a Change in Control, the service agreement is terminated by Mr Grove or is terminated by the Company without proper notice, Mr Grove is entitled to a sum equal to 18 months' salary.

The agreement between the Company and GIL referred to under the heading Performance related cash bonuses contains similar termination arrangements to those contained in the service agreement between the Company and Mr Grove.

Remuneration of Chairman and non-executive Directors

The remuneration of the Chairman of the Board is determined by the Board after recommendations duly made to it by the other members of the Remuneration Committee.

The three non-executive Directors each receive an annual fee which is agreed by the other members of the Board following a recommendation by the Chairman.

Directors' Remuneration Details — Year ended 30 September 2000

The remuneration in respect of each Director for the year ended 30 September 2000 was as follows:

	Fees/ Salary £000	Benefits £000	Performance related bonus £000	Total for 2000 £000	Total for 1999 £000
Chairman:					
(Non-executive)					
D.S. Winterbottom	33	—	—	33	33
Executive:					
D.L. Grove	110	—	—	110	228
H.C. Everett	60	11	—	71	84
Non-executive:					
John G. Silk (retired March 1999)	—	—	—	—	11
S.H.J.A. Knott	15	—	—	15	15
R.E. Richardson	15	—	—	15	15
	233	11	—	244	386

Directors' pensions

Pension benefits earned by the Directors

	Age at year end	Director's contributions in year £000	Increase in accrued pension during the year £000	Accumulated total accrued pension at year end £000
H.C. Everett	56	4	2	23

Notes to pension benefits

1. The pension entitlement is that which would be paid annually on retirement based on service to the year end.
2. The Director's contributions are the contributions paid in the year by the Director under the terms of the scheme.
3. The pensions shown above are subject to a guaranteed annual increase of 3%.

This report was approved by the Board and signed on its behalf by:

S.H.J.A. KNOTT

Chairman, Remuneration Committee

23 January 2001

Other Information

Interests of Directors and substantial shareholders

Directors' shareholdings have varied between 30 September 2000 and 15 January 2001 as follows:

As a consequence of the acquisition of Ash & Lacy plc the following shares in Hill & Smith Holdings PLC were acquired by Directors with effect from 2 November 2000.

D.L. Grove	41,400
S.H.J.A. Knott	800,000
H.C. Marshall	65,220
C.J. Burr	62,628
H.C. Everett	913

The Company has been notified of the following substantial shareholdings of 3% or more of the issued share capital on 15 January 2001.

	Ordinary shares	% of issued share capital
G. Hampson Silk	4,125,168	6.9
P.J. Hampson Silk	4,125,169	6.9
Funds Managed by:		
Close Investment 1997 Fund	9,176,733	15.4
Cayzer Trust	5,155,738	8.6
Friends Ivory & Sime plc	2,773,510	4.6
Flemming Investment Trust Management	2,500,000	4.2

Close Securities Limited has granted an option to D.L. Grove, see note 20.

Of G. Hampson Silk's ordinary shares, 3,340,959 are either registered in his own name or his wife's name. Of the remaining ordinary shares, 730,876 are registered in the name of a private limited company of which he is a director and in which he has control of more than one-third of the voting power at general meetings of that company and 53,333 are held in a discretionary trust of which he is a trustee.

Of P.J. Hampson Silk's ordinary shares, 3,340,960 are either registered in his own name or his wife's name. Of the remaining ordinary shares, 730,876 are registered in the name of a private limited company of which he is a director and in which he has control of more than one-third of the voting power at general meetings of that company and 53,333 are held in a discretionary trust of which he is a trustee.

As far as the Directors are aware, there were no other notifiable shareholdings according to the Company's share register on 15 January 2001.

The shares in issue on 15 January 2001 were 59,755,682. Further shares will be issued in due course to non-assenting shareholders of Ash & Lacy plc who at 15 January have not accepted the Company's offer.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditor's Report to the members of Hill & Smith Holdings PLC

We have audited the financial statements on pages 23 to 45 and the detailed information set out on page 19 of the Board's Report on Remuneration.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 21, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on pages 14 and 15 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants	2 Cornwall Street
Registered Auditor	Birmingham
23 January 2001	B3 2DL

Consolidated Profit & Loss Account

for the year ended 30 September 2000

	Notes	**2000** **Total** **£000**	1999 Continuing £000	1999 Discon-tinued £000	1999 Total £000
Turnover	**1**	**58,858**	56,505	5,435	61,940
Cost of sales		**(42,114)**	(40,350)	(4,389)	(44,739)
Gross profit		**16,744**	16,155	1,046	17,201
Distribution costs		**(3,021)**	(2,583)	(343)	(2,926)
Administrative expenses		**(9,103)**	(8,752)	(745)	(9,497)
Operating profit/(loss)		**4,620**	4,820	(42)	4,778
Profit on sale of property		**464**	—	—	—
Loss on sale of net assets		**(64)**	—	(925)	(925)
Related goodwill		**—**	—	386	386
Loss on sale of businesses		**(64)**	—	(539)	(539)
Profit/(loss) on ordinary activities before interest	**1**	**5,020**	4,820	(581)	4,239
Net interest	**2**	**(668)**			(677)
Profit on ordinary activities before tax	**3**	**4,352**			3,562
Tax on profit on ordinary activities	**6**	**(879)**			(1,269)
Profit for the financial year		**3,473**			2,293
Dividends on equity shares	**7**	**(1,621)**			(1,635)
Retained profit for the year		**1,852**			658
Earnings per ordinary share:	**8**				
Basic		**8.96p**			5.82p
Diluted		**8.93p**			5.81p
IIMR		**7.92p**			7.01p

Turnover and operating profit for the year ended 30 September 2000 were derived wholly from continuing operations.

Consolidated Balance Sheet

as at 30 September 2000

	Notes	2000 £000	2000 £000	1999 £000	1999 £000
Fixed assets					
Intangible assets	9		3,213		2,826
Tangible assets	10		17,470		17,054
Investments	11		1,365		1,400
			22,048		21,280
Current assets					
Property held for realisation	12	—		906	
Stocks	13	7,632		6,624	
Debtors	14	17,689		14,841	
Cash at bank and in hand		288		1,291	
		25,609		23,662	
Creditors: Amounts falling due within one year	15	(22,302)		(18,488)	
Net current assets			3,307		5,174
Total assets less current liabilities			25,355		26,454
Creditors: Amounts falling due after more than one year	16		(305)		(2,843)
Provisions for liabilities and charges	18		(330)		(531)
Net assets			24,720		23,080
Capital and reserves					
Called up share capital	19		9,654		9,734
Share premium	21		135		133
Revaluation reserve	21		1,781		1,907
Capital redemption reserve	21		238		156
Profit and loss account	21		12,876		11,150
Equity shareholders' funds			24,684		23,080
Minority interest — equity			36		—
			24,720		23,080
Net assets per share			63.92p		59.28p

These financial statements were approved by the Board of Directors on 23 January 2001 and were signed on its behalf by:

D.S. WINTERBOTTOM
Director

D.L. GROVE
Director

Company Balance Sheet

as at 30 September 2000

	Notes	2000 £000	2000 £000	1999 £000	1999 £000
Fixed assets					
Tangible assets	10		30		44
Investments	11		19,886		20,863
			19,916		20,907
Current assets					
Property held for realisation	12	—		906	
Debtors	14	2,099		1,994	
		2,099		2,900	
Creditors: Amounts falling due within one year	15	(7,433)		(7,943)	
Net current liabilities			(5,334)		(5,043)
Total assets less current liabilities			14,582		15,864
Creditors: Amounts falling due after more than one year	16		—		(1,000)
Provisions for liabilities and charges	18		(138)		(313)
Net assets			14,444		14,551
Capital and reserves					
Called up share capital	19		9,654		9,734
Share premium	21		135		133
Capital redemption reserve	21		238		156
Profit and loss account	21		4,417		4,528
Equity shareholders' funds			14,444		14,551

These financial statements were approved by the Board of Directors on 23 January 2001 and were signed on its behalf by:

D.S. WINTERBOTTOM
Director

D.L. GROVE
Director

Consolidated Cash Flow Statement

for the year ended 30 September 2000

	Notes	2000 £000	2000 £000	1999 £000	1999 £000
Net cash inflow from operating activities	**25**		**4,213**		8,851
Returns on investment and servicing of finance					
Interest received		**2**		14	
Interest paid		**(589)**		(635)	
Interest element of finance lease rental payments		**(82)**		(56)	
			(669)		(677)
Taxation					
Corporation tax paid			**(386)**		(748)
Capital expenditure and financial investment					
Purchase of fixed assets		**(1,989)**		(1,987)	
Sale of fixed assets		**144**		3,728	
Sale of properties held for realisation		**1,370**		444	
			(475)		2,185
Acquisitions and disposals					
Purchase of businesses	**27**	**(665)**		(1,175)	
Sale of businesses net of costs of disposal		**(64)**		(377)	
			(729)		(1,552)
Equity dividends paid			**(1,632)**		(831)
Cash inflow before financing			**322**		7,228
Financing					
Issue of ordinary share capital		**4**		—	
Capital element of finance lease rental payments net of advances	**26**	**(378)**		189	
Repayment of loans	**26**	**(3,500)**		(1,608)	
Purchase of own shares		**(198)**		(406)	
			(4,072)		(1,825)
(Decrease)/increase in cash			**(3,750)**		5,403
Reconciliation of net cash flow to movement in net debt					
(Decrease)/increase in cash in the period	**26**		**(3,750)**		5,403
Decrease in debt and lease financing			**3,878**		1,419
Changes in net debt from cash flows	**26**		**128**		6,822
New finance leases	**26**		**(284)**		—
Movement in net debt in the year			**(156)**		6,822
Net debt at 30 September 1999	**26**		**(4,433)**		(11,255)
Net debt as at 30 September 2000	**26**		**(4,589)**		(4,433)

Other Primary Statements

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 30 September 2000

	2000 **£000**	1999 £000
Profit for the financial year	**3,473**	2,293
Realised gain/(unrealised deficit) on revaluation of properties	**126**	(373)
Exchange differences on the retranslation of net investments	**(54)**	4
Total recognised gains and losses relating to the financial year	**3,545**	1,924

Note of Consolidated Historical Cost Profits and Losses

There is no material difference between the results as disclosed in the profit and loss account and the results as given on an unmodified historical cost basis.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2000

	Group		**Company**	
	2000 **£000**	1999 £000	**2000** **£000**	1999 £000
Profit/(loss) for the financial year	**3,473**	2,293	**1,708**	(4,030)
Dividends	**(1,621)**	(1,635)	**(1,621)**	(1,635)
	1,852	658	**87**	(5,665)
Exchange differences	**(54)**	4	**—**	—
Revaluation deficit	**—**	(373)	**—**	—
New share capital subscribed	**4**	—	**4**	—
Goodwill taken to profit and loss account on disposal	**—**	(386)	**—**	—
Purchase of own shares	**(198)**	(406)	**(198)**	(406)
Net increase/(reduction) in shareholders' funds	**1,604**	(503)	**(107)**	(6,071)
Opening shareholders' funds	**23,080**	23,583	**14,551**	20,622
Closing shareholders' funds	**24,684**	23,080	**14,444**	14,551

Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2000. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Goodwill and negative goodwill

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 October 1998, when FRS10 Goodwill and intangible assets was adopted, was written off to reserves in the year of acquisition. In accordance with transitional rules of FRS 10, this treatment has continued to be applied to such acquisitions. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 October 1998 is capitalised. Positive goodwill is amortised by equal annual instalments over its estimated useful life.

The Directors consider each acquisition separately for the purpose of determining the amortisation period for any goodwill that arises.

On the subsequent disposal or termination of a business acquired since 1 October 1998, the profit or loss on disposal or termination is calculated after charging/(crediting) the unamortised amount of any related goodwill.

In the Company's financial statements, investments in subsidiary undertakings and associates are stated at cost less amounts written off for impairment.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	— 50 years
Leasehold land and buildings	— life of lease
Plant, machinery and vehicles	— 4 to 20 years

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Any gain or loss on translation arising from a movement in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rate. Profit and loss accounts of such undertakings are consolidated at the average exchange rate during the year and the adjustment to year end rates is taken directly to reserves. Exchange differences arising on the retranslation of the opening net assets of foreign subsidiaries, foreign currency loans used for overseas investment and transactions executed solely for the purpose of hedging foreign currency asset exposure are taken directly to reserves.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension Costs

The Group contributes into two defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the year.

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the FIFO method is used. Cost for work in progress and finished goods comprises direct materials, direct labour and an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

Notes to the Financial Statements

1. Segmental information

	Galvanising Services		Engineering Products		Total	
	2000	1999	**2000**	1999	**2000**	1999
	£000	£000	**£000**	£000	**£000**	£000
Turnover						
Total sales	**10,582**	9,430	**51,971**	55,992	**62,553**	65,422
Inter-segment sales	**(3,695)**	(3,482)	**—**	—	**(3,695)**	(3,482)
	6,887	5,948	**51,971**	55,992	**58,858**	61,940
Segment operating profit	**1,603**	1,275	**3,697**	4,267	**5,300**	5,542
Loss on sale of discontinued operations	**—**	—	**(64)**	(539)	**(64)**	(539)
Profit on sale of fixed assets	**—**	—	**464**	—	**464**	—
Segment profit before interest and taxation	**1,603**	1,275	**4,097**	3,728	**5,700**	5,003
Common costs					**(680)**	(764)
Group profit before interest and taxation					**5,020**	4,239
Net assets						
Segment net assets	**7,324**	7,900	**22,605**	20,755	**29,929**	28,655
Unallocated net liabilities					**(5,209)**	(5,575)
Total net assets					**24,720**	23,080

Discontinued activities in 1999 related to the engineering products sector.

Unallocated net liabilities represent net borrowings including hire-purchase and finance leases, taxation and dividends payable less properties held for realisation.

Turnover and profit by country of origin is as follows:

	Turnover		Operating profit	
	2000	1999	**2000**	1999
	£000	£000	**£000**	£000
UK	**56,255**	61,570	**4,548**	4,888
Rest of world	**2,603**	370	**72**	(110)
	58,858	61,940	**4,620**	4,778

1. Segmental information continued

Turnover by geographical destination is as follows:	2000 £000	1999 £000
UK	**49,299**	54,810
Rest of Europe	**1,760**	1,662
Asia	**3,158**	4,501
America	**4,457**	766
Middle East	**141**	25
Africa	**43**	176
	58,858	61,940

2. Net interest

	2000 £000	1999 £000
On bank loans and overdrafts	**448**	495
On all other loans	**140**	140
Finance charges payable in respect of finance leases and hire-purchase contracts	**82**	56
Interest payable and similar charges	**670**	691
Less: interest receivable	**(2)**	(14)
	668	677

3. Profit on ordinary activities before taxation

		2000 £000	1999 £000
Profit on ordinary activities before taxation is stated after charging:			
Auditors' remuneration (including Company £10,000 (1999: £10,000))		**78**	75
Depreciation and other amounts written off tangible fixed assets:			
Owned		**1,634**	1,736
Leased		**188**	144
Amortisation of goodwill		**150**	60
Operating lease rentals	— plant and machinery	**227**	326
	— other	**368**	270
Foreign exchange loss		**9**	14
Research and development expenditure		**141**	37
Loss on disposal of fixed assets		**4**	—
After crediting:			
Profit on disposal of fixed assets		**—**	34
Income from fixed asset investments		**43**	18

Fees paid to KPMG Audit Plc and its associates for non-audit services amounted to £39,000 (1999: £175,000). Non-audit fees comprise accountancy, tax and other advisory services in connection with acquisitions and disposals, tax compliance services and other services.

Notes to the Financial Statements

4. Remuneration of Directors

The disclosures required by the Companies Act 1985 and the London Stock Exchange in respect of Directors' emoluments are given in the Board's report on remuneration on page 19.

5. Staff numbers and costs

The average number of persons employed by the Group (including Directors) was:

	2000 Number	1999 Number
Production	**548**	465
Administration	**148**	184
Sales and distribution	**74**	80
	770	729

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	**13,553**	13,482
Social security costs	**1,094**	1,097
Other pension costs/(credit)	**(61)**	25
	14,586	14,604

6. Taxation

	2000 £000	1999 £000
UK corporation tax at 30% (1999: 30.5%)	**1,155**	1,118
Deferred taxation	**(26)**	(29)
Adjustments relating to an earlier year — corporation tax	**(250)**	180
	879	1,269

7. Dividends

	2000 £000	1999 £000
Equity shares:		
Interim dividend payable of 2.10p per share (1999: 2.10p)	**810**	818
Final dividend proposed of 2.10p per share (1999: 2.10p)	**811**	817
	1,621	1,635

8. Earnings per share

The basic earnings per share is arrived at by dividing the profit after tax of £3.473m (1999: £2.293m) by 38,777,907 shares (1999: 39,389,495), being the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share is arrived at by dividing the profit after tax of £3.473m (1999: £2.293m) by 38,897,976 shares (1999: 39,457,503), being the weighted average number of ordinary shares as adjusted for the dilutive effect of share options outstanding at the year end.

The IIMR earnings per share is calculated by reference to earnings of £3.073m (1999: £2.765m) divided by 38,777,907 shares (1999: 39,389,495), being the weighted average number of ordinary shares in issue during the year. The reconciliation to basic earnings per share is as follows:

	2000	1999
	Pence	Pence
Basic earnings per share	**8.96**	5.82
Profit on sale of property	**(1.20)**	—
Loss on sale of businesses	**0.16**	1.37
Tax effect on non-operating exceptional items	**—**	(0.18)
IIMR earnings per share	**7.92**	7.01

9. Intangible fixed assets

	Goodwill	
	2000	1999
	£000	£000
Group		
Cost		
At beginning of year	**2,886**	—
Arising on acquisitions during year	**537**	2,886
At end of year	**3,423**	2,886
Amortisation		
At beginning of year	**60**	—
Charged in year	**150**	60
At end of year	**210**	60
Net book value		
At end of year	**3,213**	2,826

Notes to the Financial Statements

10. Tangible fixed assets

	Land and buildings Freehold £000	Long leasehold £000	Plant, machinery and vehicles £000	Group Total £000	Company Plant, machinery and vehicles £000
Cost or valuation					
At beginning of year	7,107	400	19,878	27,385	102
Additions	168	—	2,040	2,208	13
Acquisitions during the year	—	—	53	53	—
Disposals	—	—	(1,871)	(1,871)	(23)
Exchange differences	—	—	26	26	—
At end of year	**7,275**	**400**	**20,126**	**27,801**	**92**
Depreciation					
At beginning of year	124	16	10,191	10,331	58
Charge for the year	89	7	1,726	1,822	18
Disposals	—	—	(1,823)	(1,823)	(14)
Exchange differences	—	—	1	1	—
At end of year	**213**	**23**	**10,095**	**10,331**	**62**
Net book value					
At 30 September 2000	**7,062**	**377**	**10,031**	**17,470**	**30**
At 30 September 1999	6,983	384	9,687	17,054	44

Certain of the Group's properties were revalued at 30 September 1999 by the Directors, having taken appropriate professional advice, on the basis of open market value for their existing use.

Particulars relating to revalued assets are given below:

	2000 £000	1999 £000
Land and buildings		
At 1997 open market value for existing use	**3,225**	3,225
At 1998 open market value for existing use	**2,123**	2,123
At 1999 open market value for existing use	**2,005**	2,005
At historic cost	**322**	154
Cost/valuation	**7,675**	7,507
Historical cost of revalued assets	**6,153**	6,153
Aggregate depreciation based on historical cost	**(1,158)**	(1,125)
Historical cost net book value	**4,995**	5,028

Other tangible fixed assets, including additions subsequent to the revaluation of land and buildings, are included at cost.

The gross book value of land and buildings includes freehold land of £3,200,000 (1999: £3,200,000).

Included in the net book value of plant, machinery and vehicles is £1,500,000 (1999: £1,402,000) in respect of assets held under finance leases and similar hire-purchase contracts.

Included within plant, machinery and vehicles are assets held for hire with a cost of £831,000 (1999: £224,000) and accumulated depreciation of £63,000 (1999: £8,000).

11. Fixed asset investments

Group	Trade investments £000	Loans £000	Total £000
Cost and net book value			
At beginning of year	950	450	1,400
Additions	65	—	65
Repaid during year	—	(100)	(100)
At end of year	**1,015**	**350**	**1,365**

As part of the arrangements for the disposal of certain subsidiary undertakings, the Company acquired certain trade investments and made loans to those companies. The Company holds 100% of the issued 'A' ordinary share capital of Brockhouse Forgings Limited, acquired at a cost of £750,000 and a loan amounting to £250,000 which is secured by a fixed and floating charge on all the assets of the company, carries interest at 2% above the bank rate and is repayable at any time with the permission of that company's bankers following the approval of the company's accounts for the year ended 30 April 1999. The investment is accounted for as a trade investment because the Group, which has only 19.5% of the voting rights, is unable to exercise any significant influence over the company.

The Company also holds 100% of the 8% cumulative redeemable preference shares issued by Tipton Steel Stockholders Limited, acquired at a cost of £200,000 and a loan amounting to £100,000 which is secured and carries interest at 8%. The preference shares are repayable in two instalments on 1 May 2002 and 2003, or earlier at that company's request, whilst the loan stock is repayable in one instalment on 1 May 2001.

Company	Shares in Group undertakings £000	Loans to Group undertakings £000	Trade investments £000	Other Loans £000	Total £000
Cost					
At beginning of year	15,219	8,119	950	450	24,738
Repaid during year	—	(877)	—	(100)	(977)
At end of year	**15,219**	**7,242**	**950**	**350**	**23,761**
Provisions					
At beginning of year	3,875	—	—	—	3,875
At end of year	**3,875**	**—**	**—**	**—**	**3,875**
Net book value					
At 30 September 2000	**11,344**	**7,242**	**950**	**350**	**19,886**
At 30 September 1999	11,344	8,119	950	450	20,863

A list of the principal Group businesses is given on page 48. All of the Group's subsidiaries at 30 September 2000 are wholly owned except for Pipe Supports (Asia) Limited, a company incorporated in Thailand, in which the Group has an equity interest of 87%. Asset International (Ireland) Limited is incorporated in the Republic of Ireland and Pipe Supports USA, Inc. is incorporated in the United States of America.

In addition, the Company holds 100% of the issued share capital of Royston Steel Fencing Limited. This investment is temporary and when the assets of the company are realised it will be wound up. Consequently, its results and assets are not included in the consolidated financial statements of the Group. It is not expected that any further losses will arise to the Group upon the winding-up of the company.

Notes to the Financial Statements

12. Properties held for realisation

	Group		Company	
	2000	1999	**2000**	1999
	£000	£000	**£000**	£000
	—	906	**—**	906

13. Stocks

	Group	
	2000	1999
	£000	£000
Raw materials and consumables	**2,764**	3,176
Work in progress	**863**	1,544
Finished goods and goods for resale	**4,005**	1,904
	7,632	6,624

14. Debtors

	Group		Company	
	2000	1999	**2000**	1999
	£000	£000	**£000**	£000
Trade debtors	**16,481**	13,341	**—**	—
Amounts owed by subsidiary undertakings	**—**	—	**1,671**	1,505
Corporation tax	**140**	459	**327**	271
Advance corporation tax	**—**	134	**—**	—
Other debtors	**281**	94	**—**	—
Prepayments and accrued income	**787**	813	**101**	218
	17,689	14,841	**2,099**	1,994

Trade debtors include £65,000 (1999: £20,000) due after more than one year.

15. Creditors: amounts falling due within one year

	Group		Company	
	2000	1999	**2000**	1999
	£000	£000	**£000**	£000
Debenture loan (see note 16)	**—**	1,000	**—**	1,000
Bank loans and overdrafts (see note 16)	**4,122**	1,500	**5,380**	4,108
Obligations under finance leases and hire-purchase contracts (see note 16)	**468**	381	**—**	—
Trade creditors	**12,221**	10,065	**—**	—
Amounts owed to Group undertakings	**—**	—	**85**	31
Corporation tax	**801**	734	**—**	18
Other taxation and social security	**1,612**	1,194	**4**	—
Accruals and deferred income	**1,457**	1,979	**343**	1,151
Dividends proposed	**1,621**	1,635	**1,621**	1,635
	22,302	18,488	**7,433**	7,943

16. Creditors: amounts falling due after more than one year

	Group		Company	
	2000	1999	**2000**	1999
	£000	£000	**£000**	£000
Bank loans and overdrafts	**—**	2,375	**—**	1,000
Obligations under finance leases and hire-purchase contracts	**287**	468	**—**	—
Accruals and deferred income	**18**	—	**—**	—
	305	2,843	**—**	1,000

The maturity of financial liabilities entered into by the Group and the Company are as follows:

	Group		Company	
	2000	1999	**2000**	1999
	£000	£000	**£000**	£000
Debenture loan				
Amounts due within one year	**—**	1,000	**—**	1,000
Bank loans and overdraft				
Amounts due within one year	**4,122**	1,500	**5,380**	4,108
Amounts due after more than one year				
Between one and two years	**—**	1,500	**—**	500
Between two and five years	**—**	875	**—**	500
	—	2,375	**—**	1,000
	4,122	3,875	**5,380**	5,108
Finance leases and hire-purchase obligations				
Amounts due within one year	**468**	381	**—**	—
Amounts due after more than one year				
Between one and two years	**103**	193	**—**	—
Between two and five years	**184**	275	**—**	—
	287	468	**—**	—
	755	849	**—**	—

The debenture loan comprised 14% first mortgage debenture stock which was secured on freehold and leasehold properties of certain of the Company's subsidiaries.

The Company has redeemed, in whole, the debenture stock at par on 30 September 2000.

The bank loans carry a rate of interest of 0.7% above the London Inter-Bank Offered Rate.

Obligations under finance leases and hire-purchase contracts are secured on the relevant assets.

Notes to the Financial Statements

17. Financial instruments

(a) Management of financial risks

The Group's major financial risks relate to movements of interest and exchange rates. Management continually review the Group's exposure to these issues and will, if required, make appropriate use of derivative financial instruments to mitigate this exposure. No such instruments have been in place during the year.

Interest rate risk

The Group is subject to fluctuations in interest rates on its borrowings and surplus cash. There is no internal policy requirement to take out interest rate hedging on these, although appropriate arrangements would be made if management believed that it was necessitated by market conditions. Following the acquisition of Ash & Lacy plc on 1 November 2000 the Group has locked into fixed interest rates on part of its borrowings.

Currency exposure

The Group is subject to fluctuations in exchange rates on its net investments overseas and on transactional monetary assets and liabilities not denominated in the operating (or 'functional') currency of the operating unit concerned. The Group's policy is to hedge, where practical, the net asset value of its overseas investments. This hedging is currently achieved through borrowings in the respective currencies.

The Group is predominantly UK based and undertakes the majority of its transactions in Sterling. Consequently it has no material transactional monetary assets or liabilities denominated in currencies other than the functional currencies of its respective geographical areas of operation. As a result, there is no internal policy requirement to take out exchange rate hedging on the Group's transactional monetary assets and liabilities although this position is continually reviewed and, were changes in the Group or market conditions to warrant it, appropriate arrangements would be made.

(b) Financial assets

The Group's financial assets, excluding short-term debtors, consist mainly of a cash surplus held at bank in the current account and fixed asset investments as detailed in Note 11.

Where cash surpluses arise in the short term, interest is earned based on a floating rate related to bank base rates or LIBOR. Where the Group's funding requirements allow longer term investment of surplus cash, management will review available options to obtain the best possible return whilst maintaining an appropriate degree of access to the funds.

17. Financial instruments continued

(c) Financial liabilities

The Group's financial liabilities, excluding short term creditors, which are all sterling denominated, are set out below. Fixed rate financial liabilities comprise sterling denominated finance leases and hire-purchase agreements and bank loans. There was a fixed rate mortgage debenture repaid 30 September 2000. Floating rate financial liabilities comprise sterling denominated bank loans and overdrafts. The floating rate financial liabilities bear interest at rates related to bank base rates or LIBOR.

	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Total £000
Currency			
Sterling at 30 September 2000	**4,122**	**755**	**4,877**
Sterling at 30 September 1999	3,875	1,849	5,724

	Fixed rate financial liabilities	
	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
Sterling at 30 September 2000 — finance leases and hire-purchase agreements	**7.8**	**2.1**
Sterling total at 30 September 1999	11.2	2.0

(d) Maturity profile

The maturity profile of the Group's and Company's financial liabilities other than short-term creditors such as trade creditors and accruals is shown in note 16 to the financial statements.

At 30 September 2000 the Group had the following undrawn committed facilities with an average maturity of $1\frac{1}{2}$ months, in respect of which all conditions precedent had been met:

	2000 £000	1999 £000
Undrawn committed borrowing facilities		
Expiring in one year or less	**16,000**	9,000

(e) Fair values

At 30 September 2000 the fair value of the Group's financial instruments was not materially different to the book value of the instruments. The fair value was calculated using market rates where available, otherwise cash flows were discounted at prevailing rates.

Notes to the Financial Statements

18. Provisions for liabilities and charges

Group	Pensions obligations (See Note 24) £000	Deferred taxation £000	Total £000
At beginning of year	313	218	531
Utilised during year	(175)	—	(175)
Credit for the year	—	(26)	(26)
At end of year	**138**	**192**	**330**

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2000		1999	
	Provided £000	**Unprovided £000**	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	**222**	**681**	246	588
Other timing differences	**(30)**	**(47)**	(28)	(110)
	192	**634**	218	478

	Pension obligations £000
Company	
At beginning of year	313
Utilised during year	(175)
At end of year	**138**

19. Called up share capital

	2000	1999
	£000	£000
Authorised		
48,000,000 Ordinary shares of 25p each	**12,000**	12,000
Allotted, called up and fully paid		
38,616,489 Ordinary shares of 25p each (1999: 38,934,016)	**9,654**	9,734

The Company purchased 100,000; 75,000; 150,000 of its own shares on on 28 January 2000; 10 February 2000; 17 February 2000, which were subsequently cancelled on 31 March 2000. The aggregate cost of purchase was £198,000.

During the year 7,473 ordinary shares were allotted under Share Option Schemes (1999: no shares). The authorised share capital was increased on the 27 October 2000 to 80,000,000 shares of 25p each.

Options outstanding at 30 September 2000 were:

	Option price £000	Date exercisable £000	Expiry date £000
1985 Executive Share Option Scheme:			
53,000 ordinary shares	95.063p	01.02.95	01.02.02
106,773 ordinary shares	112.500p	28.01.97	28.01.04
1995 Executive Share Option Scheme:			
132,265 ordinary shares	113.597p	20.02.99	20.02.06
297,000 ordinary shares	68.500p	04.08.02	04.08.09
1999 Unapproved Executive Share Option Scheme:			
500,000 ordinary shares	67.167p	09.07.02	07.07.06
112,000 ordinary shares	68.500p	04.08.02	04.08.06
1985 Savings Related Share Option Scheme:			
3,446 ordinary shares	90.000p	01.04.00	01.10.00
9,960 ordinary shares	90.000p	01.04.02	01.10.02
1995 Savings Related Share Option Scheme:			
223,584 ordinary shares	66.000p	01.04.02	01.10.02
388,309 ordinary shares	41.330p	01.03.04	01.09.04

Notes to the Financial Statements

20. Directors' interests

The Directors of the Company at the end of the year, and the interests of the Directors and their families in the ordinary shares of the Company according to the register required to be kept by the Companies Act 1985, were as follows:

	30 September 2000	30 September 1999
D.S. Winterbottom	**15,690**	15,690
R.E. Richardson	**—**	—
S.H.J.A. Knott	**502,494**	502,494
H.C. Everett	**78,712**	78,712
D.L. Grove	**479,545**	479,545

Directors' options

	At 30 September 1999	Granted during year	Lapsed during year	**At 30 September 2000**	Exercise price	Date exercisable	Expiry date
H.C. Everett							
1995 Savings Related	6,181	—	—	**6,181**	66.000p	01.04.02	01.10.02
Share Option Scheme	16,259	—	—	**16,259**	41.330p	01.03.04	01.09.04
1995 Executive Share	17,600	—	—	**17,600**	113.597p	20.02.99	20.02.06
Options Scheme	10,000	—	—	**10,000**	68.500p	04.08.02	04.08.09
1999 Unapproved Executive Share Option Scheme	20,000	—	—	**20,000**	68.500p	04.08.02	04.08.06
D.L. Grove							
1999 Unapproved Executive Share Option Scheme	500,000	—	—	**500,000**	67.167p	09.07.02	09.07.06

D.L. Grove also holds options granted by a third party in respect of 1,844,183 shares at prices between 40p and 47p per share exercisable on or before August 2005 (1999: 1,844,183 shares).

The market price of the Company's shares at 30 September 2000 was 64.0p. The market price for the year varied between 51.5p and 74.5p.

21. Share premium and reserves

Group	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Profit and loss account £000
At beginning of year	133	1,907	156	11,150
Retained profit for the year	—	—	—	1,852
Exchange adjustments	—	—	—	(54)
Realised on disposal	—	(126)	—	126
Shares issued	2	—	—	—
Purchase of own shares	—	—	82	(198)
At end of year	**135**	**1,781**	**238**	**12,876**

Company	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At beginning of year	133	156	4,528
Retained profit for the year	—	—	87
Shares issued	2	—	—
Purchase of own shares	—	82	(198)
At end of year	**135**	**238**	**4,417**

The cumulative amount of positive goodwill resulting from acquisitions in earlier financial years which has been written off is £2,800,000 (1999: £2,800,000), which relates entirely to subsidiary undertakings. The cumulative amount of negative goodwill resulting from acquisitions in earlier financial years which has been written off is £836,000 (1999: £836,000).

In accordance with Section 228 (7) of the Companies Act 1985, the Company has not presented its own profit and loss account. The consolidated profit for the financial year includes profit dealt with in the financial statements of the holding company of £1,708,000 (1999: loss of £4,030,000).

22. Contingent liabilities

The Company has guaranteed the bank loans and overdrafts of its subsidiaries; the amount outstanding at the year end was £2,244,000 (1999: £305,618).

The Group had guarantees outstanding to a bank in respect of performance bonds of £142,000 (1999: £802,000) and a Customs and Excise counter indemnity of £20,000 (1999: £6,000).

The Group also has guarantees arising in the ordinary course of the Group's business and on these no material losses are anticipated.

Notes to the Financial Statements

23. Commitments

(a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group		Company	
	2000	1999	**2000**	1999
	£000	£000	**£000**	£000
Contracted	**1,198**	40	**—**	—

(b) Annual commitments under non-cancellable operating leases are as follows:

	2000		1999	
	Land and buildings	**Other**	Land and buildings	Other
Group	**£000**	**£000**	£000	£000
Operating leases which expire:				
Within one year	**17**	**12**	—	17
In the second to fifth years inclusive	**25**	**177**	28	206
Over five years	**339**	**—**	339	—
	381	**189**	367	223

24. Pension scheme

The Group contributes into three pension schemes, two of which are defined contribution schemes and one a funded defined benefit scheme. The assets of all schemes are held in trust funds and, therefore, held separately from the Group's assets. The principal scheme is a defined benefit scheme covering the majority of members, the Hill & Smith Group Pension and Assurance Scheme.

Contributions to the principal scheme are charged to the profit and loss account so as to spread the cost of pensions over members' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

With regard to the principal scheme, the most recent valuation was at 5 April 1997. This showed that the market value of the scheme's assets was £21,514,591 and that the actuarial value of these assets represented 118% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the investment returns would be 9.5% per annum, and that salary increases would average 8% per annum.

The pension credit for the year was £61,000 (1999: cost of £25,000) net of a provision release of £175,000 (1999: £104,000). There is a provision for pension costs remaining of £138,000 (1999: £313,000). This provision is being released to profit in line with actuary's advice received.

The next actuarial valuation is being carried out as at 5 April 2000 and the result will be reflected in next year's financial statements.

Where beneficial, the other Group schemes are to be merged with the principal scheme in due course. The Group has no significant exposure to any other post-retirement obligations.

25. Reconciliation of operating profit to operating cash flows

	2000 £000	1999 £000
Operating profit	**4,620**	4,778
Depreciation, amortisation and impairment charges	**1,972**	1,922
Cash flow relating to reorganisation provisions	**—**	(147)
(Increase)/decrease in stocks	**(725)**	2,259
(Increase)/decrease in debtors	**(3,145)**	1,639
Increase/(decrease) in creditors	**1,666**	(1,496)
Decrease in pension provision	**(175)**	(104)
Net cash inflow from operating activities	**4,213**	8,851

26. Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non-cash changes £000	**At end of year £000**
Cash in hand and at bank	1,291	(1,003)	—	**288**
Overdrafts	—	(2,747)	—	**(2,747)**
	1,291	(3,750)	—	**(2,459)**
Debt due after one year	(2,375)	1,000	1,375	**—**
Debt due within one year	(2,500)	2,500	(1,375)	**(1,375)**
Finance leases	(849)	378	(284)	**(755)**
	(5,724)	3,878	(284)	**(2,130)**
Total	(4,433)	128	(284)	**(4,589)**

27. Acquisitions of businesses

The book value and fair value of businesses acquired during the year ended 30 September 2000 amounted to £128,000, comprising tangible fixed assets of £53,000, net current assets of £111,000 and a minority interest of £36,000. The cash outflow including expenses was £665,000. The resulting goodwill of £537,000 was capitalised and will be written off over 20 years which the Directors consider to be the minimum period expected to benefit from these acquisitions.

The contribution of these acquisitions to operating cash flow was not significant in relation to group activity. The acquisitions were integrated immediately into existing operations and so no separate disclosure is possible concerning their turnover and operating profit since acquisition.

28. Post-balance sheet event

On 1 November 2000 the Company's recommended offer for Ash & Lacy plc was declared unconditional. Over 90% of the shares have been acquired and the remainder will be acquired. The basic offer valued Ash & Lacy plc at £69.6 million. The cost has been funded by share issue and bank borrowing. In the year to December 1999 Ash & Lacy plc reported a pre-tax profit of £11.126 million.

Following the acquisition the number of Hill & Smith shares in issue will be approximately 60 million, and borrowings will be approximately £75 million.

Five year record

	1996	1997	1998	1999	**2000**
	£000	£000	£000	£000	**£000**
Turnover	80,683	81,281	76,497	61,940	**58,858**
Operating profit	3,772	2,698	3,628	4,778	**4,620**
Profit/(loss) before taxation	2,922	1,216	(1,566)	3,562	**4,352**
Taxation	622	205	378	1,269	**879**
Profit/(loss) after taxation	2,300	1,011	(1,944)	2,293	**3,473**
Shareholders' funds	27,966	26,112	23,583	23,080	**24,684**
Dividends per ordinary share	6.20p	4.20p	4.20p	4.20p	**4.20p**

Equivalent market price at 31 March 1982* of a 25p ordinary share in Hill & Smith Holdings PLC, as adjusted by capitalisation issues to date, is 10.72p.

* At this date a capitalisation issue of 1 for 10 new ordinary shares in the form of renounceable share certificates was in being and these were separately quoted at a price which, adjusted for the further capitalisation issues, would be equivalent to 10.94p.

Notice of meeting

Notice is hereby given that the 40th Annual General Meeting of Hill & Smith Holdings PLC will be held at **The Copthorne Hotel, The Waterfront, Level Street, Brierley Hill, DY5 1UR** on **Monday 5 March 2001** at 12.30 p.m. for the following purposes:

1. To receive and adopt the Directors' report and the financial statements for the year ended 30 September 2000 together with the auditor's report thereon.
2. To approve the payment of the proposed final dividend of 2.1p per share on 9 April 2001.
3. To re-elect Mr H.C. Marshall as a Director.
4. To re-elect Mr C.J. Burr as a Director.
5. To re-elect Mr S.H.J.A. Knott as a Director.
6. To re-elect Mr H.C. Everett as a Director.
7. To reappoint KPMG Audit Plc as auditor and to authorise the Directors to determine the auditor's remuneration.

1 February 2001

Springvale Business & Industrial Park
Bilston, Wolverhampton, West Midlands, WV14 0QL

By order of the Board
H.C. EVERETT
Secretary

Notes:

(1) The Company pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995 specifies that only those shareholders registered in the Register of members of the Company as at 6.00 pm on 3 March 2001 shall be entitled to attend or vote at the above Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after 6.00 pm on 3 March 2001 shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

(2) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. A form of proxy is enclosed. To be effective, the instrument appointing a proxy must be received at the Company's Registrars at P.O Box 1075, Bristol, BS99 3ZZ not less than 48 hours before the time for holding the Meeting.

(3) The following documents will be available for inspection at the Company's registered office on any weekday (except Saturday) during normal business hours and for a period of fifteen minutes prior to the Annual General Meeting and during the Meeting:

(a) a statement of all transactions of each Director and of their family interests in the share capital of the Company;

(b) copies of contracts of service of the Directors of the Company.

ATTENTION:
Please note that the day of the Annual General Meeting is Monday 5 March 2001.

Principal Group Businesses

following the acquisition of Ash & Lacy plc

Building and Construction Products

INFRASTRUCTURE PRODUCTS GROUP

Asset International Limited†
Stephenson Street, Newport, Gwent, NP9 0XH
Tel: (01633) 273081 Fax: (01633) 281301
Email: sales@assetint.co.uk
Website: www.assetint.co.uk

Netherton Street, Wishaw, Lanarkshire, M22 0ED
Tel: (01698) 355838 Fax: (01698) 356184

Barkers Engineering Limited†
Etna Works, Duke Street, Fenton,
Stoke-on-Trent, Staffs., ST4 3NS
Tel: (01782) 319264 Fax: (01782) 599724

Hill & Smith Limited†
Springvale Business and Industrial Park,
Bilston, Wolverhampton, West Midlands, WV14 0QL
Tel: (01902) 499400 Fax: (01902) 499419
Email: barrier@hill-smith.co.uk
Website: www.hill-smith.co.uk

Varley & Gulliver Limited
57–70 Alfred Street, Sparkbrook,
Birmingham, West Midlands, B12 8JR
Tel: (0121) 773 2441 Fax: (0121) 766 6875
Email: varley_and_gulliver@compuserve.com

Eurogrid Limited*/Access Design & Engineering Limited*
Halesfield 18, Telford, TF7 4JS
Tel: (01952) 581988 Fax: (01952) 586285
Email: sales@eurogrid.co.uk
Website: www.eurogrid.co.uk

Express Reinforcements Limited*
Fordwater Trading Estate, Ford Road, Chertsey, Surrey,
KT16 8HG
Tel: (01932) 579600 Fax: (01932) 579601
Email: gharrington@expressreinforcements.co.uk
Website: www.expressreinforcements.co.uk

Joseph Ash Limited*†
Charles Henry Street, Birmingham, B12 0SP
Tel: (0121) 622 4661 Fax: (0121) 666 6049
Email: ianh@josephash.co.uk
Website: www.josephash.co.uk

Pipe Supports Group Limited
Salwarpe Road, Droitwich, Worcestershire, WR9 9BH
Tel: (01905) 795500 Fax: (01905) 794126
Email: psl@pipesupports.com
Website: www.pipesupports.com

Redman Fisher Engineering Limited*
PO Box 12, Bean Road, Birmingham New Road,
Tipton, West Midlands, DY4 9AA
Tel: (01902) 880880 Fax: (01902) 880446
Email: flooring@redmanfisher.co.uk
Website: www.redmanfisher.co.uk

Ash & Lacy Building Products Limited*
Bromford Lane, West Bromwich, West Midlands, B70 7JJ
Tel: (0121) 525 1444 Fax: (0121) 525 3444
Email: rob.heap@ashandlacybp.co.uk
Website: www.ashandlacybp.co.uk

Birtley Building Products Limited†
Mary Avenue, Birtley, County Durham, DH3 1JF
Tel: (0191) 410 6631 Fax: (0191) 410 0650
Email: info@birtley-building.co.uk
Website: www.birtley-building.co.uk

Industrial Products

W & S Allely Limited*
PO Box 58, Alma Street, Smethwick,
West Midlands, B66 2RP

Tel: (0121) 558 3301 Fax: (0121) 555 5194
Email: sales@allely.co.uk
Website: www.allely.co.uk

Ash & Lacy Perforators Limited*
PO Box 58, Alma Street, Smethwick,
West Midlands, B66 2RP

Tel: (0121) 558 8921 Fax: (0121) 565 1354
Email: sales@ashlacyperf.co.uk
Website: www.ashlacyperf.co.uk

Ash & Lacy Pressings Limited*
Shenstone Works, Lynn Lane, Shenstone,
Lichfield, WS14 0EB

Tel: (01543) 480361 Fax: (01543) 481624
Email: enquiries@alpressings.co.uk
Website: www.alpressings.co.uk

Bromford Iron & Steel Company Limited*
Bromford Lane, West Bromwich, West Midlands, B70 7JJ

Tel: (0121) 525 1071 Fax: (0121) 525 0913
Email: enquiries@bromfordsteels.co.uk
Website: www.bromfordsteels.co.uk

Clews Brothers Limited*
Hall Lane, Walsall Wood, WS9 9BB

Tel: (01543) 452220 Fax: (01543) 360427
Email: sales@clewbro.co.uk
Website: www.clewbro.co.uk

D. & J. Steels Limited
Lambert Works, Colliery Road,
Wolverhampton, West Midlands, WV1 2RD

Tel: (01902) 453680 Fax: (01902) 455431

Eden Material Services (UK) Limited*
Unit 42a, No. 1 Industrial Estate, Medomsley Road,
Consett, Co. Durham, DH8 6TT

Tel: (01207) 590055 Fax: (01207) 590059
Email: sales@edenmaterials.co.uk
Website: www.edenmaterials.co.uk

IMAS Technology Limited*
Unit 5, Hill Top, West Bromwich, West Midlands, B70 0TX

Tel: (0121) 556 9300 Fax: (0121) 505 6123
Email: imastech@cwcom.net

J & F Pool Limited*
Perfex Works, Hayle, Cornwall, TR27 4EG

Tel: (01736) 753571 Fax: (01736) 756190
Email: sales@jfpool.co.uk
Website: www.jfpool.co.uk

SI Pressure Instruments Limited*
Garretts Green Lane, Birmingham, B33 0YA

Tel: (0121) 784 6855 Fax: (0121) 784 4795
Email: sales@si-pressure.co
Website: www.si-pressure.co

Wombwell Foundry Limited*
Hough Lane, Wombwell, Barnsley,
South Yorkshire, S73 0LT

Tel: (01226) 753161 Fax: (01226) 755553
Email: info@wf-uk.com
Website: www.wf-uk.com

The companies marked * are indirectly held. They are wholly owned subsidiaries of Ash & Lacy plc which became a subsidiary on 1 November 2000.

All companies within the Group provide engineering products and services. The companies marked † also provide galvanising services.

HILL & SMITH HOLDINGS PLC

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