



Hill & Smith Holdings PLC
Annual Report 2004



Hill and Smith is a decentralised group serving the infrastructure, building and construction industries.

Contents

Chairman's Statement	2
Operational Review	4
Financial Review	7
Directors, Advisers and Committees	10
Directors' Report	12
Corporate Governance	14
Directors' Remuneration Report	18
Statement of Directors' Responsibilities	23
Independent Auditor's Report to the Members of Hill & Smith Holdings PLC	24
Financial Statements	25
Principal Accounting Policies	30
Notes to the Financial Statements	32
Principal Group Businesses	50
Five Year Summary	52
Financial Calendar	52

“The Group made further substantial progress in 2004, achieving record profits and further increasing the scope and strength of its operations.”

Highlights

- Record turnover and profits
- Earnings per share up 28%*
- Final dividend up 12%
- Continuation of our product development programme
- Lionweld Kennedy acquisition successfully integrated

Trading Results

	Year ended 31 December 2004	Year ended 31 December 2003†	Change
Turnover	£268.7m	£241.7m	↑ 11.2%
Profit before taxation*	£11.8m	£9.1m	↑ 30.1%
Dividend per share	5.0p	4.6p	↑ 8.7%
Earnings per share*	13.7p	10.7p	↑ 27.8%

* Before exceptional items and goodwill amortisation.
† Restated to take account of the adoption of FRS 17.

Chairman's Statement

General

The Group made further substantial progress in 2004, achieving record profits and further increasing the scope and strength of its operations.

Turnover increased by 11.2% to £268.7 million. Operating profit before exceptional items and goodwill amortisation was £15.1 million which represents a 19.8% improvement on the previous year (2003: £12.6 million) where the figures have been restated to take account of the adoption of FRS 17. Profit before taxation increased from £6.2 million to £8.4 million, an increase of 35.7%. Despite the higher interest rates during the year, profit before exceptional items and goodwill amortisation increased by 30.1% to £11.8 million (2003: £9.1 million). Adjusted earnings per share grew by 27.8% to 13.66p (2003: 10.69p).

Operations

We continued our strategy of investing in our growing businesses, where we believe there are many opportunities for margin enhancement, cost reduction and new product development. The success of this strategy and the culture of innovation we have encouraged throughout the Group are clearly demonstrated by the year's substantial increase in profits.

The Building and Construction Products division contributed 90.3% of our year's operating profit and it continues to be our main focus for investment and future growth. Operating profits of £13.6 million were 17.0% higher than 2003. We continue to benefit from public expenditure programmes, especially those related to improved health and safety requirements, security and the reduction of road congestion. Further expenditure in these areas, particularly relating to roads, has been well signposted by Government agencies which should stimulate further demand for our products and services in the future.

The Industrial Products division continues to operate under a tight regime and the active management of these businesses resulted in a much improved level of profitability and cash generation during the year.

The majority of the Group's products are steel based and during 2004 we were able to achieve our profit improvement and maintain our supplier-customer partnerships and service despite substantially higher raw material prices and even some material shortages.



Asset International's steel safety barrier, "VARIOGUARD®", being installed at the front of the Brighton Centre in readiness for the Labour Party Conference.

“We continued our strategy of investing in our growing businesses, where we believe there are many opportunities . . .”



Dividends

Since 2001 we have maintained a progressive dividend policy whilst increasing dividend cover. In line with this policy, your Board is recommending a final dividend of 2.75p per share (2003: 2.45p) subject to shareholders' approval, making a total for the year of 5.0p per share (2003: 4.6p) which is covered 2.7 times by adjusted earnings (2003: 2.3 times).

Acquisition

In October we acquired the principal operations of Lionweld Kennedy Limited which were complementary to several of our existing businesses and gave us additional manufacturing capacity and geographic spread. Although it had no material impact on the year's results, we are confident this acquisition will provide more substantial revenue and profit benefits in the future.

Employees

I would like to thank all our employees for their dedicated contributions in providing and maintaining our high quality product portfolio and in giving our customers a premium service which has helped to sustain the momentum of profitability across our Group.

Outlook

We will continue to invest both organically and, where appropriate, by acquisition. We will concentrate on further strengthening our core businesses and on improving our product offering into our major markets. The current trading period has started in line with our expectations and, subject to market conditions remaining favourable, I look forward to another satisfactory performance in 2005.

A handwritten signature in black ink, appearing to read 'David Winterbottom'.

David Winterbottom

Chairman

9 March 2005

Ash & Lacy perforated balustrade on the main staircase at N.E. Worcester College, Redditch Campus.



Operational Review

Overview

The significant advance in profitability in 2004 vindicates our investment strategy in recent years. This consists of an ongoing new or improved product development programme in markets where we have leading positions and where there is strong customer demand. Our management teams are focused on delivering further developments in the future and it is part of our management culture that we are the innovators in the majority of markets we supply. Furthermore, we are continually investing in new equipment to improve efficiencies and reduce our unit costs of production. We are confident that our programme for organic growth will continue to deliver commensurate returns for shareholders. Acquisitions will continue to be made where appropriate to complement the underlying growth of our business units.

Against a background of rising prices and supply chain shortages, our business units worked hard with our suppliers and customers to ensure that there was no disruption to customer deliveries. I have to congratulate our management teams for responding to the challenge in an innovative and professional manner.

Building and Construction Products

Turnover increased by 12.3% in 2004 to £229.8 million (2003: £204.7 million), due in part to the effect of the significant steel price increases we experienced during the year. Adjusted operating profit increased by 17.0% in 2004 to £13.6 million (2003: £11.6 million). Hill & Smith Limited and its related companies in the road infrastructure and security markets increased their contribution to Group profits despite some margin pressures as we continued to sell on the basis of quality and service. Further investment was made during the year expanding our hire fleet of Varioguard temporary crash barrier, which is utilised in protecting workzones across the road networks in the UK, where we are market leader.



The Brifen wire rope safety fence system is now approved and installed in over 30 countries around the world. Shown is the system effectively restraining a 38 ton truck in Oklahoma, USA.

“The significant advance in profitability in 2004 vindicates our investment strategy in recent years.”



Our product development programme continues to provide our customers with enhanced value solutions and we are ahead of schedule in developing a broad portfolio of vehicle restraint systems which comply with the new regulatory standards which are to be introduced in the near future. The Highways Agency has been charged by the Government to reduce the number of deaths and serious injuries on UK roads by 40% over the next five years. Our expanding product portfolio is providing hardware which will assist in achieving this objective. Government spending in the areas of road health and safety, both in terms of travellers, traffic management personnel and contractors, plus expenditure on security and the reduction of congestion continues to run well ahead of the growth in GDP.

In our steel reinforcement operations we are working with our construction industry partners to provide more off-site fabrication in order to improve their supply chain productivity and increase the value added content and profitability of our sales. We believe this development will secure a new competitive advantage for us as the sales revenues generated by the Heathrow Airport Terminal 5 Joint Venture reduce in line with expectations as the project nears completion.

Redman Fisher Engineering was the subject of management changes and restructuring in 2003 and the new senior management team produced a much more robust performance. Their business will be further strengthened by the addition of the well known Lionweld Kennedy brand which we acquired towards the end of the year.

Following the significant start up costs of our new Ashzip standing seam product range in 2003, Ash & Lacy Building Systems achieved substantial increases of both sales and profits in 2004 on the back of favourable market conditions.

Thanks to our modern production facilities, in which we have invested heavily in recent years, our Joseph Ash galvanizing and Birtley Building Products lintels operations both made good contributions to Group results. This was despite lively competition in the marketplace and our continuing drive towards lower operating costs, which led to our decision to close the Southampton factory of Joseph Ash.

The “Mass” pedestrian and vehicle safety system, in use at Guildford Town Centre.



Operational Review continued

Industrial Products

Sales last year were 4.9% ahead of the previous year at £38.8 million (2003: £37.0 million). Operating profits at £1.5 million were 53.2% ahead (2003: £1.0 million). In general, across the businesses in this division, market conditions remain challenging and the profit improvement in the year resulted mainly from cost reduction and value added efficiency gains. Our Pipe Supports operation expanded its activities with the construction of a new factory in Thailand.

Conclusion

We will continue to expand our core businesses supplying the infrastructure, building and construction industries with niche products, innovative solutions and excellent service to maintain our market leadership. With rising raw material and energy costs, we are increasingly outsourcing the manufacture of the high labour content commodity type

components of our product portfolio. This will release our skilled people to concentrate on higher value added products and make further developments to our product range. Management and employees throughout the Group remain highly motivated and focused on achieving the Group's objectives.



David Grove
Chief Executive
9 March 2005



Channel Tunnel Rail Link, Medway Crossing and A2/M2 Upgrade. Vehicle parapets and pedestrian guardrail panels supplied by Varley & Gulliver, noise barriers supplied by Barkers Engineering, crash barrier, Multiplate and Varioguard® supplied by Hill & Smith.

Financial Review

Summary of Results

The year's results were the best ever recorded by the Company and were achieved against a background of substantial increases in world commodity prices, particularly steel. Steel is our most important raw material and our ability to handle the supply situation was fundamental to our trading success in the year. These higher raw material prices were a significant factor affecting our sales, cost of sales and working capital. Underlying volumes were broadly similar to last year. With relatively modest increases in wages and other overheads, adjusted operating profit increased strongly. Sales, profits and earnings per share were all at record levels.

The results cover the twelve months to 31 December 2004. They include the first two months' trading of the Lionweld Kennedy operations which we acquired at the end of October 2004. The prior year numbers include small contributions from the SI Pressure Instruments and Wombwell Foundry businesses which were discontinued in 2003.

The financial statements include the effects of the adoption for the first time of FRS 17: Retirement Benefits, the accounting standard dealing with pension costs. The prior year comparatives have been restated accordingly.

Sales and Operating Profit

Group turnover increased by 11.2% to £268.7 million (2003: £241.7 million). Excluding acquisitions and the prior year disposals, like-for-like sales growth was 11.5% in both divisions. Within the Building and Construction Products division, sales by our Joint Venture with Laing O'Rourke reduced in line with expectations as its Heathrow Terminal 5 contract progressed. However, higher sales at Express Reinforcements more than offset this with the result that sales of reinforcing products grew overall. Several other companies in this division increased sales, in particular Ash & Lacy Building Systems, Barkers Engineering and Varley & Gulliver which all recorded record sales with year on year increases of more than 25%. The main growth in sales in the Industrial Products division came from Bromford Iron & Steel and W&S Allely.

Operating margins in the Building and Construction Products division were maintained and grew strongly in the Industrial Products division where Bromford Iron & Steel and Ash & Lacy Perforators both had a much improved year. Group adjusted operating profit increased by 19.8% to £15.1 million.

Net exceptional charges amounted to £1.7 million. These related in the main to the cost of business reorganisations

Berry Systems rails and fencing for the multi-storey car park at Docklands Exhibition Centre, London.



Financial Review continued

at Joseph Ash, where we closed the Southampton factory, and at the Industrial Flooring companies, including the costs of integrating the newly acquired Lionweld Kennedy operations. They also include £0.4 million (£0.1 million credit after tax) in respect of costs associated with share option gains, as set out in the Directors' Remuneration Report on page 19.

Interest

Net interest costs were unchanged at £3.8 million, the slightly lower average borrowings offsetting the increase in general market rates. Adjusted net interest cover improved to 4.0 times (2003: 3.4 times).

Profit before tax

After crediting £0.5 million of FRS 17 related other finance income, adjusted pretax profit rose by 30.1% to a record £11.8 million (2003: £9.1 million).

Taxation

The effective tax rate on profits before exceptional items and goodwill amortisation was 28.2% compared to the standard rate of 30%, mainly as a result of the benefit of industrial buildings allowances which were no longer subject to clawback.

Earnings per share

Adjusted earnings per share before exceptional items and goodwill amortisation amounted to 13.66p, an increase of 27.8% compared to last year and the highest ever achieved by the Group.

Dividends

In line with our progressive dividend policy, we again propose to increase the level of the distribution to shareholders. The recommended final dividend, together with the interim dividend already paid, makes a total for the year of 5.0p per share, an increase of 8.7% from last year. Based on adjusted earnings, this level of dividend is covered 2.7 times (2003: 2.3 times).



Reinforcing bar supplied to Express Reinforcements' joint venture at Terminal 5, Heathrow.

BAA copyright ©

“Sales, profits and earnings per share were all at record levels.”



Financing

Year end net borrowings increased slightly to £37.9 million (2003: £36.5 million). The balance sheet position was affected by the £2.5 million cash acquisition of the Lionweld Kennedy operations towards the end of the year and by a £3.0 million decrease during the year in the level of advance payments received in connection with our Terminal 5 Joint Venture.

Despite the large increase in turnover, we restricted the increase in working capital. We also maintained our vigorous programme of capital expenditure, investing a total of £8.0 million, £2.4 million in excess of the depreciation charge.

Year end net assets increased to £31.3 million (2003: £30.8 million).

Pensions

There was an increase of £2.1 million in the FRS 17 net pension liability. Although investment returns exceeded expectations, improved mortality rates increased liabilities by a greater amount, in line with the experience of most other company occupational pension schemes. Further information is given in note 23 to the Financial Statements.

International Financial Reporting Standards

European listed groups are required to adopt International Financial Reporting Standards (“IFRS”) for their financial statements from 2005, including comparative information for 2004. Although the Group has not yet finalised its assessment of the effects of the adoption of IFRS, it currently believes there will be no material impact on its reported adjusted earnings or cash flow and that the principal other changes will be restricted to the costs of share-based payments such as share option grants, the non-amortisation of goodwill and the non-accrual of the proposed final dividend.

A handwritten signature in black ink, appearing to be 'Chris Burr'.

Chris Burr
Finance Director
9 March 2005

Sologuard® in use to create the required contraflow for maintenance work on the M25 Bell Common Tunnel. Sologuard® is a development of Varioguard®.



Directors



Executive Directors
Chris Burr, left; David Grove, right



Non-executive Directors from left:
David Winterbottom, Howard Marshall, Dick Richardson

D S Winterbottom FCA, FCT

Non-Executive Chairman

David, aged 68, joined the Board in October 1997. He is Non-Executive Chairman of Shiloh PLC, Chairman of CPL Industries Limited and Wightlink Shipping Limited. David recently retired from the Board of Electrocomponents PLC as Senior Non-Executive Director.

D L Grove BA, FCA

Deputy Chairman and Chief Executive

David, aged 56, joined the Board in March 1998. He is a Non-Executive Director of a number of private manufacturing, distribution and investment companies. He is Chairman of the West Midlands Industrial Development Board.

C J Burr FCA

Finance Director

Chris, aged 55, joined the Board in November 2000. He was previously Group Finance Director of Ash & Lacy Plc, whom he joined in 1990 from European Home Products plc having previously held a variety of positions with Singer Company Inc. in the UK and Continental Europe.

R E Richardson FCMl

Senior Non-Executive Director

Dick, aged 65, joined the Board in May 1997. He is Chairman of Westech Industrial Holdings plc and a number of private industrial/investment companies. He was previously Chairman and Chief Executive of Graystone PLC, Deputy Chairman and Managing Director of Goring Kerr PLC and Managing Director of Tace PLC.

H C Marshall MSc, BSc

Non-Executive Director

Howard, aged 61, joined the Board in November 2000. He was previously Chief Executive of Ash & Lacy Plc and Chairman of Bullough Plc. He is currently a Board Member of West Midlands Industrial Development Board, and a Governor of the University of Central England.

Advisers and Committees

Registered Office

2 Highlands Court, Cranmore Avenue, Shirley, Solihull,
B90 4LE

Company Secretary

C J Burr FCA

Company Number

671474

Audit Committee

Messrs Winterbottom, Marshall and Richardson (Chairman)

Remuneration Committee

Messrs Winterbottom, Marshall (Chairman) and Richardson

Nominations Committee

Messrs Winterbottom (Chairman), Grove, Marshall and Richardson

Life President

John G Silk LLB (Lond.)

John, aged 80, joined the Board in 1981 and was Chairman from 1983 to 1995. He retired from the Board and was appointed Life President in 1999.

Auditor

KPMG Audit Plc, Birmingham

Bankers

Barclays Bank PLC, Birmingham

Financial Adviser

Stafford Corporate Consulting Limited, London

Insurance Brokers & Risk Management Advisers

Jardine Lloyd Thompson, Birmingham

Pension Advisers

KPMG LLP, Birmingham

Registrars

Computershare Investor Services PLC

PO Box 82, The Pavilions, Bridgwater Road, Bristol,
BS99 7NH

Solicitors

Silks, Oldbury, West Midlands

Wragge & Co, Birmingham

Howes Percival, Northampton

Stockbrokers

Arden Partners, Birmingham

Directors' Report

The Directors present their forty-fourth annual report together with the financial statements for the year ended 31 December 2004.

Principal activities

The principal activities of the Group companies are:
Building and Construction Products
Industrial Products

Trading review

The Chairman's Statement on pages 2 and 3 and the Operational and Financial Reviews on pages 4 to 9 contain a review of the trading for the period, a statement as to the current trading position and an indication of the outlook for the future.

Dividends

The Directors recommend a final dividend of 2.75p per share (2003: 2.45p) to be paid on 13 July 2005, which, together with the interim dividend of 2.25p per share paid on 21 January 2005, makes a total distribution for the year of 5.0p per share (2003: 4.6p).

Employees

The value of the contribution from all employees is recognised by the Board and this is reflected in the high levels of autonomy and accountability that are encouraged throughout the Group. The subsidiary undertakings are made aware of the financial, economic and other performance objectives through good communications and employee relations across all the operations. The Group also ensures consistent and fair treatment of all its employees and has equal opportunities for appropriate training, career development and promotion, regardless of physical disability, gender, race, religion or nationality.

Directors and Directors' interests

The names and biographical details of the Directors holding office at the date of this report are shown on page 10. The Directors retiring by rotation are D S Winterbottom and D L Grove 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 on pages 20 to 22.

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. Details of Directors' service contracts are incorporated in the Directors' Remuneration Report on pages 18 to 22.

Donations

Charitable donations amounting to £9,000 (2003: £6,000) 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 was 96 days (2003: 81 days). The Company's average credit period was 31 days (2003: 35 days).

Research and Development

During the year the Group spent a total of £65,000 (2003: £60,000) on research and development.

Substantial shareholders

The Company has been notified of the following substantial

shareholdings of 3% or more of the issued share capital on 9 March 2005:

	Ordinary Shares	% of issued share capital
G Hampson Silk	3,927,701	6.32
P J Hampson Silk	3,933,502	6.33
Barclays PLC	2,324,945	3.74
Gartmore	2,121,411	3.42
Legal and General	2,170,384	3.50

Of G Hampson Silk's ordinary shares, 3,340,159 are either registered in his own name or his wife's name. Of P J Hampson Silk's ordinary shares, 3,340,960 are registered in his own or his wife's name and an additional 5,000 are held in the name of nominee company Brewin Dolphin. Of the remaining ordinary shares of G Hampson Silk and P J Hampson Silk, 480,876 are registered in the name of a private limited company of which they are both directors and of which they each have control of more than one third of the voting power at general meetings of that company and a further 106,666 are held in two discretionary trusts of which they are both trustees.

New executive and employee share option schemes

The Company's authority to grant share options under the 1995 Executive Share Option Scheme, a scheme approved by the UK Inland Revenue, expires on 30 March 2005. In addition to this Approved Executive Share Option Scheme, the Group operates the 1999 Non-Approved Executive Share Option Scheme and although the Scheme does not expire until March 2009, the Directors feel it appropriate to update this scheme as well as the expiring 1995 scheme, in terms of changes in tax law and the latest Association of British Insurers ("ABI") guidelines. Accordingly, the Directors are seeking the approval of shareholders at the Annual General Meeting for the establishment of a new overall scheme, to be named The Hill & Smith Holdings 2005 Executive Share Option Scheme. This new scheme (which will replace the 1995 and 1999 Executive Schemes) will allow the Company to issue Options approved by the Inland Revenue, and also unapproved options. If this new scheme is approved by shareholders, the 1999 Executive Scheme will be terminated and no further options granted under it.

The Company's authority to grant share options under the 1995 Savings Related Share Option Scheme expires on 30 March 2005. The Directors are therefore seeking shareholder approval of a new savings related share option scheme, on terms consistent with the current one, but updated for changes in tax laws and incorporating the latest ABI guidelines. This new scheme will be called the Hill & Smith 2005 Sharesave Scheme. The principal provisions of these new schemes are summarised on the appendix attached to the Notice of the Annual General Meeting.

Auditor

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.

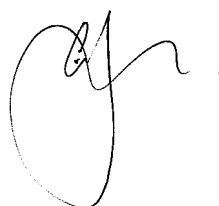
Capital gains tax

For capital gains tax purposes the price of the Company's ordinary shares of 25p each at 31 March 1982 was 12p.

Special business of the annual general meeting

The Annual General Meeting will be held on 13 May 2005 at 10.30 a.m. in the Balcony Suite at The National Motorcycle Museum, Solihull. Notice is sent to shareholders separately with this Report together with an explanation of special business to be considered at the meeting.

By order of the Board



Chris Burr
Company Secretary
9 March 2005

Corporate Governance

Hill & Smith is a decentralised group of trading subsidiaries operating in two broad market sectors. These subsidiaries have a large degree of operational autonomy with separate boards that report into the two Executive Directors of Hill & Smith. Because of the devolved nature of the Group, Hill & Smith does not require an extensive head office nor is it appropriate for it to operate with a large plc board of directors. The Board considers these to be commercial strengths for the Group and they have been important factors in the Board's own assessment of its corporate governance arrangements.

The Board has taken the opportunity presented by the introduction of the new Combined Code on Corporate Governance to review its approach to corporate governance. Consequently, the Board has made certain changes during the year which it considers to be appropriate to the needs and nature of the Group. As such, where it does not comply with the Code, it is happy to provide its explanations for not doing so on the basis that it believes that such non-compliance is more appropriate to shareholders' long-term interests.

The Board and Board Committees

The Board consists of five Directors: three Non-Executive and two Executive. The names, roles, committee membership and biographical details of the Directors are set out on page 10. The Board considers the three Non-Executive Directors to be independent. Whilst it is recognised that H C Marshall used to be the Chief Executive of one of the group subsidiaries, Ash & Lacy Plc, prior to its acquisition by the Group in 2000, H C Marshall's membership of the Hill & Smith Board has always been as a Non-Executive Director and his Board colleagues have consistently recognised him as being independent in his approach to the role. This view was further endorsed during the recent board evaluation exercise (see below) which also confirmed the view that the Board retains the right mix of skills and experience to fulfil its role effectively in the context of the structure of the Group.

D S Winterbottom is a member of the Audit and Remuneration Committees. The Combined Code suggests that the Chairman of the Board should not be considered as independent for the purposes of the independence tests.

Given the devolved nature of the Group, the Board does not consider this to be an issue of concern. In its view, both Committees comply with the Combined Code provisions relating to small companies by having the other two Non-Executive Directors as independent members. Indeed, the Board considers that D S Winterbottom brings valuable insight and experience to the work of those committees.

Because of the portfolio nature of the Group, the Board is primarily focused on the strategic direction of the Group, the management of risk, monitoring of financial performance and the allocation of resources. During the year, the Schedule of Matters reserved for the Board has been updated to ensure that the Board is made aware of all matters that are appropriate for it to consider but sees this as also enabling its subsidiaries to manage their own affairs in a clearly defined framework of control. A Board procedures manual has been created documenting the Board's key reporting and administrative processes to ensure that information is fully provided to the Board and Board committees to enable them to fulfil their roles properly.

During the year the Board met eleven times and each Board meeting was fully attended with the exception of one unscheduled meeting where H C Marshall was unable to attend at short notice. The Audit Committee met three times, the Remuneration Committee twice and the newly created Nominations Committee once. All the Committee meetings were fully attended. The Chairman and Non-Executive Directors regularly discuss matters informally outside of Board meetings. Given the small size of the Board, they have therefore concluded that there is no purpose in formally having meetings without the Executive Directors present, other than where necessary in Audit and Remuneration Committee meetings.

The roles of the Chairman in running the Board and the Chief Executive in running the Group's business have always been understood. However, job descriptions for both positions have been issued during the year to ensure that these are clearly defined. There have been no major changes in the Chairman's external time commitments. During the year D S Winterbottom retired as a Non-Executive Director of Electrocomponents PLC and has been appointed Non-Executive Chairman of Shiloh PLC, a healthcare company.

The Board recognises that by having combined the roles of Finance Director and Company Secretary, there might be the perception of risk to the integrity of the Board's corporate governance structure and consequently an independent chartered secretary has been appointed to advise the Chairman on all corporate governance matters and to act as Secretary to the Audit and Nominations Committees.

The Senior Independent Director is responsible for appraising the performance of the Chairman of the Board and is available to meet shareholders to discuss concerns that they may have if they wish to do so.

Nominations Committee and Board Appointments

In view of the nature of the Group as described above, the Board believes that the current number and balance of Directors to be sensible and considers the Group has benefited from having stable board membership for the past few years.

The Board understands that it will clearly be necessary in the medium term to develop the membership of the Board and, whilst there have been no plans to do so during the year, they have put some of the infrastructure in place to enable that process to be implemented at the appropriate time. In particular, they have established the Nominations Committee whose objectives are:

- To ensure that the size and composition of the Board is appropriate to the needs of the Group.
- To select the most suitable candidate or candidates for appointment to the Board.
- To oversee succession planning for the Board.

The terms of reference for the Nominations Committee are available on the Company's website.

The Nominations Committee will agree a formal process for making board appointments, including a decision on whether external assistance would be appropriate, when it deems it necessary to make new appointments. The terms of reference of the Nominations Committee make it clear that the appointment of the Chairman of the Board is a

matter for the Board as a whole to consider and D S Winterbottom will not participate in the Board decision concerning the appointment of his replacement as Chairman.

The Board has also approved a standard letter for future Non-Executive appointments to the Board (including expected time commitments and a fee structure) and a standard programme for the induction of new Directors.

Board Development

During the year the Board has undertaken a board evaluation exercise. This was undertaken by the Chairman who met with each of the Directors individually using a standard agenda focusing on the role and effectiveness of the Board as a whole, the contributions of individual Directors to Board and committee meetings and communications. R E Richardson, as Senior Independent Director, also held a reciprocal discussion with the Chairman. The results of those interviews were summarised and subsequently discussed by the Board as a whole.

The Board believes that the benefit of its collective experience is a valuable asset but accepts that Directors need to keep their professional knowledge up to date from time to time. Consequently, they have recently agreed guidelines for meeting their own training needs. The Board has also adopted a procedure to enable Directors to take professional advice at the Company's expense.

Remuneration Committee

As with the other Board committees, the terms of reference of the Remuneration Committee have been updated to bring them in line with the best practice recommendations of the Combined Code. A copy of the new terms of reference is available on the Group's website.

Full details of the role and activities of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 18 to 22. In order to avoid any compromise in the activities of the Remuneration Committee, H C Marshall, as Chairman, also takes responsibility for minuting meetings.

Corporate Governance continued

Audit Committee

The role of the Audit Committee has been assessed during the year in the light of the new Combined Code and, in particular, the Smith Guidance incorporated into the Code. The terms of reference of the Committee have also been revised in the light of the Smith Guidance. The new terms of reference are available on the Group's website.

The objectives of the Audit Committee have been re-confirmed in the new terms of reference as:

- To ensure the integrity of the financial statements of the Company;
- To review and monitor the Group's internal control systems;
- To oversee the effectiveness of the Group's internal audit activity;
- To oversee the Group's relationship with its external auditors; and
- To ensure that Group reporting complies in all respects with relevant statutory and required financial reporting standards, including corporate governance disclosures.

R E Richardson is the Chairman of the Audit Committee and its other members are Messrs Marshall and Winterbottom. D S Winterbottom is a chartered accountant and is deemed to have recent and relevant financial experience. As indicated above, the members of the Audit Committee attend seminars as and when required to ensure that their knowledge of relevant legislation and best practice developments is maintained.

Three Audit Committee meetings have been held during the year, one meeting having been dedicated to reviewing and approving policies and procedures to ensure that the Committee can demonstrate full compliance with the financial reporting and internal controls principles set out in the Combined Code.

Financial Reporting

A procedure setting out responsibilities for the preparation of the Group's financial statements and their review by the external auditor and the audit committee has been documented. This also sets out the basis on which the Board make its statement on going concern. The Audit

Committee reviewed the preliminary and interim statements prior to their approval by the Board. The Committee has also considered the external auditor's management letter and the assumptions underlying the financial statements prior to recommending their approval to the Board.

External Audit

The procedure adopted by the Committee sets out the basis upon which the Committee will consider and make recommendations as appropriate concerning the appointment, re-appointment or removal of the external auditor. The Committee will annually assess the qualification, expertise, independence and objectivity of the auditor and have set down the normal timetable and criteria for making those assessments. Policies concerning the employment of former employees of the external auditor and the use of the external auditor to perform non-audit services have been adopted. In regard to the latter, the Committee believes that there are certain non-audit services where it is cost-effective for the external auditor to be used. These primarily include merger and acquisition due diligence work and tax advisory services. A number of activities are prohibited, including work on accounting records, internal audit, IT consultancy and advice to the Remuneration Committee. The policy is consistent with the ethical standards recommended by the Auditing Practices Board.

The Committee approves the scope of each audit, the terms of engagement and reviews the performance of the auditor following the completion of each audit.

Internal Control

The Board accepts overall responsibility for the Group's system of internal control which is designed to manage rather than eliminate risk and can provide only reasonable assurance against material misstatement or loss. The Board has delegated responsibility for the review of the effectiveness of the Company's systems of internal control to the Audit Committee. There are three elements to this review: an assessment of the Group's major areas of risk, a review of the internal audit activity and assessment of the reporting processes of the subsidiary businesses to the Main Board.

Risk

In September a new risk assessment process was adopted with subsidiary companies being asked to complete a risk questionnaire in conjunction with their budget submissions. The risk questionnaire covered both financial and non-financial risk. Risks identified were aggregated and assessed on the basis of their likely impact and probability. In addition, the Executive Directors also completed a risk assessment for the Group as a whole. Having established the risk profile, a Group Risk Management Framework has been adopted. This identifies the responsibilities at both Group and subsidiary level for the ongoing management of risk across the business.

In order to underpin this, a Risk Forum has been established chaired by the Group Internal Auditor (see below) consisting of risk managers from each of the subsidiary companies. The framework also sets down an ongoing programme for managing risk including ongoing identification and analysis of risk and an assessment of the controls and actions (with individuals responsible identified) to mitigate risk.

Internal Audit

The planning of internal audits will be determined taking into account the risks identified within the risk assessment process.

Reporting

The Executive Directors maintain close and frequent contact with subsidiary company management and have regular performance review meetings with them. Improvements have been made during the year to reporting from the subsidiary companies on areas of non-financial risk during the year, in particular health & safety and the environment. Reporting will be further improved in 2005 as the board reporting procedures are embedded to support the Schedule of Matters reserved for the Board.

The Board is satisfied with the effectiveness of the Group's current system of internal control.

Internal Audit

During the year a full-time Group Internal Auditor was recruited. This will improve the scope and focus of the Group's internal audit activity in 2005.

The Committee has set down the criteria by which it will assess the effectiveness of the internal audit function on an annual basis.

In addition to the above areas of activity set out in its terms of reference, the Committee has also approved arrangements by which staff may raise concerns about possible improprieties in matters of financial reporting. This will be communicated to subsidiary companies along with the Group's new disciplinary and grievance procedures.

Shareholder Communications and Relations

The Board recognises the importance of good communications with shareholders. In recent years, institutional shareholders have invariably been primarily interested in meeting with the Chief Executive. Arising from the board evaluation exercise, steps have been taken to invite shareholders to meet with more Board members, particularly the Finance Director and the Chairman, in addition to the Chief Executive. The Chairman and Senior Independent Director are available to meet with shareholders concerning corporate governance issues, if so required.

The Board wishes to encourage the constructive use of the Company's Annual General Meeting for shareholder communication. At the 2004 AGM, the level of proxies cast for each resolution was communicated following approval of each resolution. A similar approach will be taken at the forthcoming AGM. The Chairmen of the Audit, Nomination and Remuneration Committees will be in attendance at the forthcoming AGM, which will be convened on at least 20 working days' notice.

The Board has also considered whether to make more use of electronic facilities for communicating with shareholders and has concluded, in view of the costs involved, that any further steps would not warrant the time or expense.

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.

Directors' Remuneration Report

The remuneration policy is set by the Board as a whole. No Director participates in setting his own remuneration. The remuneration and emoluments of the individual Executive Directors and key senior executives are determined by the Remuneration Committee, working within the policy. The Committee also oversees and administers the Company's share option schemes.

The Remuneration Committee during the year comprised:

Mr H C Marshall*	Non-Executive Director
Mr D S Winterbottom	Non-Executive Chairman
Mr R E Richardson	Senior Non-Executive Director

* Chairman of the Remuneration Committee

The objective of the Remuneration Committee is to decide upon the form and amount of Executive Director and key executive remuneration that will attract and retain the right calibre of individual, as well as motivating executive performance to levels that not only maximise contribution for the benefit of shareholders, but also align the interests of shareholders and executives.

The Committee is responsible for determining all aspects of the remuneration package for Executives and will as necessary consult with the Chief Executive on its proposals. The Committee also uses the services of external professionals, Mellon Resources, to decide upon whether the remuneration paid is appropriate. Mellon Resources provide no other services to the Company. The members of the Committee have no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business.

Remuneration of Chairman and Non-Executive Directors

The remuneration of the Chairman is determined by the Board after recommendations made by the other members of the Remuneration Committee. The remuneration of the two other Non-Executive Directors is determined by the Board following recommendations made by the Chairman. The Non-Executives do not participate in any bonus, share option or pension arrangements.

Remuneration of Executive Directors

The remuneration of Executive Directors consists of a number of separate elements;

- basic salary
- car and fuel allowance

- benefits in kind (medical expenses, life assurance and accident insurance)
- performance-related cash bonuses
- pension provision
- share options

Basic salary and benefits in kind

Basic annual salaries for Executive Directors and key senior executives are reviewed annually on 1 January each year or when a material change of responsibility occurs. The level of salary is determined with reference to individual performance and the rates of salary offered for similar roles. Due account is also taken of the responsibilities, skills and experience required to fulfil the executive's role within the Company.

Performance-related cash bonuses

Under his service agreement D L Grove receives an annual performance-related cash bonus dependent upon the increase in the Group earnings per share (as therein defined) in accordance with the formula set out in that agreement. This bonus is capped at 75% of basic annual salary. Bonuses for C J Burr are awarded on the basis of the Group's achievement of internal cash and profit targets and, where deemed appropriate by the Committee, supplementary discretionary bonuses that take into account his individual performance and responsibilities in his role as an Executive Director.

Directors' pension provision

C J Burr participates in the Hill & Smith Executive Pension Scheme which provides pensions and other benefits within Inland Revenue limits. The scheme provides, at normal retirement age, a maximum pension of two-thirds of the final pensionable salary, subject to completion of a sufficient number of years' service. Bonus is excluded from the definition of pensionable salary. There are no pension arrangements in place for other Directors and no change took place in C J Burr's arrangements during the year.

Share options

The Company has three share option schemes under which options can be granted to Executive Directors, senior executives, and all employees. 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. The final 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 a specified performance criterion is met. The performance criterion currently set by the Remuneration Committee under both executive share option schemes is that options may only be exercised if the growth in earnings per share of the Group before exceptional items and goodwill amortisation over a three year period is not less than the increase in the Retail Price Index plus six per cent over the same period. The criterion was set to ensure that earnings attributable to the shareholders increased at a rate in excess of inflation prior to any exercise of options. The Remuneration Committee has resolved that for options granted under the new executive share option scheme (assuming it is approved at the Annual General Meeting) this condition will continue to apply, but subject to the requirement that growth in earnings per share is not less than the increase in the Retail Price Index plus nine per cent.

Options granted under the 1995 Executive Share Option Scheme must be exercised between three and ten years after the date of grant and options granted under the 1999 Non-Approved Executive Share Option Scheme must be exercised between three and seven years after the date of grant. In granting options under the two executive share option schemes, the Remuneration Committee takes into account the salary grade of that individual.

The 1995 Savings Related Share Option Scheme is open to all employees, including Executive Directors, who have completed six months' continuous service. Under this scheme the Company can, if it thinks fit, grant options at a price up to twenty per cent below the market price. In 2004 the Company granted options under the Savings Related Scheme at a price five per cent below the market price.

As stated in the Directors' Report, the Board is recommending for shareholder approval the adoption of new share option schemes to replace the 1995 Executive Share Option Scheme, the 1999 Non-Approved Executive Share Option Scheme and the 1995 Savings Related Share Option Scheme. Full details are given in the attachment to the Notice of General Meeting to be held on 13 May 2005.

Disclosure of D L Grove's option gain and bonus

On 27 April 2004, D L Grove exercised all of his options over 2,294,183 shares held by Close Securities Limited at prices between 40p and 55p per share. The market value of the shares on 27 April 2004 was 100p per share, resulting in a taxable gain for D L Grove of £1,214,357.

Tax regulations have required the Company to account for £485,743 income tax on this gain. Whilst not contractually obliged to do so, D L Grove has reimbursed the Company for the whole of the income tax it has paid.

At the same time, the Company is entitled to corporation tax relief on the gain which, at 30%, will result in a tax saving of £364,307.

D L Grove was advised that, with Close Securities' agreement, he could have varied the agreements to receive cancellation payments rather than exercise his options, which would have eliminated his acquisition and disposal expenses. If D L Grove had followed this course of action, the Company would have incurred additional National Insurance costs of £101,485 (after deducting corporation tax relief) and would not have been entitled to the corporation tax saving of £364,307. The Company agreed with D L Grove that he would not vary the option agreements, as he would have been entitled to do, but would, instead, exercise his options strictly in accordance with the terms of the agreements.

As part of the agreements it has reached with D L Grove, the Company has paid a bonus to him of £358,335 (before deduction of income tax and National Insurance) which recognises the benefit obtained by the Company as a result of him following the agreements and not varying them, the additional expenses which he incurred as a result and his reimbursement of the income tax paid by the Company.

If D L Grove had followed the alternative route advised to him and had reimbursed only the income tax which he was contractually obliged to reimburse, the cost to the Company, after corporation tax relief, would have been £409,000. This compares with a benefit to the Company of the transactions as carried out, after charging the bonus paid to D L Grove, of £61,000, after corporation tax relief, i.e. an overall saving to the Company of £470,000.

Directors' Remuneration Report continued

Directors' remuneration

	Basic Salary/ Fees £000	Value of Benefits £000	Performance Related Bonus £000	Payment re Share Option Gain £000	Total for Year to 31.12.04 £000	Total for Year to 31.12.03 £000
Executive						
D L Grove	320	16	240	358	934	448
C J Burr	160	19	80	—	259	206
H C Everett	—	—	—	—	—	130
Non-Executive						
D S Winterbottom	54	—	—	—	54	50
H C Marshall	27	—	—	—	27	25
R E Richardson	29	—	—	—	29	25
Total	590	35	320	358	1,303	884

In addition, D L Grove realised a gain of £1,140,988 as a result of the exercise of share options during the year.

The auditor is required to report on the table above and the information given below on Directors' pensions and Directors' share options.

Total Shareholder Return

Under Statutory Instrument 2002 Number 1986, we are required to show the shareholder return over 5 years in graphical form against a broad equity index; the graph is shown below. The indices selected are the FTSE All Shares Index and the FTSE Small Capitalisation Index, which are broadly-based indices of shareholder return.

Hill & Smith Holdings PLC 5 Year relative performance



The graph shows that the Company has matched or outperformed both comparator indices in four of the past five years.

Directors' pensions

Pension benefits earned by the Directors

	C J Burr
Age at year end	55
Accrued benefit at 31 December 2004	£48,167
Increase in accrued benefits excluding inflation	£3,370
Increase in accrued benefits including inflation	£4,717
Directors' contributions	£8,888
Transfer value of accrued benefits at 1 January 2004	£557,086
Transfer value of accrued benefits at 31 December 2004	£796,168

- 1 The accrued pension entitlement is that which would be paid annually on retirement based on service to the year end.
- 2 The individual has the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.
- 3 The following is additional information relating to the Directors' pensions:
 - (a) Normal Retirement Age: 60
 - (b) Spouse's pensions: $\frac{2}{3}$ pension on death after retirement
 - (c) Pension increases: Pensions increase in line with RPI, limited to 5% per annum, subject to a minimum of 3% per annum
 - (d) Discretionary benefits: None
- 4 The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. During the period, the Scheme Actuary advised the Trustees that the recommended assumptions used under GN11 have been revised, particularly in respect of the life expectancy tables and rates of investment returns. This contributed to a part of the increase in the transfer value.

Directors' interests

Directors' shareholdings at the end of the financial year were as follows:

	31 December 2004	31 December 2003
D S Winterbottom	15,690	15,690
D L Grove	1,125,945*	540,945
R E Richardson	3,518	3,518
C J Burr	62,628	62,628
H C Marshall	68,601	68,601

* Increased by 585,000 as a result of the exercise of share options on 27 April 2004.

Directors' Remuneration Report continued

Directors' share options

	At 31 December 2003	Granted in year	Exercised in year	At 31 December 2004	Exercise price (p)	Date first exercisable	Expiry date
C J Burr	42,000*	—	—	42,000*	70.3	2/7/04	2/7/11
	158,000†	—	—	158,000†	70.3	2/7/04	2/7/08
		12,360‡	—	12,360‡	100.0	1/1/10	1/7/10
D L Grove	500,000†	—	—	500,000	67.1	9/7/02	9/7/06
		12,360‡	—	12,360‡	100.0	1/1/10	1/7/10

* 1995 Executive Share Option Scheme

† 1999 Non-Approved Executive Share Option Scheme

‡ 1995 Savings Related Share Option Scheme — Granted 1 January 2005

At 31 December 2004 the mid-market price of the Company's shares was 120.0p. During the year the Company's mid-market share price ranged between a low of 93.5p and a high of 122.5p.

Service agreements

The Chairman and the two Executive Directors have service agreements with the Company. The contracts provide for twelve months' notice if terminated by the Company. In the event of a Change in Control the period of notice is also twelve months. This follows D L Grove and C J Burr agreeing to the reduction of this notice period from eighteen months to twelve months.

The Chairman's service agreement is terminable by either party on twelve months' notice but if a Change in Control of the Company takes place the Chairman may at any time within the twelve month period immediately following such Change in Control terminate the agreement by ninety days' notice instead of twelve months' notice. In the event of the service agreement being terminated by either party within the twelve month period immediately following such Change in Control the terms of the contract are payable in full without mitigation.

D L Grove's service agreement is terminable by either party on twelve months' notice. During the period of ninety days following a Change in Control the period of notice required to be given by the Company to D L Grove is twelve months and the period of notice required to be given by D L Grove to the Company is reduced from twelve months to ninety days. If, during the period of ninety days immediately following a Change in Control, the service agreement is terminated by D L Grove or is terminated by the Company without prior notice, D L Grove is entitled to a sum equal to twelve months' salary.

C J Burr may terminate his service agreement with the Company by giving six months' notice. The Company may terminate the agreement by giving twelve months' notice. If the notice is given within the period of twelve months immediately following a Change in Control the notice to be given by the Company is also twelve months. On termination of the service agreement by the Company without prior notice C J Burr is under a duty to mitigate any loss unless such termination is effected within the period of twelve months following a Change in Control.

The dates of the contracts are as follows:

D S Winterbottom	4 March 1999
D L Grove	9 July 1999
C J Burr	20 June 2001

Non-Executive Appointments

Neither H C Marshall nor R E Richardson has a service agreement; their appointments are governed by letters of engagement. Under the terms of their engagement, the notice period to be given by both H C Marshall and R E Richardson to the Company is three months and the Company is bound to give the same length of notice to either H C Marshall or R E Richardson to terminate the engagement.



Howard Marshall
Chairman, Remuneration Committee
9 March 2005

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.

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

We have audited the financial statements on pages 25 to 49. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 23, 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. 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 regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement on pages 14 to 17 reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report, 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 and the part of the Directors' Remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 information in the financial statements and the part of the Directors' Remuneration Report to be audited.

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 31 December 2004 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
9 March 2005

2 Cornwall Street
Birmingham
B3 2DL

Group Profit and Loss Account

for the year ended 31 December 2004

	Year ended 31 December 2004				Year ended 31 December 2003 (Restated)				
	Notes	Before exceptional items and goodwill amortisation £000	Exceptional items £000	Goodwill amortisation £000	Total £000	Before exceptional items and goodwill amortisation £000	Exceptional items £000	Goodwill amortisation £000	Total £000
Turnover									
Existing operations		266,935	—	—	266,935	241,665	—	—	241,665
Acquisitions		1,717	—	—	1,717	—	—	—	—
Total turnover	1,2	268,652	—	—	268,652	241,665	—	—	241,665
Operating profit									
Existing operations		15,105	(1,616)	(1,674)	11,815	12,592	(5)	(1,630)	10,957
Acquisitions		(21)	(268)	—	(289)	—	—	—	—
Operating profit	1,2,3	15,084	(1,884)	(1,674)	11,526	12,592	(5)	(1,630)	10,957
Profit on sale of businesses		—	—	—	—	—	540	—	540
Profit on sale of properties	3	—	187	—	187	—	85	—	85
Loss on termination of operations		—	—	—	—	—	(1,851)	—	(1,851)
Profit on ordinary activities before interest	1	15,084	(1,697)	(1,674)	11,713	12,592	(1,231)	(1,630)	9,731
Net interest payable	5	(3,779)	—	—	(3,779)	(3,755)	—	—	(3,755)
Other finance income	23	502	—	—	502	239	—	—	239
Profit on ordinary activities before taxation	6	11,807	(1,697)	(1,674)	8,436	9,076	(1,231)	(1,630)	6,215
Tax on profit	7	(3,333)	991	18	(2,324)	(2,486)	598	16	(1,872)
Profit on ordinary activities after taxation		8,474	(706)	(1,656)	6,112	6,590	(633)	(1,614)	4,343
Minority interests		(8)	—	—	(8)	(3)	—	—	(3)
Profit for the year		8,466	(706)	(1,656)	6,104	6,587	(633)	(1,614)	4,340
Dividends	8				(3,112)				(2,838)
Retained profit for the year	21				2,992				1,502
Earnings per share	9	13.66p	(1.14p)	(2.66p)	9.85p*	10.69p	(1.03p)	(2.62p)	7.04p*
Diluted earnings per share	9	13.06p	(1.09p)	(2.56p)	9.42p*	10.61p	(1.02p)	(2.60p)	6.99p*

* FRS 3

All results relate to continuing operations

Group Balance Sheet

at 31 December 2004

	Notes	31 December 2004 £000	31 December 2003 (Restated) £000
Fixed assets			
Intangible assets	10	26,041	27,240
Tangible assets	11	44,860	41,437
Investments	12	25	25
		70,926	68,702
Current assets			
Properties held for resale		1,746	1,407
Stocks	13	27,004	23,641
Debtors	14	57,977	47,226
Cash and deposits		9,901	14,323
		96,628	86,597
Creditors: amounts falling due within one year			
Borrowings and finance leases	15	(11,806)	(10,370)
Other creditors	15	(79,774)	(66,768)
		(91,580)	(77,138)
Net current assets		5,048	9,459
Total assets less current liabilities		75,974	78,161
Creditors: amounts falling due after one year			
Borrowings and finance leases	16	(36,003)	(40,438)
Provisions for liabilities and charges	18,19	(4,030)	(4,343)
Net assets excluding pension liability		35,941	33,380
Pension liability	23	(4,649)	(2,569)
Net assets		31,292	30,811
Share capital and reserves			
Called up share capital	20	15,519	15,424
Share premium	21	3,519	3,423
Capital redemption reserve	21	238	238
Revaluation reserve	21	685	739
Other reserves	21	4,313	4,313
Profit and loss account	21	6,968	6,632
Equity shareholders' funds		31,242	30,769
Equity minority interests		50	42
		31,292	30,811

Approved by the Board of Directors on 9 March 2005 and signed on its behalf by:

D L Grove
Director

C J Burr
Director

Company Balance Sheet

at 31 December 2004

	Notes	31 December 2004 £000	31 December 2003 (Restated) £000
Fixed assets			
Tangible assets	11	37	50
Investments	12	104,234	97,226
		104,271	97,276
Current assets			
Debtors	14	15,583	19,821
Cash and deposits		30	30
		15,613	19,851
Creditors: amounts falling due within one year			
Borrowings and finance leases	15	(29,998)	(24,471)
Other creditors	15	(5,449)	(6,163)
		(35,447)	(30,634)
Net current liabilities		(19,834)	(10,783)
Total assets less current liabilities		84,437	86,493
Creditors: amounts falling due after one year			
Borrowings and finance leases	16	(34,207)	(39,045)
Provisions for liabilities and charges	18,19	—	(23)
Net assets		50,230	47,425
Share capital and reserves			
Called up share capital	20	15,519	15,424
Share premium	21	3,519	3,423
Capital redemption reserve	21	238	238
Profit and loss account	21	30,954	28,340
Equity shareholders' funds		50,230	47,425

Approved by the Board of Directors on 9 March 2005 and signed on its behalf by:

D L Grove
Director

C J Burr
Director

Group Cash Flow Statement

for the year ended 31 December 2004

		Year ended 31 December 2004	Year ended 31 December 2003 (Restated)
	Notes	£000	£000
Net cash flow from operating activities	24a	18,097	20,925
Returns on investments and servicing of finance	24b	(4,108)	(4,040)
Taxation		(2,258)	(1,182)
Capital expenditure and financial investment	24c	(6,286)	(4,230)
Acquisitions and disposals	24d	(2,533)	1,031
Equity dividends paid		(2,846)	(2,759)
Cash flow before financing		66	9,745
Financing			
Issue of new shares		191	89
Loan advances		1,500	50,406
Loan repayments		(4,250)	(57,539)
Redemption of loan notes		(827)	(328)
Repayments of capital element of finance leases		(1,102)	(861)
		(4,488)	(8,233)
(Decrease)/increase in cash in the year		(4,422)	1,512
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash		(4,422)	1,512
Cash outflow from borrowings		4,679	8,322
Change in net debt resulting from cash flows		257	9,834
New finance leases		(1,542)	(1,414)
Amortisation of arrangement fees		(138)	(35)
Movement in net debt in the year		(1,423)	8,385
Net debt at the start of the year	24e	(36,485)	(44,870)
Net debt at the end of the year	24e	(37,908)	(36,485)

Other Primary Statements

Statement of Group Total Recognised Gains and Losses

for the year ended 31 December 2004

	Year ended 31 December 2004	Year ended 31 December 2003 (Restated)
	£000	£000
Profit for the year	6,104	4,340
Actuarial (loss)/gain recognised in the pension scheme	(3,920)	393
Deferred tax arising on losses/(gains) in the pension scheme	904	(118)
Current tax arising on losses in the pension scheme	272	—
Currency translation differences on overseas net investments	34	(17)
Total recognised gains and losses relating to the the year	3,394	4,598
Prior year adjustment (see note 25)	(7,177)	
Total recognised gains and losses since the last annual report	(3,783)	

Note of Group Historical Cost Profits and Losses

for the year ended 31 December 2004

There is no material difference between the results as shown in the profit and loss account and their historical cost equivalent.

Reconciliation of movement in Shareholders' Funds

for the year ended 31 December 2004

	Group		Company	
	Year ended 31 December 2004	Year ended 31 December 2003 (Restated)	Year ended 31 December 2004	Year ended 31 December 2003 (Restated)
	£000	£000	£000	£000
Profit for the year	6,104	4,340	5,726	6,719
Dividends	(3,112)	(2,838)	(3,112)	(2,838)
	2,992	1,502	2,614	3,881
Other recognised net gains and losses relating to the year	(2,710)	258	—	—
New ordinary share capital issued	191	89	191	89
Net increase in shareholders' funds	473	1,849	2,805	3,970
Opening shareholders' funds (original £37,946,000 restated for prior year adjustment of £7,177,000)	30,769	28,920	47,425	43,455
Shareholders' funds at the end of the year	31,242	30,769	50,230	47,425

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 except as noted below. The Company has adopted FRS 17: Retirement Benefits in full in these financial statements. The comparative figures have been restated accordingly. Further details are given in note 25.

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 31 December 2004. 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.

Where a Group company is party to a joint arrangement that is not an entity, the Group accounts directly for its part of the income and expenditure, assets, liabilities and cash flows on consolidation. Such joint arrangements are effectively an extension of the Group's activities and do not carry on a trade or business of their own.

Goodwill and negative goodwill

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 October 1998, when FRS 10, Goodwill and Intangible Assets, was adopted, was written off to reserves in the year of acquisition. In accordance with the 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. 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.

The net assets of businesses acquired are incorporated into the consolidated financial statements at their fair value to the Group. Fair value adjustments are always considered to be provisional at the first balance sheet date after acquisition to allow the maximum time to elapse for management to make a reliable estimate.

Investments

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

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.

Turnover

Except for work completed under long term contracts (page 31), turnover represents the amount (excluding value added tax) invoiced to third party customers following the delivery of goods or provision of services.

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.

The Group has followed the transitional provisions of FRS 15 to retain the book value of freehold land and buildings, certain of which had been revalued from their historic cost.

Investment properties are revalued annually. Any surplus or deficit arising is transferred to a revaluation reserve, except for any impairment in value which is charged against the profit for the year. Depreciation is not provided in respect of such properties. This is not in accordance with the requirements of the Companies Act 1985. However, these properties are not held for consumption but for investment and the Directors consider that their systematic annual depreciation would be inappropriate. The policy adopted is therefore considered to be necessary for the accounts to give a true and fair view.

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

As explained in note 23 the Group has fully adopted FRS 17 during the year.

Defined benefit pension scheme surpluses (to the extent they are recoverable) or deficits are recognised in full on the balance sheet, net of deferred tax. The movement in the

surplus/deficit arising from employee service in the year is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are recognised in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

Contributions in respect of defined contribution schemes are charged to the profit and loss account in the year to which they relate.

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.

Long term contracts

The profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated as cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Deferred taxation

Deferred tax is provided, without discounting, on timing differences between the treatment of items for taxation and accounting purposes except as otherwise required by FRS 19.

Notes to the Financial Statements

1 Segmental information

	Year ended 31 December 2004				Year ended 31 December 2003 (Restated)			
	Turnover £000	Operating profit* £000	Profit before interest and tax £000	Net assets £000	Turnover £000	Operating profit* £000	Profit before interest and tax £000	Net assets £000
Continuing operations:								
Existing operations	228,132	13,636	10,651	47,259	204,687	11,633	9,714	39,639
Acquisitions	1,717	(21)	(282)	1,105	—	—	—	—
Building and Construction								
Products	229,849	13,615	10,369	48,364	204,687	11,633	9,714	39,639
Continuing operations:								
Existing operations	38,803	1,469	1,344	11,578	36,978	959	17	12,572
Industrial Products	38,803	1,469	1,344	11,578	36,978	959	17	12,572
Continuing operations:								
Existing operations	266,935	15,105	11,995	58,837	241,665	12,592	9,731	52,211
Acquisitions	1,717	(21)	(282)	1,105	—	—	—	—
Total operations	268,652	15,084	11,713	59,942	241,665	12,592	9,731	52,211
Tax and dividends				(10,505)				(7,929)
Other provisions				(6,278)				(4,226)
Net borrowings				(37,908)				(36,485)
Goodwill				26,041				27,240
Total Group				31,292				30,811
By geographical origin								
UK	267,100	14,828	11,457	31,277	240,448	12,454	9,684	30,127
Rest of World	1,552	256	256	15	1,217	138	47	684
Total	268,652	15,084	11,713	31,292	241,665	12,592	9,731	30,811
Turnover by geographical destination								
UK	242,964				220,508			
Rest of Europe	18,443				11,864			
Asia	1,874				2,446			
USA	770				1,135			
Rest of World	4,601				5,712			
Total	268,652				241,665			

* Operating profit is stated before exceptional items and goodwill amortisation.

2 Operating profit

	Year ended 31 December 2004	Year ended 31 December 2003 (Restated)
	£000	£000
Turnover	268,652	241,665
Cost of sales	(206,993)	(184,693)
Gross profit	61,659	56,972
Distribution costs	(20,839)	(20,352)
Administrative expenses	(25,860)	(24,243)
Other operating income	124	215
Operating profit before exceptional items and goodwill amortisation	15,084	12,592
Exceptional items	(1,884)	(5)
Goodwill amortisation	(1,674)	(1,630)
Operating profit	11,526	10,957

Operating profit before exceptional items and goodwill amortisation has been shown because the Directors consider that this gives a more meaningful indication of the underlying performance of the Group.

3 Exceptional items

Exceptional items from existing operations include £424,000 in respect of the special bonus and associated costs incurred in connection with the exercise by D L Grove of share options, as explained in the Directors' Remuneration Report on page 19. The remainder relates primarily to costs arising from business reorganisations at Redman Fisher Engineering Limited and Joseph Ash Limited.

Exceptional items on acquisitions relate to costs incurred in reorganising and integrating the Lionweld Kennedy operations which were acquired during the year (see Note 24 (f)).

The profit on sale of properties of £187,000 relates to the sale of Bumpers Farm, Chippenham.

4 Employees

	Year ended 31 December 2004	Year ended 31 December 2003 (Restated)
The average number of people employed by the Group during the year was:		
Building and Construction Products	1,880	1,815
Industrial Products	440	527
	2,320	2,342
The aggregate employment cost for the year was:		
	£000	£000
Wages and salaries	49,923	48,916
Social security costs	4,972	4,921
Pension cost	1,701	1,533
	56,596	55,370

Details of the Directors' remuneration and share interests are given in the Directors' Remuneration Report on pages 18 to 22.

Notes to the Financial Statements continued

5 Net interest payable

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Interest payable:		
Bank loans and overdrafts	3,475	3,825
Interest on finance leases and hire purchase contracts	187	154
Amortisation of arrangement fees	138	35
Other loans	74	158
	3,874	4,172
Interest receivable	(95)	(417)
	3,779	3,755

6 Profit on ordinary activities before taxation

	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
The profit on ordinary activities is stated after charging:		
Depreciation of tangible fixed assets:		
Owned	5,110	5,369
Leased	475	250
Amortisation of goodwill	1,674	1,630
Operating lease rentals:		
Plant and machinery	777	788
Other	4,388	3,046
Research and development expenditure	65	60
Auditor's remuneration (including Company £41,000 (2003: £33,000))	222	201
Non-audit fees paid to the auditor and their associates:		
Other assurance services	64	51
Taxation	60	38
In relation to acquisitions and disposals	—	110
Other fees	45	39
Foreign exchange loss	—	173
After crediting:		
Profit on disposal of fixed assets	36	160
Grants receivable	3	—
Rental income	1,988	1,863
Foreign exchange gain	197	—

7 Taxation

	Year ended 31 December 2004	Year ended 31 December 2003 (Restated)
	£000	£000
UK corporation tax on profits of the year	2,558	1,315
Adjustments in respect of previous periods	—	(136)
Foreign tax	39	22
	2,597	1,201
Deferred taxation: origination and reversal of timing differences		
Current year	(111)	820
Adjustments in respect of previous periods	(162)	(149)
	2,324	1,872

Factors affecting tax charge for the year

The tax charge for the year has been reduced by £347,000 (2003: £232,000) as a result of capital allowances in respect of industrial buildings which are no longer subject to clawback.

The current tax charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 December 2004	Year ended 31 December 2003 (Restated)
	£000	£000
Profit on ordinary activities before taxation	8,436	6,215
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	2,531	1,865
Effect of goodwill amortisation	484	473
Profit on ordinary activities before goodwill amortisation multiplied by the standard rates of corporation tax in the UK of 30%	3,015	2,338
Expenses not deductible for tax purposes	317	256
Deductible employee share option gains not charged against profit	(412)	(20)
Capital allowances for period in excess of depreciation	(346)	(681)
Income and expenditure timing differences	110	(372)
Capital profits less losses and write-downs not subject to tax	(98)	(209)
Overseas profits taxed at lower rates	(35)	(16)
Overseas losses not relieved	46	41
Adjustments in respect of previous periods	—	(136)
Current tax charge	2,597	1,201

Notes to the Financial Statements continued

8 Dividends

	Year ended 31 December 2004 Pence per share	Year ended 31 December 2003 Pence per share	Year ended 31 December 2004 £000	Year ended 31 December 2003 £000
Equity shares:				
Interim paid	2.25	2.15	1,405	1,324
Final proposed	2.75	2.45	1,707	1,514
Total	5.00	4.60	3,112	2,838

9 Earnings per share

The weighted average number of shares in issue during the year was 61,999,081 (2003: 61,608,085), diluted for the effects of outstanding share options 64,805,705 (2003: 62,076,036). Earnings per share have been calculated on earnings of £6,104,000 (2003: £4,340,000 as restated) and earnings per share before exceptional items and goodwill amortisation on earnings of £8,466,000 (2003: £6,587,000 as restated). Earnings per share before exceptional items and goodwill amortisation have been shown because the Directors consider that this gives a more meaningful indication of the underlying performance of the Group.

10 Intangible fixed assets

Goodwill

Group	Gross £000	Amortisation £000	Net £000
At 31 December 2003	32,419	(5,179)	27,240
Additions in the year	475	—	475
Amortisation charge for the year	—	(1,674)	(1,674)
At 31 December 2004	32,894	(6,853)	26,041

All acquisitions are being amortised over a period of twenty years. Additions in the year primarily represent the goodwill arising on the acquisition of Lionweld Kennedy.

11 Tangible fixed assets

	Group			Company			
	Land and buildings		Plant, machinery & vehicles	Total	Plant, machinery & vehicles		Total
	Freehold	Short leasehold			Short leasehold	Total	
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 31 December 2003	16,587	814	79,849	97,250	9	105	114
Exchange adjustments	—	—	(16)	(16)	—	—	—
Acquisitions	911	—	400	1,311	—	—	—
Additions	1,042	35	6,923	8,000	—	5	5
Disposals	(66)	—	(4,236)	(4,302)	—	—	—
At 31 December 2004	18,474	849	82,920	102,243	9	110	119
Depreciation							
At 31 December 2003	1,310	48	54,455	55,813	2	62	64
Exchange adjustment	—	—	(4)	(4)	—	—	—
Disposals	—	—	(4,011)	(4,011)	—	—	—
Charge for the year	247	16	5,322	5,585	—	18	18
At 31 December 2004	1,557	64	55,762	57,383	2	80	82
Net book value							
At 31 December 2004	16,917	785	27,158	44,860	7	30	37
At 31 December 2003	15,277	766	25,394	41,437	7	43	50

Particulars relating to revalued assets are given below:

	31 December 2004 £000	31 December 2003 £000
Land & buildings		
At 1997 open market value for existing use	2,850	2,850
At 1998 open market value for existing use	547	547
At 1999 open market value for existing use	1,939	2,005
At historic cost	13,987	11,999
Cost/valuation	19,323	17,401
Historical cost of revalued assets	6,315	6,315
Aggregate depreciation based on historical cost	(1,881)	(1,725)
Historical cost net book value	4,434	4,590

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 £7,959,000 (2003: £7,680,000).

Included in the net book value of plant, machinery and vehicles is £3,782,000 (2003: £2,457,000) in respect of assets held under finance lease and similar hire purchase contracts.

Included within plant, machinery and vehicles are assets held for hire with a cost of £7,497,000 (2003: £4,707,000) and accumulated depreciation of £1,240,000 (2003: £681,000).

Notes to the Financial Statements continued

12 Fixed asset investments

Group	Trade investments £000	Loans £000	Total £000
Cost			
At 31 December 2003 and 31 December 2004	815	250	1,065
Provisions			
At 31 December 2003 and 31 December 2004	790	250	1,040
Net book value			
At 31 December 2003 and 31 December 2004	25	—	25

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 bank rate and is repayable at any time with the permission of that company's bankers. 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.

Company	Share in Group undertakings £000	Loans to Group undertakings £000	Trade investments £000	Other Loans £000	Total £000
Cost					
At 31 December 2003	82,662	17,790	750	250	101,452
Additions	1,005	6,003	—	—	7,008
At 31 December 2004	83,667	23,793	750	250	108,460
Provisions					
At 31 December 2003	1,910	1,316	750	250	4,226
At 31 December 2004	1,910	1,316	750	250	4,226
Net book value					
At 31 December 2004	81,757	22,477	—	—	104,234
At 31 December 2003	80,752	16,474	—	—	97,226

A list of the principal Group businesses is given on pages 50 and 51. All the Group's subsidiaries are wholly owned except for Pipe Supports (Asia) Limited, a company incorporated in Thailand, in which the Group has an equity interest of 87%. Redman Fisher (Ireland) Limited is incorporated in the Republic of Ireland.

The Company's subsidiary, Express Reinforcements Limited, continues to operate a joint arrangement through Express O'Rourke JV Limited, a company in which it holds 50% of the issued share capital. Express O'Rourke JV Limited manufactures and supplies steel reinforcement products for the construction of Terminal 5, Heathrow Airport.

13 Stocks

	Group	
	31 December 2004 £000	31 December 2003 £000
Raw materials and consumables	12,623	12,934
Work in progress	2,895	2,445
Finished goods and goods for resale	11,486	8,262
	27,004	23,641

14 Debtors

	Group		Company	
	31 December 2004 £000	31 December 2003 £000	31 December 2004 £000	31 December 2003 £000
Trade debtors	53,692	42,443	—	38
Amounts owed by subsidiary undertakings	—	—	13,056	17,996
Corporation tax	—	—	1,768	—
Deferred tax	—	—	6	—
Other debtors	1,617	434	644	—
Prepayments and accrued income	2,668	4,349	109	1,787
	57,977	47,226	15,583	19,821

Notes to the Financial Statements continued

15 Creditors: amounts falling due within one year

	Group		Company	
	31 December	31 December	31 December	31 December
	2004	2003	2004	2003
	£000	£000	£000	£000
Borrowings and finance leases				
Bank loans and overdrafts	—	—	19,036	14,683
Current portion of long term bank loans	9,612	7,612	9,612	7,612
Finance lease and hire purchase obligations	1,070	807	226	225
Loan notes	1,124	1,951	1,124	1,951
	11,806	10,370	29,998	24,471
Other creditors				
Trade creditors	48,552	41,366	803	2,037
Bills of exchange	8,067	2,217	—	—
Corporation tax	2,471	2,405	—	—
Other taxation and social security	2,529	2,553	10	36
Accruals and deferred income	8,278	6,816	1,049	941
Payments received on account	2,365	5,412	—	—
Proposed dividend	3,104	2,838	3,104	2,838
Other creditors	4,408	3,161	483	311
	79,774	66,768	5,449	6,163

16 Creditors: amounts falling due after one year

	Group		Company	
	31 December	31 December	31 December	31 December
	2004	2003	2004	2003
	£000	£000	£000	£000
Borrowings and finance leases				
Long term bank loans	33,757	38,369	33,757	38,369
Finance lease and hire purchase obligations	2,246	2,069	450	676
	36,003	40,438	34,207	39,045

16 Creditors: amounts falling due after one year (continued)

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

	Group		Company	
	31 December 2004 £000	31 December 2003 £000	31 December 2004 £000	31 December 2003 £000
Bank loans and overdraft				
Amounts due within one year	9,612	7,612	28,648	22,295
Amounts due after more than one year:				
Between one and two years	5,112	4,612	5,112	4,612
Between two and five years	28,645	33,757	28,645	33,757
	33,757	38,369	33,757	38,369
	43,369	45,981	62,405	60,664
Loan notes				
Amounts due within one year	1,124	1,951	1,124	1,951
	1,124	1,951	1,124	1,951
Finance leases and hire purchase obligations				
Amounts due within one year	1,070	807	226	225
Amounts due after more than one year:				
Between one and two years	1,305	795	225	225
Between two and five years	941	1,274	225	451
	2,246	2,069	450	676
	3,316	2,876	676	901

The bank loans carry a rate of interest of up to 1.25% above LIBOR and are secured by a first fixed and floating charge over substantially all of the Group's assets. Obligations under finance leases and hire purchase obligations are secured on the relevant assets.

Included within bank loans due within one year is £5,000,000 (2003: £3,500,000) in respect of a revolving credit facility over which refinancing is permitted, the earliest date at which the lender can require repayment being 30 June 2008. In the absence of the refinancing facility, this amount would have been repayable on 31 January 2005.

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.

Interest rate risk

The Group has used an interest rate swap to fix approximately 20% (2003: 36%) of its year end gross borrowings at a base rate of 6.11%.

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 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. The Group uses forward exchange contracts to hedge the majority of exposures that do exist.

Notes to the Financial Statements continued

17 Financial instruments (continued)

(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 12.

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.

(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. 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 31 December 2004	38,309	9,500	47,809
Sterling at 31 December 2003	31,927	18,881	50,808

	Fixed rate financial liabilities Weighted average interest rate %	Weighted average period for which rate is fixed years
Sterling at 31 December 2004	5.4	0.8
Sterling at 31 December 2003	6.8	1.3

(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 31 December 2004 the Group had the following undrawn committed facilities, in respect of which all conditions precedent had been met:

	2004 £000	2003 £000
Undrawn committed borrowing facilities		
Expiring after more than two years	17,500	19,000

(e) Fair values

At 31 December 2004 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.

18 Provisions for liabilities and charges

	Group			Company	
	Deferred taxation £000	Other £000	Total £000	Deferred taxation £000	Total £000
At 31 December 2003					
As previously reported	4,661	1,657	6,318	23	23
Prior year restatement (see note 25)	(1,975)	—	(1,975)	—	—
	2,686	1,657	4,343	23	23
Movement in deferred tax on pension liability (see notes 19 & 23)	892	—	892	—	—
Provisions released	—	(9)	(9)	—	—
Utilised during the year	(1,177)	(19)	(1,196)	(29)	(29)
At 31 December 2004	2,401	1,629	4,030	(6)	(6)

Other provisions at 31 December 2004 relate to potential liabilities for environmental costs and dilapidations on leasehold properties.

19 Deferred taxation

Details of amounts provided for deferred taxation are set out below:

	Group		Company	
	31 December 2004 £000	31 December 2003 £000	31 December 2004 £000	31 December 2003 £000
At 31 December 2003				
As previously reported	4,661	3,764	645	473
Prior year restatement (see note 25)	(3,076)	(2,968)	(622)	(448)
	1,585	796	23	25
(Credited)/charged for the year in the profit and loss account	(273)	671	(29)	(2)
(Credited)/charged for the year in the statement of total recognised gains and losses	(904)	118	—	—
At 31 December 2004	408	1,585	(6)	23
Difference between accumulated depreciation, amortisation and capital allowances	2,916	2,927	(5)	(5)
Other timing differences	(515)	(241)	(1)	28
	2,401	2,686	(6)	23
Deferred tax on pension liability (see notes 18 & 23)	(1,993)	(1,101)		
	408	1,585		

Notes to the Financial Statements *continued*

20 Called up share capital

	31 December	31 December
	2004	2003
	£000	£000
Authorised		
80,000,000 Ordinary shares of 25p each (2003: 80,000,000)	20,000	20,000
Allotted, called up and fully paid		
62,075,294 Ordinary shares of 25p each (2003: 61,697,484)	15,519	15,424

During the year the Company issued 377,810 shares under its various share option schemes (2003: 132,529), realising £191,198 (2003: £89,008)

Options over the Company's shares outstanding at 31 December 2004 were:

	Number of shares	Option price (p)	Date first exercisable	Expiry date
1985 Executive Share Option Scheme	68,053	113	23 Jan 1998	23 Jan 2005
1995 Executive Share Option Scheme	65,599	114	20 Feb 1999	20 Feb 2006
	74,000	69	4 Aug 2002	4 Aug 2009
	52,000	70	2 July 2004	2 July 2011
	173,000	66	21 Jan 2005	21 Jan 2012
1999 Non-Approved Executive Share Option Scheme	500,000	67	9 July 2002	9 July 2006
	4,000	69	4 Aug 2002	2 Aug 2006
	158,000	70	2 Apr 2004	2 July 2008
	177,000	66	21 Jan 2005	21 Jan 2012
1995 Savings Related Share Option Scheme	1,458,759	100	1 Jan 2010	1 July 2010

21 Share premium and reserves

Group	Share premium £000	Capital redemption reserve £000	Revaluation reserve £000	Other reserves £000	Profit and loss account (Restated) £000
At 31 December 2003					
As previously reported	3,423	238	739	4,313	13,809
Prior year restatement (see note 25)	—	—	—	—	(7,177)
	3,423	238	739	4,313	6,632
Retained profit for the year	—	—	—	—	2,992
Exchange differences	—	—	—	—	34
Net actuarial loss recognised in the pension scheme	—	—	—	—	(2,744)
Transfer between reserves	—	—	(54)	—	54
Shares issued	96	—	—	—	—
At 31 December 2004	3,519	238	685	4,313	6,968

21 Share premium and reserves (continued)

Company	Share premium £000	Capital redemption reserve £000	Profit and loss account (Restated) £000
At 31 December 2003			
As previously reported	3,423	238	29,790
Prior year restatement (see note 25)	—	—	(1,450)
	3,423	238	28,340
Retained profit for the year	—	—	2,614
Shares issued	96	—	—
At 31 December 2004	3,519	238	30,954

Other reserves represent the premium on shares issued in exchange for shares of subsidiaries acquired. The Group has taken advantage of Section 131 of the Companies Act 1985.

The cumulative amount of positive goodwill resulting from acquisitions in earlier financial years which has been written off is £2,413,000 (2003: £2,413,000), 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 (2003: £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 Group profit for the year includes profit dealt with in the financial statements of the Company of £5,726,000 (2003: £6,719,000).

22 Guarantees and other financial commitments

(a) Guarantees

The Company guarantees the bank loans and overdrafts of certain subsidiary undertakings. The amount outstanding at 31 December 2004 was £2,363,000 (2003: £Nil).

The Group had guarantees outstanding to a bank in respect of performance bonds of £1,722,104 (2003: £2,919,250).

(b) Capital commitments

	Group		Company	
	31 December 2004 £000	31 December 2003 £000	31 December 2004 £000	31 December 2003 £000
Contracted for but not provided in the accounts	335	228	—	—

(c) Operating lease commitments

Annual commitments under non-cancellable operating leases expiring:

Group	31 December 2004		31 December 2003	
	Land & buildings £000	Other £000	Land & buildings £000	Other £000
Within one year	136	567	104	379
Between one and two years	114	815	—	421
Between two and five years	429	910	238	718
After five years	2,813	1	2,654	108
	3,492	2,293	2,996	1,626
Company				
Within one year	—	10	—	—
Between one and two years	—	23	—	—
Between two and five years	—	4	—	26
After five years	34	—	34	—
	34	37	34	26

Notes to the Financial Statements continued

23 Pensions

The Company operates two main pension schemes; one providing benefits accruing in the future on a defined benefit basis and a second, and larger, scheme providing benefits that are on a defined contribution basis. This second scheme also contains some defined benefit liabilities. The assets of both schemes are administered by trustees and are kept entirely separate from those of the Company. Independent actuarial valuations are carried out every three years. Contribution rates are determined on the basis of advice from an independent professionally qualified actuary, with the objective of providing the funds required to meet pension obligations as they fall due. Pension costs are similarly determined and are charged to the profit and loss account so as to spread the cost over the members' working lives with the Company. There is also a separate Group personal pension plan operated by one of the Company's subsidiaries.

The profit and loss account for the year includes a pension charge of £1,701,000 (2003: £1,533,000) as restated, which includes the costs of the defined contribution scheme and the defined benefit scheme which are detailed below.

Composition of the scheme

The Group operates defined benefit schemes in the UK. A full actuarial valuation of the schemes was carried out as at as at 5 April 2003 and updated to 31 December 2004 by a qualified actuary.

The principal assumptions used by the actuary were:

	31 December 2004	31 December 2003	31 December 2002	31 December 2001
Rate of increase in salaries	3.90%	3.75%	3.50%	4.00%
Rate of increase in pensions in payment	2.65%	2.50%	2.00%	2.25%
Discount rate	5.60%	5.75%	6.00%	6.00%
Inflation assumption	2.75%	2.60%	2.00%	2.50%

The Schemes hold assets and liabilities in respect of defined contribution benefits; these are equal in value and are excluded from the following figures.

The assets in the scheme and expected rates of return as at 31 December were:

	Expected rate of return 2004	Market Value 2004 £000	Expected rate of return 2003	Market Value 2003 £000	Expected rate of return 2002	Market Value 2002 £000	Expected rate of return 2001	Market Value 2001 £000
UK Equities	8.00%	29,229	8.00%	27,735	8.00%	24,682	8.00%	28,864
Bonds	5.60%	6,220	5.75%	5,613	6.00%	6,280	6.00%	5,884
Gilts	4.75%	3,117	5.00%	3,330	4.50%	1,795	5.50%	1,659
With Profits policies	6.10%	10,122	6.25%	10,038	6.25%	10,321	6.75%	11,150
Cash	4.75%	1,501	4.00%	237	4.00%	900	4.00%	2,350
Other	8.00%	410	8.00%	618	8.00%	897	8.00%	1,050
Total market value of assets		50,599		47,571		44,875		50,957
Present value of scheme liabilities		(57,241)		(51,241)		(48,616)		(49,207)
(Deficit)/surplus in the scheme		(6,642)		(3,670)		(3,741)		1,750
Related deferred tax asset (see note 19)		1,993		1,101		1,122		(525)
Net pension (liability)/asset		(4,649)		(2,569)		(2,619)		1,225

23 Pensions (continued)

	31 December 2004 £000	31 December 2003 £000	
Analysis of the amount which has been charged to operating profit			
Current service cost	717	792	
Curtailments gain	(47)	—	
Total operating charge	670	792	
	31 December 2004 £000	31 December 2003 £000	
Analysis of the amount which has been credited to other finance income			
Expected return on pension scheme assets	3,398	3,068	
Interest on pension scheme liabilities	(2,896)	(2,829)	
Net return	502	239	
	31 December 2004 £000	31 December 2003 £000	
Analysis of the amount which has been recognised in the Statement of Total Recognised Gains and Losses			
Actual return less expected return on pension scheme assets	545	2,923	
Experience gains and losses arising on the pension scheme liabilities	413	502	
Changes in assumptions underlying the present value of the scheme liabilities	(4,878)	(3,032)	
Actuarial (loss)/gain	(3,920)	393	
	31 December 2004 £000	31 December 2003 £000	
Movement in the deficit during the year			
Deficit in scheme at the start of the year	(3,670)	(3,741)	
Movement in the year:			
Current service cost	(670)	(792)	
Contributions	1,116	231	
Other financing income	502	239	
Actuarial (loss)/gain	(3,920)	393	
Deficit in the scheme at the end of the year	(6,642)	(3,670)	
	31 December 2004 £000	31 December 2003 £000	31 December 2002 £000
History of experience gains and losses during the year			
Difference between the expected return and actual return on scheme assets:			
Amount	545	2,923	(8,694)
Percentage of scheme assets	1%	6%	(19)%
Experience gains and losses on scheme liabilities			
Amount	413	502	(1,204)
Percentage of present value of scheme liabilities	1%	1%	(2)%
Total amount recognised in the Statement of Total Recognised Gains and Losses			
Amount	(3,920)	393	(5,521)
Percentage of present value of scheme liabilities	(7)%	1%	(11)%

23 Pensions (continued)

The Company is a member of the Group pension schemes which provide benefits on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits', the schemes have been accounted for by the Company as if they were defined contribution schemes.

24 Notes to the Cash Flow Statement

	Year ended 31 December 2004			Year ended
	Before exceptional items and goodwill amortisation £000	Exceptional items and goodwill amortisation £000	Total £000	31 December 2003 (Restated) Total £000
(a) Reconciliation of operating profit to net cash inflow from operating activities				
Operating profit	15,084	(3,558)	11,526	10,957
Depreciation	5,585	—	5,585	5,619
Amortisation of goodwill	—	1,674	1,674	1,630
Profit on sale of fixed assets	(36)	—	(36)	(160)
Change in working capital:				
Stocks	(2,613)	—	(2,613)	(573)
Debtors	(10,284)	—	(10,284)	3,283
Creditors and provisions	11,954	291	12,245	169
	(943)	291	(652)	2,879
Net cash inflow/(outflow) from operating activities	19,690	(1,593)	18,097	20,925
(b) Returns on investments and servicing of finance				
Interest received			95	417
Interest paid			(4,016)	(4,303)
Interest element of finance lease rentals			(187)	(154)
			(4,108)	(4,040)
(c) Capital expenditure and financial investment				
Purchase of fixed assets			(7,098)	(5,442)
Sale of fixed assets			812	1,212
			(6,286)	(4,230)
(d) Acquisitions and disposals				
Purchase of subsidiary undertakings and businesses (see note 24(f))			(2,533)	—
Sale of businesses (net of disposal costs)			—	2,882
Termination of businesses			—	(1,851)
			(2,533)	1,031

24 Notes to the Cash Flow Statement (continued)

(e) Analysis of net debt

	31 December 2003 £000	Cash flow £000	Other non-cash changes £000	31 December 2004 £000
Cash at bank and in hand	14,323	(4,422)	—	9,901
Debt due within one year	(9,563)	(1,035)	(138)	(10,736)
Debt due after one year	(38,369)	4,612	—	(33,757)
Finance leases	(2,876)	1,102	(1,542)	(3,316)
Net debt	(36,485)	257	(1,680)	(37,908)

(f) Purchase of subsidiary businesses (see note 24(d))

	31 December 2004 £000
Net assets acquired:	£000
Tangible fixed assets	1,311
Stock	925
Provisions	(175)
	2,061
Goodwill	472
	2,533
Satisfied by:	
Cash	2,533
	2,533

The Group acquired part of the business and assets of Lionweld Kennedy Limited on 27 October 2004. The acquisition has been accounted for under the acquisition method of accounting. Provisionally, no fair value adjustments have been made.

25 Prior year restatement

The Company has adopted FRS 17: Retirement Benefits in these financial statements. The comparative figures have been restated accordingly.

The adoption of FRS 17 has resulted in a decrease in the Group's reported profit before tax for the year ended 31 December 2003 of £750,000. There is an overall decrease in the Group's shareholders' funds as at 31 December 2003 of £7,177,000. The amount of the restatement credited directly to the Group's P&L reserve for the year ended 31 December 2003 which is included in the movement in shareholder's funds above was £275,000.

The adoption of FRS 17 has resulted in an overall decrease in the Company's shareholders' funds as at 31 December 2003 of £1,450,000.

26 Related party transactions

During the year the Company purchased £22,537 (2003: £Nil) of services from Drayparcs Limited, of which £10,888 (2003: £Nil) remained due to Drayparcs Limited as at 31 December 2004. Drayparcs Limited is a company of which D L Grove is the chairman and a major shareholder. All of these transactions were undertaken on an arm's length basis.

Principal Group Businesses

Building and Construction Products

Infrastructure Products Group



Asset International Limited **(Large diameter plastic drainage pipes and storm water attenuation tanks)**

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



Barkers Engineering Limited **(Fencing, galvanizing, powder coating and fasteners)**

Etna Works, Duke Street, Fenton, Stoke-on-Trent, Staffordshire, ST4 3NS
Tel: (01782) 319264 Fax: (01782) 599724
Email: sales@barkers-engineering.co.uk
Website: www.barkers-engineering.co.uk



Hill & Smith Limited **(Highway and off-highway safety barriers, temporary highway and general workzone protection systems and corrugated steel structures)**

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



Mallatite Limited **(Street and highway lighting columns)**

Sandfold Lane, Levenshulme, Manchester, M19 3FT
Tel: (0161) 225 3100 Fax: (0161) 257 2625
Email: sales@mallatite.co.uk
Website: www.mallatite.co.uk



Varley & Gulliver Limited **(Parapets, gantries and pedestrian guardrails)**

57-70 Alfred Street, Sparkbrook, Birmingham, B12 8JR
Tel: (0121) 773 2441 Fax: (0121) 766 6875
Email: sales@v-and-g.co.uk
Website: www.v-and-g.co.uk

Other businesses



Ash & Lacy Building Systems Limited* **(Metal cladding building systems and ancillary products)**

Bromford Lane, West Bromwich, West Midlands, B70 7JJ
Tel: (0121) 525 1444 Fax: (0121) 525 3444
Email: enquiry@ashandlacy.com
Website: www.ashandlacy.com



Birtley Building Products Limited **(Steel lintels, residential doors and galvanizing)**

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



Express Reinforcements Limited* **(Steel reinforcement products)**

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



Redman Fisher Engineering Limited* **(Industrial flooring, handrail systems and structures)**

Birmingham New Road, Tipton, West Midlands, DY4 9AQ
Tel: (01902) 880880 Fax: (01902) 880446
Email: sales@redmanfisher.co.uk
Website: www.redmanfisher.co.uk



Joseph Ash Limited* **(Galvanizing and the manufacture of steel storage tanks)**

Charles Henry Street, Birmingham, B12 0SP
Tel: (0121) 622 4661 Fax: (0121) 666 6049
Email: sales@josephash.co.uk
Website: www.josephash.co.uk

Industrial Products



W & S Allely Limited*

(Aluminium, brass, copper and stainless steel stockholding)

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



D & J Steels Limited

(Forging and engineering steel stockholding)

Lambert Works, Colliery Road,
Wolverhampton, West Midlands, WV1 2RD
Tel: (01902) 453680 Fax: (01902) 455431
Email: sales@dandjsteels.demon.co.uk



Ash & Lacy Perforators Limited*

(Perforated and expanded metal)

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



Eden Material Services (UK) Limited*

(Stainless steel hollow bar, tube and pipe stockholding)

Unit 42a, No. 1 Industrial Estate,
Medomsley Road, Consett,
County Durham, DH8 6TT
Tel: (01207) 590055 Fax: (01207) 590059
Email: sales@edenmaterials.co.uk
Website: www.edenmaterials.co.uk



Ash & Lacy Pressings Limited*

(Speaker grilles and general presswork)

Shenstone Works, Lynn Lane, Shenstone,
Lichfield, WS14 0EB
Tel: (01543) 480361 Fax: (01543) 481624
Email: sales@alpressings.co.uk
Website: www.alpressings.co.uk



Pipe Supports Limited*

(Constant and variable pipe support systems)

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



Bromford Iron & Steel Company Limited*

(Hot rolled steel flats, bars, sections and profiles)

Bromford Lane, West Bromwich,
West Midlands, B70 7JJ
Tel: (0121) 553 6121 Fax: (0121) 525 0913
Email: enquiries@bromfordsteels.co.uk
Website: www.bromfordsteels.co.uk

The companies marked * are indirectly held.

Five Year Summary

	Year ended 31 December 2004 £000	Year ended 31 December 2003† £000	Year ended 31 December 2002 £000	15 months ended 31 December 2001 £000	Year ended 30 September 2000 £000
Turnover	268,652	241,665	212,740	241,849	58,858
Operating profit*	15,084	12,592	14,008	15,696	4,770
Profit before taxation*	11,807	9,076	10,019	10,085	4,102
Shareholders' funds	31,242	30,769	35,848	34,348	23,979
Operating cash flow*	19,690	21,267	24,244	30,244	4,213
Earnings per share*	13.66p	10.69p	11.79p	12.01p	7.63p
Dividends per share	5.00p	4.60p	4.50p	5.45p	4.20p

* Before exceptional items and goodwill amortisation

† Restated

Financial Calendar

Annual General Meeting 2005	13 May 2005
Payment of final dividend for the year ended 31 December 2004 (ex dividend date 8 June 2005)	13 July 2005
Announcement of results for six months ending 30 June 2005	September 2005
Payment of interim dividend	January 2006
Preliminary Announcement of results for the year ending 31 December 2005	March 2006

Hill & Smith Holdings PLC

2 Highlands Court
Cranmore Avenue
Shirley
Solihull
B90 4LE

Telephone: (0121) 704 7430

Facsimile: (0121) 704 7439

Website: www.hsholdings.co.uk

