Contents

Financial Calendar

Payment of final dividend for the year to 30th September 1990 *(ex dividend date 28th January 1991)*	8th April 1991
Announcement of results for half year to 31st March 1991	25th July 1991
Payment of interim dividend (ex dividend date 29th July 1991)	27th September 1991
Preliminary announcement of *results to 30th September 1991*	23rd January 1992
Annual General Meeting 1992	27th March 1992

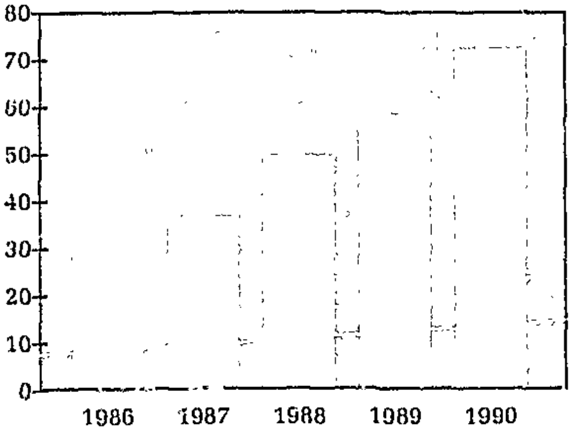
Results at a Glance

	1990 £000	1989 £000
Turnover	72,084	58,700
Profit before taxation	5,121	6,521
Profit after taxation	3,289	4,245
Ordinary Dividends		
Interim	1.95p	1.75p
Final	3.75p	3.45p
	*5.70p	5.20p

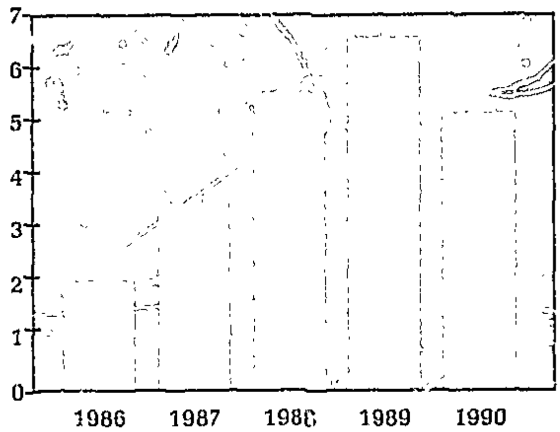
* Taking into account the bonus issue in March 1990, this is an effective increase of 20%

Earnings per Ordinary Share – net basis	14.41p	19.29p
Net Assets per Ordinary Share	89.88p	86.92p

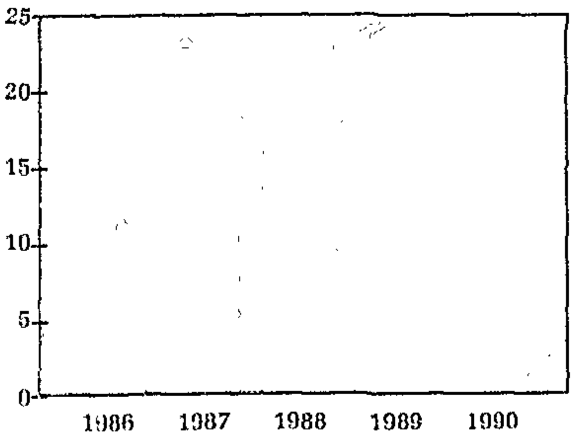
Turnover
(£ millions)



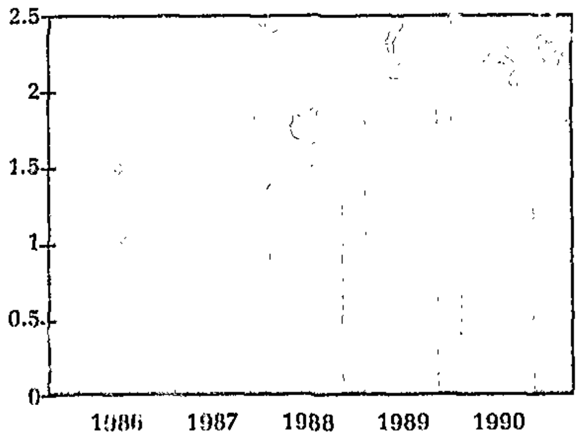
Profit before taxation
(£ millions)



Earnings per share
(Pence per share)



Fixed Asset Additions
(£ millions)



Notice of Meeting

Notice is hereby given that the 30th Annual General Meeting of Hill & Smith Holdings PLC will be held at *The Birmingham Chamber of Industry* and Commerce, 75 Harborne Road, Edgbaston, Birmingham B15 3DH on 22nd March 1991 at 12 noon for the following purposes:–

1. To receive the Directors' Report and the Financial Statements for the year ended 30th September 1990 together with the Auditors' Report thereon.

2. To approve the payment of the Proposed Final Dividend of 3.75p per share.
   (Resolution No. 1)

3. To re-elect Mr. S. H. J. A. Knott as a Director.
   (Resolution No. 2)

4. To re-elect Mr. J. R. Skidmore as a Director.
   (Resolution No. 3)

5. To elect Mr. H. C. Everett as a Director.
   (Resolution No. 4)

6. To re-appoint Messrs. John W. Hinks & Co. as Auditors of the Company and to authorise the Directors to determine their remuneration.
   (Resolution No. 5)

P.O. Box No. 4,
Canal Street,
Brierley Hill,
West Midlands,
DY5 1JL

21st February 1991

By Order of the Board

H. C. Everett,

Secretary

Notes:

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be received at the Registered Office not less than 48 hours before the time fixed for the meeting.

A form of proxy is enclosed.

The following documents will be available for inspection at the Registered Office on any weekday (except Saturday) during normal business hours and for a period of fifteen minutes prior to the Annual General Meeting and during the meeting.

(a) A Statement of all transactions of each Director and of their family interests in the Share Capital of the Company.

(b) Copies of Contracts of Service of the Directors of the Company.

Directors and Officers

Directors	**John G. Silk, LL.B. (Lond.)** *(Chairman)* **M. E. Sara, B.A. (Oxon.)** *(Managing)* **J. R. Skidmore** **S. H. J. A. Knott, B.A. (Econ.)** **E Johnson** **H C. Everett, B.Sc., C.A.**
Secretary	**H. C. Everett, B.Sc., C.A.**
Registered Office	P.O Box 4, Canal Street, Brierley Hill, West Midlands, DY5 1JL.
Registrars and Transfer Office	**National Westminster Bank PLC,** Registrar's Department, P.O. Box 82, Caxton House, Redcliffe Way, Bristol, BS99 7NH.
Auditors	**John W. Hinks & Co.,** Chartered Accountants, Church House, 5-14 South Road, Smethwick, Warley, West Midlands, B67 7BH.
Main Bankers to the Group	**Midland Bank plc,** Market Place, P.O. Box 6, Willenhall, West Midlands, WV13 2AF. **Barclays Bank PLC,** P.O. Box 9, 47 High Street, Dudley, West Midlands, DY1 1PP.
Solicitors	**Silks,** Barclays Bank Chambers, Birmingham Street, Oldbury, Warley. West Midlands, B69 4EZ.

Chairman's Statement

Group results

While the Group turnover at £72m was almost 22.8% higher than that for the previous year, the pre-tax profit fell from £6.521m to £5.121m and the earnings per share went down from 19.29p to 14.41p.

The results, coming as they do after six years of strong profit growth within the Group, are disappointing. They were caused partly by two of our subsidiaries incurring unexpected substantial losses and partly by the adverse trading conditions in some markets. In particular, the depressed state of the construction industry brought with it a sharp reduction in demand for structural steel and construction products of the nature supplied by the Group with the result that price competition intensified and volumes were only maintained at the expense of margins.

During the time that I have been your Chairman it has always been my practice to pay tribute to our employees in the Chairman's Statement accompanying the Annual Report and Financial Statements and this year I believe that all employees deserve special mention. Confronted, as they were, with very difficult trading conditions, their loyalty, enthusiasm and commitment to the Group never wavered and had it not been for their hard work throughout the year the Group pre-tax profit would not have reached the level it attained. To all employees within the Group I offer the grateful thanks of my colleagues on the Board and myself.

Review of year's trading

The year was one of fluctuating fortunes with increasing volatility and uncertainty in almost all markets. It was a year in which interest rates were pitched at a constant high level resulting in the Group interest charges increasing from £736,000 to £964,000. It was also a year in which bad debts abounded, as they always do in times of recession or near recession. It is Group policy to insure against bad debts where very high risks exist, but it is not possible to do so where small customers with small asset bases are involved. Unfortunately, in a year which produced a rapid rise in the number of receiverships and liquidations, some of those small customers — many of which had dealt with the Group for a number of years — went out of business leaving the Group with bad debts totalling £416,000 as against £63,000 in the previous year.

Turnover in the Steel Stockholding Division rose by £11m but that was almost entirely due to the acquisition of Tatham Miller Limited a few days before the end of September 1989 and of D & J (Steels) Limited, suppliers of forging bars to the Drop Forging Industry, in March 1990.

Unfortunately, neither Tatham Miller Limited nor D & J (Steels) Limited made any significant contribution to the Division's profit. As mentioned in my Interim Statement, Tatham Miller Limited experienced difficulties at its forge and steel profiling centre in Manchester and the substantial losses thereby incurred had

Forgings for the offshore petrochemical industry are supplied from our Drop Forging Division.

the effect of almost wiping out the profit contribution from its six other steel stockholding sites. This forge and steel profiling business has now been reconstructed with the forge transferred successfully to the Forging Division in the West Midlands and the profiling business reduced in size.

Before its acquisition, D & J (Steels) Limited suffered from cash constraints which limited its growth, but since being a Group member it has built up its stocks and steadily increased its market share and the full benefit of that strategy will be apparent in the current year's trading.

The "Ladatrap", a new product from Bainbridge Engineering Limited.

All businesses in the steel stockholding sector were squeezed on price and both our Plate and Sections businesses saw a significant reduction in margins. Interest charges and bad debts also had the effect of reducing the Division's contribution to Group profit.

A substantial sales drive in the Forging Division succeeded in increasing its turnover by 9% in a market which declined by 20% during the year, but that increase was not achieved without additional expenditure in the short term. Each new order required new dies and the cost of those dies, plus the cost of supplying and proving the dies, had an impact on costs. In addition, the decision taken to introduce BS.5750 Quality Assurance at all forges involved a short term cost disadvantage, but one well worth while in the knowledge that compliance with that quality standard is now an important factor in attracting new customers. The price of fuel oil in the second half of the year also contributed to high overheads and the overall effect of these factors resulted in a 7½% reduction in profit from that Division.

In the Fabrication Division, the two building products subsidiaries — Birtley Building Products Limited and Bainbridge Engineering Limited — operated in a very harsh environment. However, with the additional turnover arising from the acquisition last July of the steel lintel business formerly of BAT Building Products Limited and the first full year of trading within the Group by Bainbridge Engineering Limited since its acquisition in January 1989, the combined profit contribution from those two subsidiaries was increased by 18%.

Lintels supplied by Birtley Building Products Limited were included in this prestigious development at St Peters Basin, Newcastle upon Tyne.

The order book for the Division's safety barrier was good throughout the year, but Government spending failed to achieve the levels anticipated which caused capacity to be kept on stream in expectation of contracts being issued. The variation in demand was so marked that sales in June 1990 were more than four times the volume in December 1990 and twice the volume in May 1990 and planning in those circumstances was extremely difficult, even when it was possible to manufacture for stock.

There was a record demand for both our security and ornamental fencing with volume up by 56% and reasonable margins obtained, but due to enforced management changes and an acute shortage of experienced erectors the fencing erection subsidiary encountered severe difficulties in performing certain major contracts and incurred substantial losses.

Turnover in drainage products was down by 6% as road construction projects in both the United Kingdom and France were delayed. Competition in the falling markets affected margins and with bad debts from one or two small construction companies being suffered the profit performance from this activity did not come up to the level achieved in the previous year. Nevertheless, the return on capital employed was 30% and the profit attained continued to be the second largest in the Group.

Acquisitions

Reference has already been made elsewhere in this Statement to the acquisition of D & J (Steels) Limited and the steel lintel business of

A multiplate project in the French Alps.

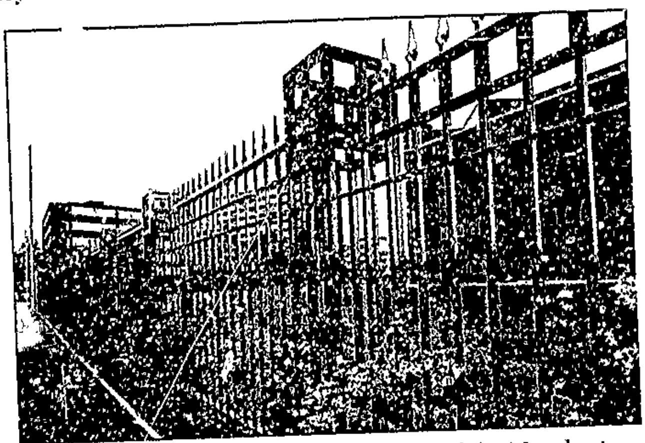
BAT Building Products Limited and further details of those acquisitions are contained in Note 9 to the Financial Statements on pages 16 and 17. In addition to those two acquisitions your Company in August 1990 also acquired Varley & Gulliver Limited, manufacturers and suppliers of aluminium and steel vehicle containment parapets for bridges, and further details of that acquisition are also contained in Note 9 to the Financial Statements.

It is, I believe, worthy of comment here that in spite of your Group having spent altogether some £5.2m on capital expenditure and acquisitions, the Group's balance sheet remains fundamentally strong with a level of debt of only some 32% in relation to Shareholders' funds and the interest cover, that is the number of times that operating profit before interest and tax covers the net interest cost, is more than six times.

Proposed final dividend and scrip issue

Although the Group pre-tax profit for the year ended 30th September 1990 is £1.4m short of that for the previous year and brought to an end a period of six consecutive years of record results, your Board has decided to recommend both an increase in the total dividend for the year and also a capitalisation issue. This decision has been taken against the background of a strong balance sheet and the Board's confidence in the future prospects of the Group.

An Asset slurry silo in South Wales.



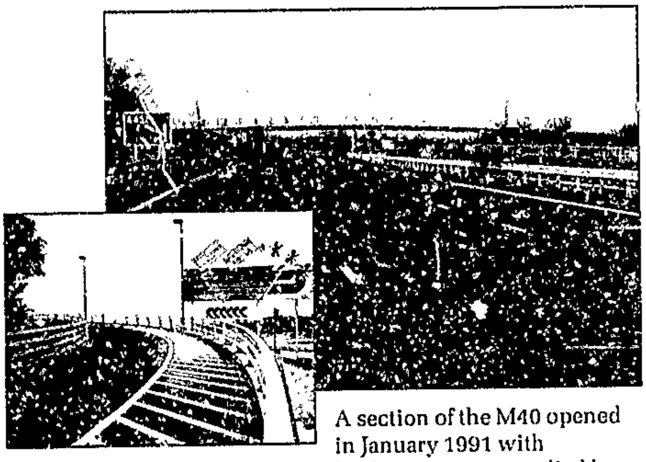
Ornamental fencing from WH Barker around the Manchester Kelloggs factory.

Accordingly, your Board is recommending a final dividend for the year ended 30th September 1990 of 3.75p net per share which, with the interim dividend of 1.95p per share already paid, makes the total dividend for the year 5.70p per share compared with 5.20p per share in the previous year. Taking into account the one for ten scrip issue last April this is an effective increase of some 20% in the total dividend.

In addition, your Board is recommending a further scrip issue of one Ordinary Share for every ten Ordinary Shares held at the close of business on 18th March 1991.

Extraordinary General Meeting

Your Board has convened an Extraordinary General Meeting of the Company at which you will be asked to vote in favour of increasing the authorised share capital, authorising your Board to allot unissued authorised share capital, approving the one for ten scrip issue and authorising your Board to allot equity securities in cash as if section 89(1) Companies Act 1985 did not apply. The Meeting will be held on 22nd March 1991 immediately after the conclusion of the Annual General Meeting and you will find enclosed with the Annual Report and Financial Statements a separate Notice convening the Meeting together with a letter from me explaining the proposals.



A section of the M40 opened in January 1991 with motorway barrier and bridge parapets supplied by the Group. The inset shows bridge parapet supplied by Varley & Gulliver Limited in Dubai.

Directors

Last November, Brian Bucknall on reaching the age of 60 retired as the Secretary and Financial Director to your Company and Howard Everett was appointed to those offices in his place. Brian was appointed Secretary when he joined your Company in April 1969 and then in July 1975 took on the additional role of Financial Director. During the years that he was with us he served your Company and the Group well and his commitment and dedication was a shining example to all other employees. We wish him good health and happiness in his retirement down south and shall always be pleased to see him whenever he is in this area. In saying goodbye to Brian, we welcome Howard, a Chartered Accountant who came to us well recommended last September from the R.M. Douglas Group where he was the Financial Director of one of its international sub groups. He has already demonstrated his skills and sense of dedication and we look forward to Howard having a long relationship with the Group.

Current trading and future outlook

In terms of both turnover and profit the Group is slightly ahead of its performance at this time last year.

While interest rates remain at the existing high levels, trading conditions will undoubtedly continue to be difficult, particularly on the building products front but, having said that, there is a cautious optimism for the current financial year. There are various reasons for this. In the Steel Stockholding Division it is difficult to foresee any significant deterioration in its Plate and Sections businesses and with the problems at Tatham Miller Limited and D & J (Steels) Limited now redressed the Division should improve its contribution to Group profit; the Forging Division should in time benefit from the additional business which it has recently acquired from closures elsewhere in the forging industry; and the Fabrication Division should also improve upon its performance last year because demand for its safety barrier and fencing is currently running at reasonable levels, Varley & Gulliver Limited is performing very well indeed and should make a healthy profit contribution and the fencing erection subsidiary is no longer losing money.

Although we are now only in the early months of the current financial year, the above signs encourage the view that the Group should fare better this year than last and that at the end of the year we should be in a position to regard last year's results as a temporary setback.

John G. Silk
Chairman

Report of the Directors

The Directors present their 40th Annual Report together with the Financial Statements for the year ended 30th September 1990

Trading Results

The Group Profit for the year, before Taxation, amounted to £5.121m compared with £6.521m for the previous year.

Principal Activities

The principal activities of the Group companies are:

> Manufacturing and supplying Motorway Barrier, Bridge Parapet, Security and all other types of Steel Fencing; Steel Lintels, Garage Doors and ancillary building products; Steel drainage pipes, Tunnel and Culvert Structures; Steel Fabrications and Industrial Doors.
>
> Erecting Motorway Barrier, Bridge Parapet and Fencing and providing associated contract management services.
>
> Steel Stockholding.
>
> Drop and Upset Forging.

During the year new businesses were acquired, details of which are included in note 9 to the financial statements.

The Chairman's Statement contains a review of the trading for the year, a statement as to the current trading position and an indication of the outlook for the future.

Fixed Assets

A summary of the movement and significant changes in the Fixed Assets of the Group are shown in Note 8 in the Notes to the Financial Statements. In the opinion of the Directors the value of the Freehold and Leasehold Properties of the Group at the Balance Sheet date exceeded their book value by £5m. At 30th September 1991 the Directors intend that a professional revaluation be taken and adopted in the financial statements at that date.

Dividends

The Directors recommend a Final Dividend of 3.75p per share to be paid, making the total distribution for the year 5.7p per share (1989 — 5.2p per share), which, taking into account the bonus issue in March 1990, is an effective increase of some 20% compared with the previous year. If this recommendation is approved the sum of £1.98m will be added to retained profits.

Share Capital

Particulars of changes in Share Capital are set out in Note 17 to the Financial Statements.

Employees

Group policy is to encourage employees to become shareholders in the Company and all employees with more than two years' service qualify for invitations to join the Savings Related Share Option Scheme.

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

Directors and Directors' Interests

The Directors retiring by rotation are Mr. J. R. Skidmore and Mr. S. H. J. A. Knott who, being eligible, offer themselves for re-election.

Mr. B. N. Bucknall retired as a Director on the 6th November 1990.

Mr. H. C. Everett, who was appointed a Director since the last Annual General Meeting, offers himself for election.

None of the Directors standing for re-appointment have service agreements with the Company.

The Directors of the Company who have acted during the year, the interests of the Directors and their families in the Ordinary Shares of the Company according to the register required to be kept by the Companies Act, 1985, and their options, are disclosed in Note 23 to the financial statements.

The Directors and their families have no interest in the 14 per cent First Mortgage Debenture Stock 2000/2003.

On the 9th November 1990, Mr. M. E. Sara acquired 10,584 Ordinary Shares in the Company upon the exercise of options under the Company's Savings Related Share Option

Scheme. There were no other movements in the Directors' shareholdings between the end of the financial year and 24th January 1991.

Except as disclosed in Note 23 to the Financial Statements, no Director had any interest in any material contract or arrangement in relation to the business of the Company or any of its Subsidiaries during the year.

Substantial Shareholdings
The Company has been notified of the following substantial shareholdings on 24th January 1991:

Shares beneficially owned by Foreign and Colonial Investment Trust PLC amount to 847,440 shares which is 3.69% of the Company's issued share capital.

Shares managed by M. & G. Investment Management Limited amount to 1,394,196 shares which is 6.06% of the Company's issued share capital.

As far as the Directors are aware, there were no other notifiable shareholdings according to the Company's Share Register on 24th January 1991.

Donations
Charitable donations amounting to £1,513 were made in the year.

There were no political contributions.

Company Status
The close company provisions of the Income and Corporation Taxes Act, 1988 do not apply to the Company and there has been no change in this respect since the end of the financial year.

Auditors
The Auditors, John W. Hinks & Co., are willing to continue in office, subject to the approval of the Members at the Annual General Meeting.

By Order of the Board

H. C. Everett

H. C. Everett

Secretary

24th January 1991

Consolidated Profit and Loss Account

for the year ended 30th September 1990

	Notes	1990 £000	1989 £000
Turnover	2	72,084	58,700
Cost of Sales		55,359	44,626
Gross Profit		16,725	14,074
Distribution Cost		3,141	2,084
Administrative Expenses		7,297	4,544
		10,438	6,628
Profit before interest, bonus scheme and taxation		6,287	7,446
Interest	3	964	736
Profit on ordinary activities before employees' share bonus scheme	3	5,323	6,710
Employees' share bonus scheme		202	189
Profit on ordinary activities before taxation	2	5,121	6,521
Taxation	4	1,832	2,276
Profit on ordinary activities after taxation		3,289	4,245
Dividends paid and proposed	5	1,309	1,050
Retained profit for the year	6	1,980	3,195
Earnings per share	7	14.41p	19.29p

Statement of Retained Profit

	1990	1989
At 1st October 1989	11,174	8,795
Retained Profit for the year	1,980	3,195
	13,154	11,990
Bonus Issue (1990 — charged to Share Premium Account)	—	(816)
Goodwill purchased written off	(200)	—
Goodwill on Consolidation written off	(826)	—
At 30th September 1990	12,128	11,174

Balance Sheets

as at 30th September 1990

		Group		Parent Company	
		1990	1989	1990	1989
	Notes	£000	£000	£000	£000
Tangible Fixed Assets	8	10,589	9,062	94	91
Investments	9	—	—	17,667	13,930
		10,589	9,062	17,761	14 021
Current Assets					
Stocks	10	16,022	13,954	—	—
Debtors	11	19,686	17,772	7,076	6,662
Investments	12	8	8	8	8
Cash at Bank and in Hand		13	982	—	—
		35,729	32,716	7,084	6,670
Creditors: (amounts due within one year)	13	22,497	20,056	3,340	2,568
Net Current Assets		13,232	12,660	3,744	4,102
Total Assets less Current Liabilities		23,821	21,722	21,505	18,123
Creditors: (amounts due after one year)	13	2,554	1,536	2,100	1,293
Provisions for liabilities and charges	16	694	290	—	—
Net Assets		20,573	19,896	19,405	16,830
Capital and Reserves					
Called up Share Capital	17	5,722	5,092	5,722	5,092
Share Premium	18	2,000	1,884	2,000	1,884
Capital Reserve on Consolidation	18	—	1,023	—	—
Revaluation Reserve	18	723	723	—	—
Profit and Loss Account		12,128	11,174	11,683	9,854
		20,573	19,896	19,405	16,830

These financial statements were approved by the Board on 24th January 1991.

John G. Silk
M. E. Sara } *Directors*

John G. Silk
Michael E. Sara

Consolidated Source and Application of Funds

for the year ended 30th September 1990

		1990	1989
	£000	£000	£000
Source of Funds			
Profit before Taxation		5,121	6,521
Adjustment for items not involving the movement of Funds:-			
Depreciation, as adjusted for Loss or Profit on Sale of Fixed Assets, and reduction in Government Grant Reserve and exchange movements	887		678
Pension Scheme Provision	355		—
		1,242	678
Total Generated from Operations		6,363	7,199
Funds from other Sources			
Proceeds from Sale of Fixed Assets	164		114
Government Grants Received	98		70
Increase in Medium Term Loans	1,379		584
Proceeds from issue of ordinary shares	746		1,989
Creditors falling due after more than one year	22		—
		2,409	2,757
		8,772	9,956
Application of Funds			
Dividends Paid	1,154		906
Taxation Paid	3,190		1,859
Purchase of Fixed Assets	1,513		2,121
Purchase of Subsidiaries (Note 9)	3,187		3,070
Purchase of Goodwill	200		98
Loans repaid	34		—
		9,278	8,054
		(506)	1,902
(Decrease)/Increase in Working Capital			
Increase in Stock		833	1,033
(Decrease)/Increase in Debtors		(1,011)	3,478
Decrease/(Increase) in Creditors		228	(47)
Decrease/(Increase) in Short Term Borrowing		414	(2,603)
(Decrease)/Increase in Cash at Bank		(970)	41
		(506)	1,902

Notes to the Financial Statements

1. **Principal Accounting Policies**

a. **Basis of Consolidation and Accounting for Acquisitions**
The Consolidated Financial Statements include the Company and all its Subsidiaries. Intra group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

The excess of the value of the net assets over the purchase price of subsidiary companies at the date of acquisition is included in the Consolidated Balance Sheet as Capital Reserve on Consolidation. Goodwill arising on consolidation is written off to Capital Reserve or Retained Profits.

b. **Fixed Assets**
Interests in land and buildings are stated at valuation or historical cost. The cost of other fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets over the expected useful and economic lives of the assets concerned.

Freehold Buildings are depreciated at 2% per annum. Leasehold Property is depreciated over the term of the lease. Freehold Land is not depreciated.

Plant, Equipment and Vehicles are depreciated in accordance with prudent commercial bases, at rates calculated on the assumed lives which vary between 4 and 20 years.

c. **Stocks and Work in Progress**
These are valued on a "first-in, first-out" basis at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses.

d. **Deferred Taxation**
Deferred Taxation is provided using the liability method in respect of the taxation effect of all timing differences other than those which are expected with reasonable probability to continue in the foreseeable future.

e. **Turnover**
Turnover, which excludes value added tax, sales between group companies and trade discount, represents the invoiced value of goods and services supplied.

f. **Foreign Currency**
Balance Sheet and Profit and Loss Account of the overseas company are translated at the rate ruling at the balance sheet date. Differences on translation arising from the sterling value of overseas net assets at the beginning of the accounting period are shown as a movement on the statement of retained reserves. Other exchange differences are dealt with in the profit and loss account.

g. **Government Grants**
Capital Grants received are included as a deferred credit and are being written off to revenue over the life of the assets concerned.

h. **Leased Assets**
With respect to finance leases, the relevant assets are capitalised and the corresponding liability is included as an obligation. The depreciation policy shown above is adopted in respect of such assets and the interest content of the agreements is charged to the Profit and Loss Account. Rental payments in respect of all other assets are charged to the Profit and Loss Account.

i. **Pension Scheme Arrangements**
Contributions are charged to the Profit and Loss Account so as to spread the cost of pension evenly over the members' working lives with the Company.

Notes to the Financial Statements, continued

2. Turnover and Profit

	Turnover		Profit before taxation	
	1990	1989	1990	1989
	£000	£000	£000	£000
Fabricated Products	39,131	36,849	3,945	4,953
Steel Stockholding	26,118	15,578	402	731
Forgings	6,835	6,273	774	837
	72,084	58,700	5,121	6,521
United Kingdom	67,521	55,258		
Rest of the World	4,563	3,442		
	72,084	58,700		

3. Profit on Ordinary Activities

		1990		1989
	£000	£000	£000	£000
After charging.–				
Directors' emoluments (see note 20)		223		237
Depreciation:				
tangible fixed assets owned	971		762	
held under finance leases and hire purchase contracts	8	979	—	762
Hire of equipment		483		284
Auditors' remuneration		72		54
Interest payable on bank and other borrowings repayable within five years	1,096		830	
Interest payable on long term borrowings	168		140	
	1,264		970	
Interest Receivable	(300)	964	(234)	736
After crediting:–				
Net Property Income		25		25

4. Taxation on Profit on Ordinary Activities

	1990	1989
	£000	£000
U.K. Corporation Tax at 35%	1,969	2,314
Transfer from Deferred Taxation	(44)	(25)
	1,925	2,289
Prior year adjustments	(93)	(13)
	1,832	2,276

5. Dividends

Interim Dividend of 1.95p per share paid 30th September 1990 (1989 – 1.75p per share)	447	343
Proposed Final Dividend of 3.75p per share (1989 – 3.45p per share)	862	707
	1,309	1,050

The above provision includes final dividend on the shares issued on 9th November 1990 (see note 24).

6. Retained Profit for the year

By Hill & Smith Holdings PLC	1,829	3,118
By Subsidiaries	151	77
	1,980	3,195

7. Earnings per Share

The earnings per share is arrived at by dividing the profit after tax of £3.289m (1989 – £4.2[illegible]5m) by 22,824,427 shares, being the weighted average number of ordinary shares in issue during the year. The earnings per share for 1989 has been adjusted for the bonus issue in March 1990.

8. Tangible Fixed Assets – Group

	Freehold land and buildings £000	Leasehold land and buildings £000	Plant, machinery & vehicles £000	Total £000
a. Cost or Valuation				
At 30th September 1989	5,391	603	10,038	16,032
Additions	156	2	1,355	1,513
New Subsidiaries	716	—	987	1,703
Disposals	—	—	(552)	(552)
Exchange movement	—	—	13	13
At 30th September 1990	6,263	605	11,841	18,709
Depreciation				
At 30th September 1989	834	62	6,074	6,970
Provision for the year	92	8	879	979
New Subsidiaries	19	—	573	592
Disposals	—	—	(422)	(422)
Exchange movement	—	—	1	1
At 30th September 1990	945	70	7,105	8,120
Net Book Value				
At 30th September 1990	5,318	535	4,736	10,589
Net Book Value				
At 30th September 1989	4,557	541	3,964	9,062
Net Book Value of Assets held under Finance leases at 30th September 1990	—	—	120	120

As disclosed in the Directors' Report, in their opinion, the value of Freehold & Leasehold Land & Buildings exceeded their book value at the balance sheet date by £5m.

b. The cost or valuation figures for land and buildings include:–

	Freehold 1990 £000	Freehold 1989 £000	Leasehold 1990 £000	Leasehold 1989 £000
Valuation made in 1978	758	761	347	347
Valuation made in 1979	1,030	1,030	—	—
Valuation made in 1980	565	565	—	—
Valuation made in 1987	—	—	170	170
Valuation made in 1989	1,445	985	60	60
Stated at historical cost	2,465	2,050	28	26
	6,263	5,391	605	603

c. The amounts of revalued land and buildings as determined according to the historical cost accounting rules are:–

	Freehold 1990 £000	Freehold 1989 £000	Leasehold 1990 £000	Leasehold 1989 £000
Cost	1,828	1,573	391	389
Depreciation	291	263	55	49
	1,537	1,310	336	340

8. Tangible Fixed Assets Group, continued

	1990 £000	1989 £000
d. The net book values of land and buildings comprise:–		
Freehold land	1,905	1,650
Freehold buildings	3,413	[illegible]
	5,318	4,757
Leasehold over 50 years	535	541
e. *Capital commitments:–*		
Contracted for	156	
Authorised but not contracted for	667	170
	823	170

f. Company	Office Equipment & Vehicles £000
Cost	
At 30th September 1989	179
Additions	27
Disposals	(19)
Group Transfers	25
At 30th September 1990	212
Depreciation	
At 30th September 1989	88
Provision for the year	36
Disposals	(15)
Group Transfers	9
At 30th September 1990	118
Net Book Value at 30th September 1990	94
Net Book Value at 30th September 1989	91

9. Investments

	1990 £000	1989 £000
Subsidiary Companies		
Shares	13,142	9,955
Loans	4,525	3,975
	17,667	13,930

A list of the Subsidiaries is given on pages 24 and 25.

All the Subsidiaries are wholly owned, and are registered in England with the exception of Spirel S.A., which is registered in France.

On 28th March 1990 the Company acquired the entire share capital of *D. & J. Steels Limited*. The consideration for the purchase was £445,000 paid wholly in cash. The total cost of the investment, including related professional fees, was £464,784.

On 2nd July 1990 Birtley Building Products Limited, a wholly owned subsidiary, purchased the fixed assets and goodwill relating to the Lintels division of BAT Building Products Limited for £494,908, in *addition stock was purchased for* £460,000. The total consideration for the purchase was £954,908 paid wholly in cash and the acquired goodwill has been written off against retained reserves.

9. Investments continued

On [illegible]th August 1990 the Company acquired the entire share capital of Varley & Gulliver Limited. The total consideration for the purchase was £2,644,888 satisfied by the issue of ordinary shares in the Company to the value of £420,000 together with £1,100,000 of unsecured loan notes and cash of £1,124,888. The total cost of the investment including related professional fees, stamp duty and brokerage, was £2,722,108.

The net assets of the Subsidiaries acquired during the year were as follows:

	Varley & Gulliver Ltd. £000	D. & J. Steels Ltd. £000	Total £000
Fixed Assets	804	407	1,211
Fair value adjustment	(100)	—	(100)
	704	407	1,111
Stock	682	553	1,235
Debtors	1,130	1,474	2,604
Cash/Bank	1	—	1
Creditors	(1,515)	(2,068)	(3,581)
Deferred Tax	(10)	(22)	(32)
	992	346	1,338
Goodwill	1,730	119	1,849
Consideration	2,722	465	3,187

10. Stocks

	1990 £000	1989 £000
Raw materials and consumables	5,869	4,358
Work in Progress	5,572	3,920
Finished Goods and Goods for Resale	4,581	5,676
	16,022	13,954

11. Debtors

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Trade Debtors	18,400	17,014	—	—
Amounts owed by Group Companies	—	—	6,410	6,119
Other debtors	205	187	10	10
Prepayments	547	358	15	18
Advance Corporation Tax recoverable within one year	5	83	355	279
Advance Corporation Tax recoverable after one year, less amount deducted from Deferred Taxation	286	130	286	236
Corporation Tax	243	—	—	—
	19,686	17,772	7,076	6,662

12. Investments

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Listed on The Stock Exchange (Market Value £25,137) (1989 - £37,778)	8	8	8	8

13. Creditors

a. Group	Notes	Amounts due within one year 1990 £000	1989 £000	Amounts due after one year 1990 £000	1989 £000
Loans	14	397	48	2,532	1,536
Bank Overdraft	15	3,616	4,030	—	—
Amounts due under *Finance Leases and Hire* Purchase Commitments		36	—	22	
Trade Creditors		13,227	9,850	—	—
Corporation Tax net of recoverable A.C.T.		1,853	2,885	—	—
A.C.T. on dividends		560	530	—	—
Other taxes and social security		800	923	—	—
Accruals		1,146	1,083	—	—
Proposed Dividend		862	707	—	—
		22,497	20,056	2,554	1,536

b. Company	Notes	Amounts due within one year 1990 £000	1989 £000	Amounts due after one year 1990 £000	1989 £000
Loans	14	295	—	2,100	1,293
Bank Overdraft	15	772	676	—	—
Trade Creditors		159	270	—	—
Amounts owed to Group Companies		303	52	—	—
Corporation Tax *net of recoverable* A.C.T.		12	9	—	—
A.C.T. on dividends		435	350	—	—
Other taxes and social security		146	141	—	—
Accruals		356	363	—	—
Proposed Dividend		862	707	—	—
		3,340	2,568	2,100	1,293

14. Loans

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
14% First Mortgage Debenture Stock	1,000	1,000	1,000	1,000
Bank Euro Loan	295	293	295	293
Other Bank Loans:				
repayable within 1 year	102	48	—	—
repayable 2-5 years	153	243	—	—
European Coal & Steel Community Loan	279	—	—	—
Unsecured Loan Notes 1991/93	1,100	—	1,100	—

The Debenture *Stock is secured on* Freehold and Leasehold Properties of certain of the Company's Subsidiaries.

The Company has the option to redeem, in whole or in part, the Debenture *Stock at par in any of the years* 2000 to 2003, and on 30th September 2003 any Debenture Stock remaining outstanding will be repaid at par. The Debenture Stock carries a fixed rate of interest of 14% per annum payable on 31st *March* and 30th *September*, and contains no right to convert into Share Capital in the Company.

The Bank Euro Loan is repayable on 28th February 1991 and carries a fixed rate of interest of 10.125%. Interest is payable on other French Company loans at 1.25% over *the market rate in France.*

The European Coal and Steel Community Loan is repayable between 1994 and 1998 and carries a fixed rate of interest of 10% per annum.

The Unsecured Loan Notes are repayable between 1991-93 *and carry interest at* 2.5% *per annum* below Barclays Bank PLC base lending rate.

15. *Bank Overdraft*

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Overdrafts repayable within one year	3,616	4,030	772	676

Interest on Bank Borrowing is payable at normal clearing bank rates.

16. Provisions for Liabilities and Charges

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Deferred taxation	39	42	-	-
Government Grants	300	248	—	
Pension Scheme Pension	355	—	—	-
	694	290	—	—

a. Deferred Taxation

(i) Provided in Financial Statements:–

	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Accelerated Capital Allowances less Losses	260	148	—	—
Other timing differences	(124)	—	—	—
	136	148	—	—
Advance Corporation Tax recoverable	(97)	(106)	(286)	(236)
	39	42	(286)	(236)

A.C.T. recoverable by the Company is included in Debtors.

(ii) If provision had been made for all timing differences, further liability as follows would have appeared in the Financial Statements:–

	Group 1990 £000	Group 1989 £000
Accelerated Capital Allowances	675	707
Revaluation of Properties	186	146
	861	853

(iii) Deferred Tax Provided		
At 30th September 1989	148	152
Movement arising in year	(44)	(25)
Arising on acquisition of subsidiaries	32	21
At 30th September 1990	136	148

b. Government Grants

At 30th September 1989	248	213
Government Grants received less amounts written off	52	35
At 30th September 1990	300	248

17. Share Capital

Authorised – 28,000,000 Ordinary Shares of 25p each (1989 – 28,000,000)	7,000	7,000
Called Up and Fully Paid – 22,888,999 Ordinary Shares of 25p each (1989 – 20,369,213 Ordinary Shares of 25p each)	5,722	5,092

On 30th March 1990, the Issued Share Capital was increased by £512,744 being the Capitalisation Issue from Reserves of one Ordinary Share for every 10 Ordinary Share held on 30th March 1990.

On 19th December 1989, an issue of 139,492 Ordinary Shares was made to satisfy the final consideration for the acquisition of Tatham Miller Limited, placed at a price of 220p per share. The Issued Share Capital was thereby increased by £34,873 and the resulting share premium of 195p per share was transferred to Share Premium Account.

17. *Share Capital continued*

On 3rd August 1990, an issue of 300 ·/· . Ordinary Shares was made to satisfy part of the consideration for the acquisition of Varley & Gulliver Limited, placed at a price of 139.6p per share. The Issued Share Capital was thereby increased by £75,215 and the resulting share premium of 114.6p per share was transferred to Share Premium Account.

The following allotments were made during the year under the Share Option Schemes:

13.12 89 — 2,272 Ordinary Shares at 50.8p each
30.3.90 — 25,821 Ordinary Shares at 69.44p each
30.3.90 — 244 Ordinary Shares at 126.6p each

Options outstanding at 30th September 1990 were:–

	Option Price	Option Periods Ending
Executive Share Option Scheme:–		
26,680 Ordinary Shares	115.704p	1991
213,404 Ordinary Shares	174.243p	1992
73,705 Ordinary Shares	189.100p	1993
Savings Related Share Option Schemes:–		
129,929 Ordinary Shares	34.957p	1990/2
59,662 Ordinary Shares	119.835p	1992/4
138,284 Ordinary Shares	156.820p	1994/6

18. Reserves

a. Group

	Share Premium £000	Reserve on Consolidation £000	Revaluation Reserve £000
At 30th September 1989	1,884	1,023	723
Goodwill on Consolidation written off	—	(1,023)	—
Shares issued re Acquisitions	617	—	—
Executive Share Option Scheme	12	—	—
Bonus Issue	(513)	—	—
At 30th September 1990	2,000	—	723

b. Company

	Share Premium Account £000	Profit & Loss Account £000
At 30th September 1989	1,884	9,854
Profit for the year after taxation and dividend	—	1,829
Shares issued re Acquisitions	617	—
Executive Share Option Scheme	12	—
Bonus Issue	(513)	—
At 30th September 1990	2,000	11,683

19. Contingent Liabilities

The Parent Company has guaranteed bank and other short term borrowings of Subsidiaries amounting at 30th September 1990 to £3,051m (1989 – £4.227m).

20. Information Regarding Directors

	1990 £000	1989 £000
Remuneration:–		
Directors' emoluments	223	237
Directors' remuneration, excluding pension contributions, is as follows:–		
Chairman	17	16
Highest paid Director	71	75

Other Directors' remuneration is within the following bands:–

	Number	Number
£ 0 — £ 5,000	1	—
£ 5,001 — £10,000	1	1
£10,001 — £15,000	1	1
£40,001 — £45,000	1	1
£65,001 £70,000	1	1

21. Particulars of Employees

The average number of persons, all of whom were engaged in the principal activities, employed by the Group (including Directors) during the year was:–

	1990	1989
	955	777
	£000	£000
Their total remuneration was:–		
Wages and salaries	10,502	8,107
Social Security	871	648
Other pension costs	551	468
	11,924	9,223

22. Profit and Loss Account

The Company has taken advantage of the statutory exemption from presenting its own Profit and Loss Account.

23. Directors' Interests

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

	30th September 1990	30th September 1989, or on appointment
John C. Silk (Chairman)	3,611,189	2,915,181
M. E. Sara (Managing)	64,078	51,708
B. N. Bucknall (retired 6th November 1990)	168,216	152,924
S. H. J. A. Knott	66,334	51,213
J. R. Skidmore	212,412	193,102
E. Johnson	40,109	36,463
H. C. Everatt (appointed 17th September 1990)	—	—

John G. Silk's interest in the ordinary shares of the Company includes non-beneficial interests of 3,178,373 (1989 – 2,880,431). Mr. Silk also has a beneficial interest in 399,4[illegible]2 shares in an estate in which he is both an executor and a trustee.

The following Directors have interests in Share Options on 30th September 1990 as shown below:—

	Executive Share Option Scheme	Savings Related Share Option Scheme		
Option Price	174.243p	34.957p	119.835p	156.82p
M. E. Sara	66,528	10,584	2,593	—
B. N. Bucknall	—	21,168	—	
E. Johnson	28,264	—	—	[illegible]

John G. Silk is a Partner in Silks, Solicitors to the Company, and S. H. J. A. Knott is a Director of Greig Middleton & Co. Limited, Stockbrokers to the Company, both of which firms receive fees for services rendered to the Company.

24. Post Balance Sheet Events

On 9th November 1990, 103,500 Ordinary Shares in the Company were issued upon the exercise of options under the Company's Savings Related Share Option Scheme.

Notes to the Financial Statements, continued

25. Financial Commitments

The Group s annual commitment under non-cancellable operating leases was as follows:

Plant & Machinery - - leases expiring within:	1990 £000	1989 £000
One year	6	
Two to five years	129	135

26. Pension Scheme Arrangements

The Group operates a number of pension schemes, the majority being defined benefit schemes. The assets of all schemes are held in trust funds and, therefore, held separately from the Group's assets. The principal scheme covering the majority of members is the Hill & Smith Group Pension and Assurance Scheme.

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

With regard to the principal scheme, the most recent valuation was at 1st May 1988. The assumptions which have the most significant effect on the results on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, the salary increases would average 7% per annum and that, where appropriate, present and future pensions would increase at 3% per annum.

The pension cost for the period was equal to £355,179. This took account of the amortization of surplus disclosed at the most recent valuation over the average remaining service lives of the active members. The Group made no contributions for the period leading to a provision of £355,179 which is shown in the balance sheet.

The most recent actuarial valuation showed that the market value of the scheme's assets was £5,388,000 and that the actuarial value of these assets represented 128% of the benefits that had accrued to members, after allowing for expected future increases in earning. The company intends to contribute at the long term rate which the actuary advises is necessary to fund the benefits. The next valuation is due on 1st May 1991.

Where beneficial, the other Group schemes are to be merged with the principal scheme in due course.

Report of the Auditors

To the Members of Hill & Smith Holdings PLC

We have audited the Financial Statements on pages 10 to 22 in accordance with Auditing Standards.

In our opinion, the Financial Statements give a true and fair view of the state of affairs of the Company and of the Group at 30th September 1990 and of the Profit and Source and Application of Funds of the Group for the year then ended, and have been properly prepared in accordance with the Companies Act, 1985.

John W. Hinks & Co.
Chartered Accountants
West Midlands,
B67 7BH

24th January 1991

Five Year Record

	1986 £000	1987 £000	1988 £000	1989 £000	1990 £000
Turnover	29,376	37,042	49,568	58,700	72,084
Profit before taxation	2,051	3,501	5,523	6,521	5,121
Taxation	696	1,272	1,991	2,276	1,832
Profit after taxation	1,355	2,229	3,532	4,245	3,289
Shareholders' funds	10,766	12,526	15,441	19,896	20,573
Dividends per ordinary share	4.20p	4.375p	5.00p	5.20p	5.70p
Earnings per ordinary share	6.19p	11.45p	16.14p	19.29p	14.41p
Dividend cover (times)	2.68	3.52	4.36	4.04	2.53

Growth of capital and income

100 ordinary shares held 1st October 1985

Shares	110	132	145	174	191
Dividends	£4.62	£5.77	£7.25	£9.05	£10.89

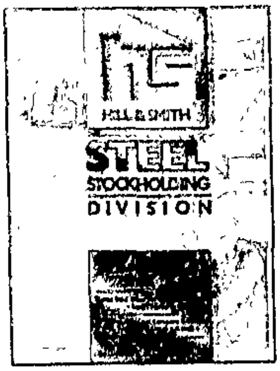
The earnings per share figures for 1989 and earlier years have been adjusted for capitalisation issues.

Equivalent market price at 31st March 1982*, of a 25p Ordinary Share in Hill & Smith Holdings PLC, as adjusted by capitalisation issues to date 17.84p.

* At this date a capitalisation issue of 1 for 10 new Ordinary Shares in the form of renounceable share certificates was in being and these were separately quoted at a price which adjusted for the further capitalisation issues would be equivalent to 18.23p.

Principal Group Companies

Steel Stockholding



Tipton Steel Stockholders Limited
Tipton, West Midlands DY4 9LQ.
021-557 7251

The Stock Steel Company Limited
Tipton, West Midlands DY4 9LQ.
021-557 7181

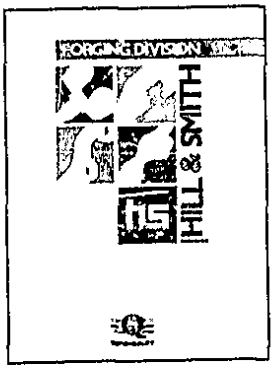
Tatham Miller Limited
Cheadle Hulme, Cheshire SU8 6QZ.
061-485 8535

Tipton Steel Stockholders (Stoke) Limited
Biddulph, Stoke-on-Trent ST8 6JZ.
0782 515152

Hilton Steels Limited
Biddulph, Stoke-on-Trent ST8 6JZ.
0782 515152

D & J (Steels) Limited
Wolverhampton WV1 2RD.
0902 453680

Forging



Bescot Drop Forgings Limited
Wednesbury, West Midlands WS10 9QZ.
021-556 4931

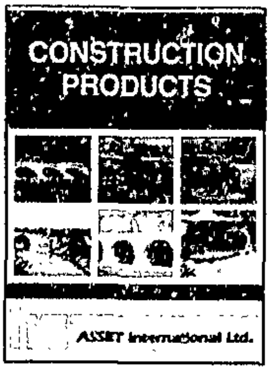
British & Midland Stampings Limited
Oldbury. West Midlands B69 2BE.
021-552 5121

Criterion Stampings Limited
Willenhall, West Midlands WV13 2LH.
0902 366555

Fencing Erection & Contract Management

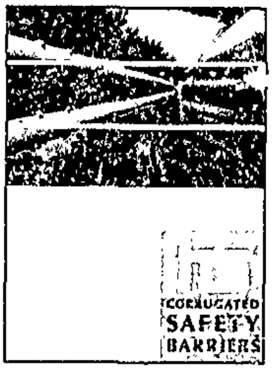
Invicta Fencing Company Limited
Whitwell, Herts SG4 8EA.
0438 871471

Fabricated Products



Asset International Limited
Newport, Gwent NP9 0XH.
0633 273081

Spirel S.A.
Genay, France.
010 33 78 98 21 19



Hill & Smith Limited
Brierley Hill, West Midlands DY5 1JL.
0384 480084

Varley & Gulliver Limited
Sparkbrook, Birmingham B12 8JR.
021-773 2441

W. H. Barker & Son Engineers Limited
Fenton, Stoke-on-Trent, Staffs ST4 [illegible].
0782 319264

Birtley Building Products Limited
Tyne & Wear DH3 1JF.
091 410 6631

Bainbridge Engineering Limited
Bury, Lancashire BL8 1BW.
061 764 5034