Results at a Glance

671474

	1995 £000	1994 £000
Turnover	**87,823**	76,639
Profit before taxation	**5,534**	4,750
Profit after taxation	**3,955**	3,160

	1995	1994
Ordinary dividends		
Interim	**2.10p**	2.10p
Final	**4.10p**	4.10p
	***6.20p**	6.20p

* Taking into account the bonus issue in March 1995, this is an effective increase of 10%.

		1995	1994
Earnings per ordinary share	— net basis (FRS3)	**10.78p**	†8.64p
	— net basis (IIMR)	**10.78p**	†6.58p
Net assets per ordinary share		**77.22p**	74.24p

† This takes into account the bonus issue in March 1995.

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COMPANIES HOUSE 12/04/96

Financial Calendar

Payment of final dividend for the year to 30th September 1995 (ex dividend date 29th January 1996)	9th April 1996
Announcement of results for half year to 31st March 1996	18th July 1996
Payment of interim dividend (ex dividend date 29th July 1996)	25th September 1996
Preliminary announcement of results to 30th September 1996	16th January 1997
Annual general meeting 1997	21st March 1997

Chairman's Statement

It gives me great pleasure in my first report as Chairman to present these good results. Pre-tax profits at £5.534m are up 16.5% on last year. This is primarily as a result of a 14.5% rise in turnover to £87.823m. A lower tax charge of £1.579m is partly due to an improved performance in France and partly to an increase in capital spending, which enables us to defer tax payments. This has given an improvement in earnings per share of 24.7%. Shareholders' funds are up by 4% and gearing is a modest 26%. Our return on capital employed is 19.5%.

Although the Highways market has continued to decline, improved performances from all other market sectors in which we operate have more than compensated. The decisions that were taken in the early 1990s to diversify into different markets have proved successful and a strong capital expenditure programme has helped to maintain and improve our cost base.

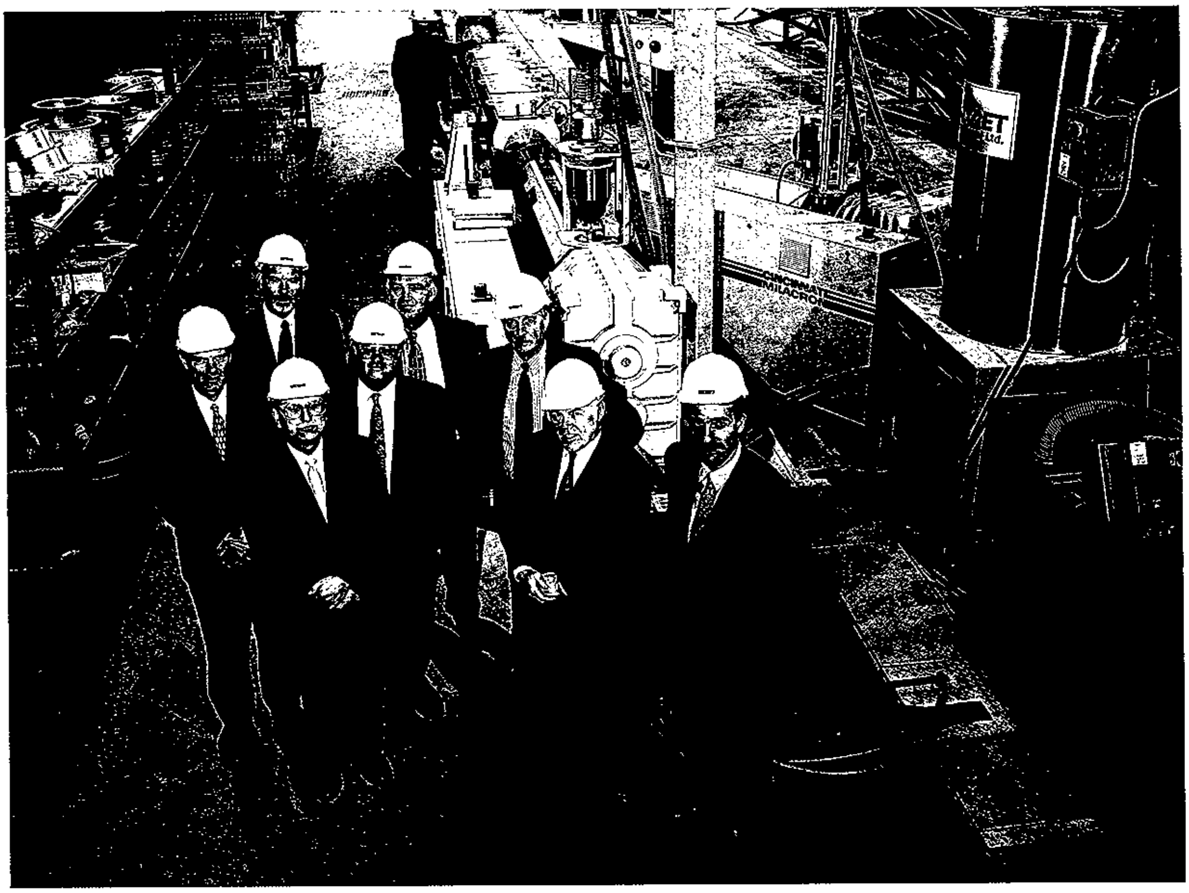
Hard work and patience on all sides are the principal virtues in business, whether on the shopfloor or in the offices, and I thank all our employees for continuing to strive for improvement in their work. There are no easy jobs anywhere in industry today, but there can be considerable satisfaction in contributing to a better performance and I am sure that our employees share in that goal. I also thank my colleagues on the Board for their support and encouragement to me personally.

It is convenient to be able to attach a label to any Group of companies, and it is a source of amusement and occasionally frustration to your Board of directors that we are variously referred to as a 'Steel Stockholding Group', 'The Motorway Barrier Group' or a 'Fabricated Products Group with Forging interests'. In order to help everyone's understanding of us we introduced with our Interim Statement an analysis of the profits made by our different Divisions. This caused some of our followers to conclude that we were primarily in Building and Construction, and that since these sectors in general were underperforming then we were unlikely to buck the trend. The reality is that we have within the Group a number of business teams who are experts in their own specialised marketplaces. Whilst they are all in steel-based industries and share common philosophies and interests, they have very different customer bases and are subject to often quite different market conditions at any time. They therefore make their own commercial judgements, with help and guidance from the Centre when necessary. This is one of our strengths as a Group. Their successes or failures contribute to the whole picture and the job of the Group is to help those who may be struggling, and create an environment which ensures that there are always enough teams who are growing and developing to take the Group forward.

As we entered recessionary times in 1989 we recognised that our dependence upon the Highways market and Steel Stockholding left us vulnerable to a downturn in these markets. We therefore sold a steel stockholder and our fencing erection business, both of which were in highly competitive markets and losing money, and bought Duct & Access Covers Limited and Pipe Supports Limited, both of which were profitable and which had potential to grow. We also started to invest in Forging, Garage Doors and Galvanising.

The net result is that we are now much less dependent upon the Highways market. Furthermore, since 1989 we have always had one or two parts of the Group who were lossmaking and which caused us to apologise to our Shareholders and explain what was being done to rectify the situation. At the present moment this is no longer so. Whilst our businesses in France and in Forging are not making very much money at this moment in time they are no longer a drain on our resources and this is very encouraging. We have today a very sound base on which to build.

In the last year we have continued to develop strategies which will take us successfully into the 21st century. Investment in High Density Polyethylene (HDPE) pipes for the water and sewerage industry and in additional galvanising capacity will enable us to capitalise upon our technical and marketing skills to ensure future



The Executive Committee on a visit to the Group's new plastic pipe plant.
L to R: Messrs McKeand, Pensom, Everett, Tranter, Simpson, Johnson, Sara and Hopkins.

growth in expanding markets. These Capital requirements will increase our gearing towards 50% by the middle of this year, but careful cash control will enable us to keep well within any limits that our Bankers have stipulated.

By recommending an unchanged final Dividend of 4.1p on top of the 1 for 10 Scrip Issue in March 1995 and the Interim Dividend of 2.1p, this will be the 20th consecutive year when there will have been an effective increase of at least 10% on the Dividend paid. Whilst committed to strong Dividend growth such a rate of increase is high in the current financial climate and, bearing in mind the substantial demands on capital, your Board is recommending a Scrip Issue of 1 Ordinary Share for every 15 Shares held at the close of business on 19th March 1996.

The UK Market for some industrial products has been disappointing since the summer and this has continued into the new year, but there is considerable optimism within the Group that 1996 will see a gradual improvement in that position. Along with growth in our new ventures of plastic pipe and pipe supports, and a return to profitability in Forging and in France we hope to be able to report once again an improvement in your Group's fortunes this time next year.

MICHAEL E. SARA
Chairman and Chief Executive

Directors, Advisers and Executive Committee

DIRECTORS

M.E. SARA, B.A. (OXON)
Chairman and Chief Executive

Michael, aged 54, has been on the Board since 1986. He joined the Group as managing director of Birtley Manufacturing Limited in 1982, was managing director of the Fabrication Division between 1983 and 1988 and became Group Managing Director in 1988. He was appointed Chairman and Chief Executive of the Group in April 1995. He is also a Director of the Galvanizers Association.

JOHN G. SILK, LL.B. (LONDON)
Deputy Chairman

John, aged 71, joined the Board in 1981 and was Chairman from 1983 to 1995. He is also Deputy Chairman of Hampson Industries PLC and the Senior Partner of Silks, Solicitors. He is a Pension Fund Trustee.

H.C. EVERETT B.Sc., C.A.
Group Financial Director and Company Secretary

Howard is 51 and joined the Group from Rapid Metal Developments Limited, an R.M. Douglas PLC subsidiary, in 1990. He speaks French and the Scandinavian languages. He is a Pension Fund Trustee.

E. JOHNSON
Divisional Director — Steel Stockholding

Eric is 58 and has been with Tipton Steel Stockholders Limited since February 1962, shortly after its acquisition by Hill & Smith in 1961. He became managing director in 1968 and joined the Board in his present capacity in 1986. He is a Pension Fund Trustee.

S.H.J.A. KNOTT, B.A. (ECON)
Non-Executive Director

Simon, aged 64, was responsible for the flotation of Hill & Smith in 1969 and joined the Board in 1981. He is a Non-Executive Director of several other PLCs including Rights & Issues I.T. PLC, of which he is Chairman. He is a Pension Fund Trustee.

A.J. PENSOM, B.A.
Divisional Director — Building Products

Tony, who is 44, joined the Group from T.I. in 1984 as General Sales Manager of Hill & Smith Limited. He became managing director of Birtley Manufacturing Limited in 1985, of the Building Products Division in 1989 and was appointed to the Board in April 1994. He speaks French and German.

R.W. SIMPSON, B.A.
Divisional Director — Barrier & Fencing

Roger, who is 54, joined the Group in his present capacity from NEI where he was Director and General Manager of their Structural Steel Division. He was appointed to the Board in April 1994. From October 1994 to September 1995, in addition to his other duties, he was seconded as Divisional Director of the Forging Division.

J.R. SKIDMORE
Non-Executive Director

Roy retired as Group Managing Director at the age of 60, seven years ago, having been with Hill & Smith since 1965, during which time he was responsible for all engineering and technical development within the Group including the introduction of products such as barrier and lintels. He was appointed to the Board in 1965 and was Group Managing Director from 1983 to 1988. He is Chairman of the Pension Fund Trustees.

The Group's non-executive directors, Messrs Knott, Silk and Skidmore, who are also members of the Audit and Remuneration Committees.

ADVISERS

Registrars
Royal Bank of Scotland plc, Redcliffe Way, Bristol, BS99 7NH.

Auditors
John W. Hinks & Co., Smethwick, Warley, West Midlands, B67 7BH.

Bankers
Midland Bank plc, Willenhall, West Midlands, WV13 2AF.

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

Solicitors
Silks, Oldbury, Warley, West Midlands, B69 4EZ.

REGISTERED OFFICE

P.O. Box 4, Canal Street, Brierley Hill, West Midlands, DY5 1JL.

COMPANY NUMBER

671474 Incorporated in England and Wales.

EXECUTIVE COMMITTEE

M.E. Sara
Chairman and Chief Executive

H.C. Everett
Financial Director and Company Secretary

S.J. Hopkins
Business Development & Acquisitions Manager

E. Johnson
Divisional Director — Steel Stockholding

E. McKeand
Divisional Director — Drainage Products

A.J. Pensom
Divisional Director — Building Products

R.W. Simpson
Divisional Director — Barrier & Fencing

R. Tranter
Divisional Director — Forging

AUDIT COMMITTEE

Messrs Silk (Chairman), Knott and Skidmore

REMUNERATION COMMITTEE

Messrs Silk (Chairman), Knott and Skidmore

Operations and Financial Review

BUILDING PRODUCTS

	1995 £m	1994 £m
Turnover	22.94	20.72
Profit before tax, interest and management charges	2.93	2.71
Net operating assets	8.64	5.99
Return on capital	33.91%	45.24%


Concrete-filled manhole covers being installed for cable TV.

Our substantial improvements in both turnover and profit from this Division, which have included Duct & Access Covers Limited and Pipe Supports Limited for the first time, endorse our decision to invest in these market and product sectors over the last 3-4 years.


Roll-A-Door garage doors.

Our lintel and garage doors and canopies businesses performed very strongly in the first half year, but as the housing market flattened out in the summer months our expectations declined and we had to be satisfied with a very similar result to the previous year. We now expect a gradual improvement in demand which should help us to repeat our profit return for the third year running after a quiet start. Our new Roll-A-Door investment is performing very satisfactorily and in May 1996 we will start to galvanise using our new £2.5m plant in the North East.

Demand for concrete-filled manhole covers for the Cable TV market grew very strongly in 1995 and although the American backers of Cable TV are clearly reviewing their commercial strategies in the light of political uncertainty over British Telecom's future role in the so-called Information Superhighway, 1996 and 1997 are still forecast as being the years when a record 1.2m homes each year will be passed by cable.

Our order book for pipe supports and their ancillary products continues to grow, particularly for Japan and Thailand, and more recently orders from Western Europe increase our confidence that these products will feature more strongly in the Group's fortunes for the future.

Pipe supports supplied to Esso's Sriracha Refinery in Thailand.
Photo. Courtesy of Foster Wheeler Energy Ltd

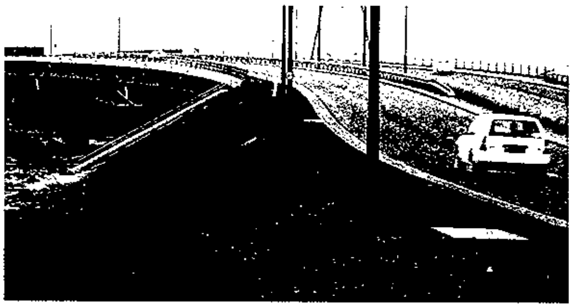
BARRIER AND FENCING

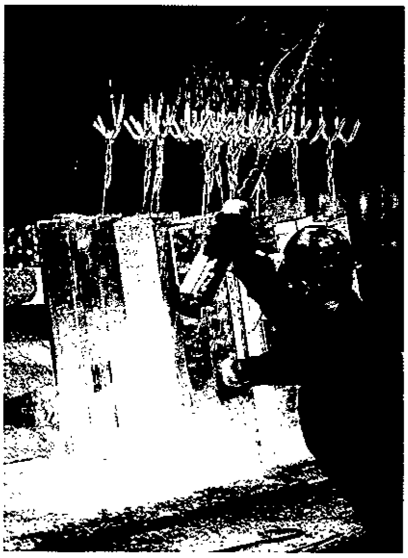
	1995 £m	1994 £m
Turnover	19.11	19.05
Profit before tax, interest and management charges	1.64	2.11
Net operating assets	7.69	8.98
Return on capital	21.33%	23.50%

One of the platforms of Group strategy over the last two years has been to create teams of people focused upon specific markets or products. In the early months of 1995 all Fencing manufacturing and selling was concentrated on our Barker's site at Stoke, which is backed by our 1992 galvanising investment. Steel security and ornamental fencing needs a low cost base to compete strongly and we expect a steady improvement from this business in the future.

Safety barrier on all dual carriageways in the UK is now almost complete and this product, which was never more than 30% dependent upon new highway schemes, needs a boost. It is our view that barrier on the verges of highways would save many lives a year. Several high profile accidents have highlighted the hazards that steep embankments and culverts can cause. The Department of Transport does not specify barrier on a verge unless there is more than a six metre drop, or a specific hazard. Safety is a vital ingredient of our road network and in our view the excellent efforts made in saving life in recent years could be further improved by Government investment in safety fences on verges.

An example of an unprotected embankment requiring verge safety fence.





Galvanising in progress in the West Midlands

Bridge parapet continues to provide a satisfactory demand with schemes for the Isle of Skye Bridge, the new Thelwall Viaduct and the Severn Bridge approach roads completed in the last year. Aluminium welded fabrications are a special skill of this Division, and we continue to add new opportunities to extend our turnover for these specialised facilities.

Overall cuts in the Government's roads budget will undoubtedly affect this Division, but there are also initiatives and other products which will help to reduce the impact on profitability.

Bridge parapet supplied to the Isle of Skye Bridge

Operations and Financial Review (continued)

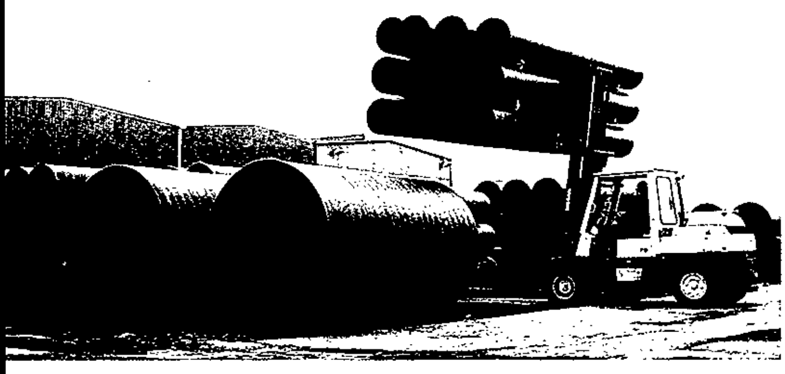
DRAINAGE PRODUCTS

	1995 £m	1994 £m
Turnover	13.26	11.11
Profit before tax, interest and management charges	0.79	0.90
Net operating assets	7.44	5.50
Return on capital	10.62%	16.36%

A steady decline in contribution from Highway related work was offset in part by an improved performance from the Scottish depot, water storage tanks, and also from subcontract galvanising, which in turn benefited from the increased volumes from manhole covers. France had a much steadier year in a construction market which continues to be patchy.

In February 1995 this Division signed a Licensing Agreement with KWH Pipe of Finland to manufacture and sell its Weholite range of plastic pipes. The capital programme of £2m consists of two manufacturing lines which will give a potential sales capacity of approximately £3m per annum. Diameters range between 450mm and 2.6m and are particularly of interest to water companies for sewerage and surface drainage applications. Production commenced in October 1995 and we have high expectations for this new venture.

Encouraged by our success in Scotland we have also opened an Irish Depot in Dublin to serve the local expanding market.



Initial stocks of Weholite HDPE pipe at Asset International in S. Wales.

STEEL STOCKHOLDING

	1995 £m	1994 £m
Turnover	27.94	21.66
Profit before tax, interest and management charges	1.73	0.64
Net operating assets	7.95	7.08
Return on capital	21.76%	9.04%

Price rises in all steel products were precipitated by shortages of billets, blooms and slabs in world markets. This in turn encouraged stock building by end users (our own fabrication businesses included) which gave steel stockholders the confidence to increase their own prices. This, coupled with strong demand for steel in all sectors, resulted in a spectacular rise in performance by this Division.

In the autumn of 1995 a lack of demand in several UK markets caused some end users of steel products to resist further price increases and there was also evidence that concrete and alternative materials were becoming more attractive. This pressure has resulted in a decline in prices for sectional steels and strip mill products, but prices for plate remain stable and engineering steel prices, which only rose modestly in 1995, may increase again in the next few months.

Demand for plate and forging bar remains good and although general steel stockholding has seen a slowdown, there is confidence that our performance in the current year will not fall too far short of last year's peak result.

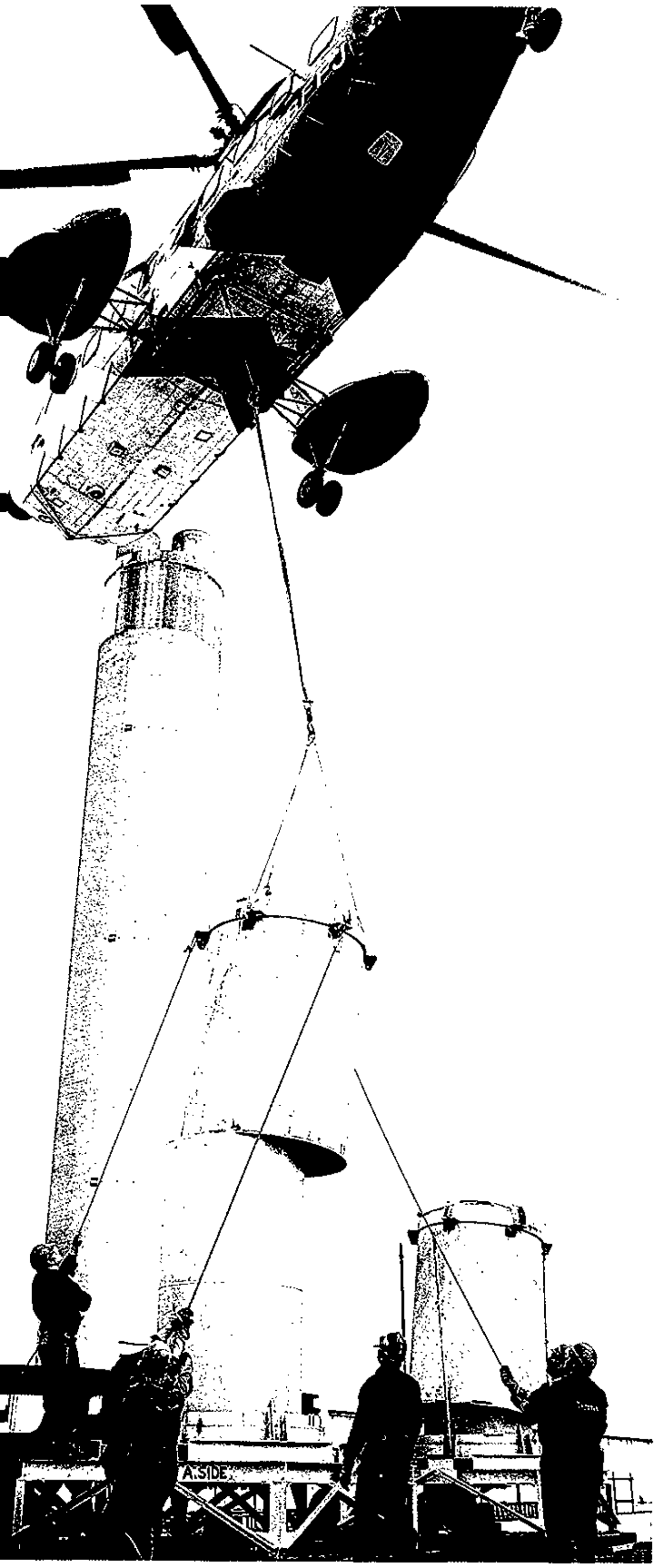
At the year end stocks were higher than normal and plans are well advanced to reduce these to more acceptable levels.

DROP FORGING

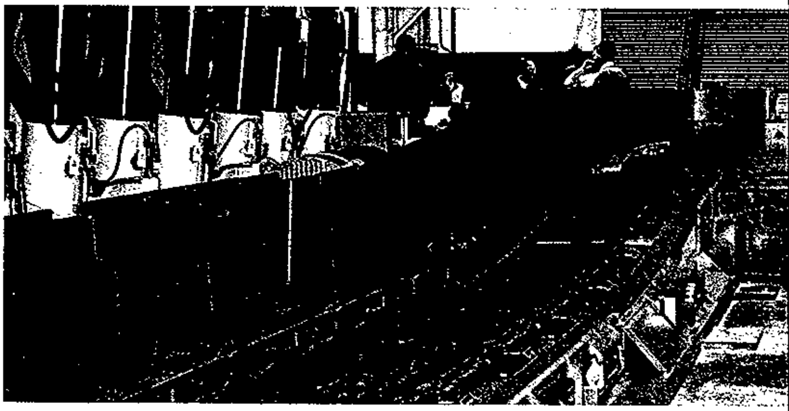
	1995 £m	1994 £m
Turnover	6.05	5.28
Profit before tax, interest and management charges	(0.07)	(0.30)
Net operating assets	3.87	3.93
Return on capital	—	—

The last year will long be remembered by our Forging Division. We started the year losing money and confidence. By February 1995 the organisation had stabilised, during the summer production was increased and backlogs were reduced and by the year end a new Managing Director was in place to take the Division forward. Whilst these traumas were taking place on our Bescot site, Criterion Stampings continued to perform well, consolidating its position as a forging business which has one of the best returns on turnover within the industry.

The market for forgings remains reasonably strong and the niche we identified as a jobbing forger still has good potential. We confidently expect our performance to improve from here onwards with the benefits of the capital expenditure programme, which was started in 1993, now beginning to bear fruit. We therefore see this Division as an area of growth.



Steel Plate supplied for a Silencer at Drax Power Station.


Flight Bar Forgings on a Mining conveyor ready for dispatch from our customer

ENVIRONMENTAL, HEALTH & SAFETY ISSUES

The steps which were outlined last year to upgrade and improve our galvanising facilities to meet new European legislation are well under way. New plants are to be built at Birtley and in the West Midlands, and our plant in South Wales will be completely refurbished. The yards at both Duct & Access and Asset, Scotland have been resurfaced to contain dust and provide a healthier and safer environment. Security at all our 22 sites continues to be under review.

The identification of hazards and discussions about the ways and means of eliminating these to prevent accidents and to provide a healthier working environment continues to be first priority at all Board meetings. Some success has been achieved in raising the profile of the dangers involved, but there is still much that needs to be done.

PEOPLE

The average number of people employed by the Group during the year was 1,019, a small rise on the previous year, although numbers since the year end have been falling.

At all locations performance and productivity improvements are rewarded, and all UK employees have been encouraged to join the Savings Related Share Option Scheme. Currently 236 employees hold 365 Savings contracts as members of the above Scheme. We believe the Scheme encourages a commitment to the Group and enables those who participate to benefit from improvements in the share price. At the end of the financial year 184 current and former employees held shares in the Company, representing 3.21% of the Equity. This is in addition to 42 shareholdings held by directors, former directors and their families which represent 7.20% of the share capital of the Group. It is interesting to note that over 50% of our Shares are held by individuals, the majority of whom have supported the Group for many years. Furthermore, over the last seven years 105 employees have received silver trays in recognition of over 25 years' service within their Group companies. Training requirements continue to be identified at all levels and Profit Related Pay schemes are now in operation in all companies which were profitable last year.

We fully endorse the need for openness with Shareholders as requested by both Cadbury and Greenbury, and accordingly, under note 20 have provided a detailed summary of all directors' salaries and benefits.

FINANCIAL REVIEW

The rise in turnover by 14.59% was partly at the expense of gross profit, which rose only 10.78% to £22.022m. However, the absence of any exceptional items reduced overheads to only 17.98% of turnover and therefore ensured that the Group's operating profit rose by £1.055m. Last year we closed a Forging site at Oldbury. This year there was no impact on our operating profit, which is therefore the same as our pre-tax profit, and which is 13.75% higher at £6.235m. Falling interest rates on higher borrowings resulted in a slightly reduced interest charge and taxation fell to £1.579m, due to profitability in France and our ability to defer tax because of our increased capital expenditure programme. Shareholders' funds have increased by £1.125m to £28.324m; £1.68m has been retained and is transferred to the Reserves.

The Group spent £3.51m on fixed assets compared with a depreciation provision of £1.688m and has reduced the valuation of its Brierley Hill site by £575,000. This leaves tangible fixed assets valued at £20.539m. Stocks rose by just over £3m in anticipation of steel price rises and the expectation of better sales in the summer, but increased Debtors and Trade Creditors were very much in line with turnover. Total net borrowings at the year end were £7.26m, some £3m higher than last year reflecting the increase in stock. Gearing at 25.6% will continue to rise towards a 50% peak in the summer of 1996 when the capital expenditure programme is at its height. It is then forecast to fall gently as the benefits impact the Profit and Loss account.

Report of the Directors

The Directors present their 35th annual report together with the financial statements for the year ended 30th September 1995.

TRADING RESULTS

The Group profit for the year, before taxation, amounted to £5.534m compared with £4.750m for the previous year.

PRINCIPAL ACTIVITIES

The principal activities of the Group companies are:

Steel lintels, garage doors and ancillary building products, manhole covers and pipe supports.

Manufacturing and supply of motorway barrier, bridge parapet, security and all other types of steel fencing.

Steel and plastic drainage pipes, tunnel and culvert structures.

Steel stockholding.

Drop and upset forging.

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

FIXED ASSETS

A summary of the movement and significant changes in the fixed assets of the Group is shown in note 9 in the notes to the financial statements. Taken overall, the directors believe the market value of the Group's freehold property is not materially dissimilar from that shown in the financial statements. The valuation of one property was adjusted during the year.

DIVIDENDS

The directors recommend a final dividend of 4.10p per share to be paid, making the total distribution for the year 6.20p per share (1994 — 6.20p per share), which, taking into account the bonus issue in March 1995, is an effective increase of 10% compared with the previous year. If this recommendation is approved the sum of £1.680m will be added to retained profits.

SHARE CAPITAL

Particulars of changes in share capital are set out in note 16 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 any persons including 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 S.H.J.A. Knott and Mr J.R. Skidmore who, being eligible, offer themselves for re-election. Neither director has a service contract 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 21 to the financial statements.

The directors and their families have no interest in the 14 per cent first mortgage debenture stock 2000/2003.

Except as disclosed in note 21 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.

The Company has purchased insurance for the directors of the Company against liability arising for negligence, breach of duty, default and breach of trust in relation to the Company, as permitted under section S.310 of the Companies Act 1985.

CORPORATE GOVERNANCE

The Board is pleased to report that the Company complies with the Code of Best Practice ("the Code") incorporated in the Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) in all respects of which the report has been brought into application, and has done so in all material respects throughout the year. As reported in Note 21 to the financial statements, Mr John G. Silk is a partner in a firm which advises the Group. The Board is of the opinion, however, that this relationship does not materially interfere with the exercise of his independent judgement with regard to the affairs of the Group.

Statement of directors' responsibilities

The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit of the Company and the Group for that year. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards. In addition, the directors are required:

i) to select suitable accounting policies and then apply them consistently;

ii) to make judgements and estimates that are reasonable and prudent;

iii) to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the financial statements comply with the above requirements, and that applicable accounting standards have been followed.

The directors are also responsible for maintaining adequate accounting records so as to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985, for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities.

Board Committees

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

The Board of directors, presently comprising the Chairman (who is also the Chief Executive), four executive directors and three non-executive directors, meets at least six times a year and has a list of matters specifically reserved for its decision.

The Executive Committee comprises the Chief Executive, the five Divisional Directors, the Financial Director and the Business Development and Acquisitions Manager. It meets at least six times a year and is responsible for all executive business not specifically reserved to the Board.

The Audit Committee meets at least three times a year and comprises the non-executive directors, with written terms of reference. Meetings may also be attended by the Chief Executive and Finance Director, and the Company's auditors are invited.

The Remuneration Committee comprises the non-executive directors and meets at least annually. It is responsible for advising on remuneration policy for senior executives and for determining the remuneration packages of the executive directors and administering the 1995 Executive Share Option Scheme.

Non-executive directors

The Company complies with the Code in respect of those companies where the Chairman is also the Chief Executive in having experienced non-executive directors who represent a source of strong independent advice and judgement. There are three such directors, each of whom has significant commercial experience.

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

Internal Financial Control

The Board of directors is responsible for the Group's system of internal financial control. In order to discharge that responsibility in a manner which ensures compliance with laws and regulations and promotes effective and efficient operations, the directors have established an organisational structure with clear operating procedures, lines of responsibility, and delegated authority.

In particular there are clear procedures for:

— capital investment, with detailed appraisal, authorisation and post-investment review;

— financial reporting, within a comprehensive financial planning and accounting framework;

— monitoring of business risks, with key risks identified and reported to the Board and Audit Committee.

There are also clear procedures for monitoring the system of internal financial control, supplemented by reports from the external auditors.

The Board has reviewed the effectiveness of the system of internal financial control in operation during the financial year through the monitoring process set out in the above paragraph. It must be recognised that such a system can provide only reasonable and not absolute assurance and in that context, the review revealed nothing which, in the opinion of the Board, indicated that the system was inappropriate or unsatisfactory.

Going Concern
The directors are satisfied that the Group is a going concern. In forming this view, the directors have reviewed current internal financial projections and the facilities available to meet the Group's cash requirements.

Reporting
The Auditors have reported to the directors that, in their opinion, the above appropriately reflects the Group's compliance with the paragraphs of the Code specified by the London Stock Exchange for their review. Also, they have reported to the directors that, in their opinion, the directors' comments above on 'going concern' provide the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance) and that comments made are not inconsistent with the information of which they are aware from their audit work on the financial statements. They have not carried out the additional work necessary and do not express any opinion on, the effectiveness either of the Group's system of internal control or of the corporate governance procedures, nor the ability of the Group to continue in operational existence.

SUBSTANTIAL SHAREHOLDINGS
The Company has been notified of the following substantial shareholdings on 16th January 1996:

	Ordinary shares	% of Issued share capital
Managed by M & G Investment Management Limited	3,288,594	8.97%
P.J. Hampson Silk	3,207,525	8.74%
G. Hampson Silk	3,207,523	8.74%
Managed by Friends Provident Group	2,750,791	7.50%
Managed by Aberforth Partners	2,139,770	5.83%

Of P.J. Hampson Silk's ordinary shares, 3,159,153 are registered in his own name or his wife's name. The remaining 48,372 of the ordinary shares are registered in the name of a private limited company of which he is a director and in which he has control of more than one-third of the voting power at general meetings of that company.

Of G. Hampson Silk's ordinary shares, 3,159,151 are either registered in his own name or his wife's name. The remaining 48,372 of the ordinary shares are registered in the name of a private limited company of which he is a director and in which he has control of more than one-third of the voting power at general meetings of that company.

As far as the directors are aware, there were no other notifiable shareholdings according to the Company's share register on 16th January 1996.

DONATIONS
Charitable donations amounting to £2,372 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
Secretary

16th January 1996

Consolidated Profit and Loss Account

for the year ended 30th September 1995

	Notes	1995 £000	1994 £000
Turnover — continuing operations	1	87,823	76,639
Cost of sales	2a	65,801	56,761
Gross profit		22,022	19,878
Distribution cost	2a	3,663	3,291
Administrative expenses	2a	12,124	11,126
Exceptional item	2b	—	281
		15,787	14,698
Operating profit — continuing operations	3	6,235	5,180
Reorganisation costs	2c	—	453
Profit on the disposal of property	2c	—	(754)
Profit on ordinary activities before interest		6,235	5,481
Interest	4	701	731
Profit on ordinary activities before taxation	1	5,534	4,750
Taxation	5	1,579	1,590
Profit for the financial year		3,955	3,160
Dividends	6	2,275	2,080
Retained profit for the year	17	1,680	1,080
Earnings per share — net basis (FRS3)	8	10.78p	8.64p
— net basis (IIMR)	8	10.78p	6.58p

Consolidated Balance Sheet

as at 30th September 1995

	Notes	1995 £000	1994 £000
Tangible fixed assets	9	20,539	19,391
Current assets			
Stocks	10	16,386	13,373
Debtors	11	21,727	18,949
Cash at bank and in hand		1,295	1,247
		39,408	33,569
Creditors (amounts due within one year)	12	29,949	23,508
Net current assets		9,459	10,061
Total assets less current liabilities		29,998	29,452
Creditors (amounts due after one year)	12	1,215	1,655
Provisions for liabilities and charges	14	250	334
Accruals and deferred income	15	209	264
Net assets		28,324	27,199
Capital and reserves			
Called up share capital	16	9,170	8,326
Share premium	17	17	154
Revaluation reserves	17	4,696	5,271
Profit and loss account	17	14,441	13,448
Shareholders' funds		28,324	27,199

These financial statements were approved by the Board on 16th January 1996 and signed on its behalf by:

M.E. SARA
JOHN G. SILK } Directors

Consolidated Cash Flow Statement

for the year ended 30th September 1995

	1995		1994	
	£000	£000	£000	£000
Net cash inflow from operating activities (note i)		4,796		4,733
Returns on investments and servicing of finance				
Interest received	291		158	
Interest paid	(992)		(889)	
Dividend paid	(2,136)		(1,936)	
Net cash outflow from returns on investment and servicing of finance		(2,837)		(2,667)
Corporation tax paid		(1,571)		(1,022)
Investing activities				
Sale of assets held for resale	—		1,076	
Sale of tangible fixed assets	200		102	
Purchase of tangible fixed assets	(3,510)		(2,412)	
Purchase of subsidiary undertakings	(50)		(410)	
Net cash outflow from investing activities		(3,360)		(1,644)
Net cash outflow before financing		(2,972)		(600)
Financing				
Issue of share capital	39		527	
Loans repaid	(1,005)		(1,361)	
Increase in loans	—		225	
Capital element of finance lease rentals	—		(6)	
Net cash outflow from financing		(966)		(615)
Decrease in cash and cash equivalents (note ii)		(3,938)		(1,215)

Notes to the Consolidated Cash Flow Statement

for the year ended 30th September 1995

(i) Reconciliation of operating profit to net cash inflows from operating activities

	1995 £000	1994 £000
Operating profit	6,235	5,180
Depreciation and adjustment on sale of assets	1,602	1,556
Amortisation of Government grants	(55)	(33)
Increase in stock	(3,013)	(4)
Increase in debtors	(2,619)	(893)
Increase/(decrease) in creditors	2,685	(583)
Utilisation of pension provision	(39)	(37)
Reorganisation costs	—	(453)
Net cash inflow from operating activities	4,796	4,733

(ii) Cash and cash equivalents
(a) Changes during the year

	1995 £000	1994 £000
At 1st October 1994	(1,633)	(413)
Net cash outflow before adjustments for the effect of foreign exchange rates	(3,938)	(1,215)
Effect of foreign exchange rates	(34)	(5)
At 30th September 1995	(5,605)	(1,633)

(b) Analysis of the balances

	1995 £000	Change in year £000	1994 £000
Cash at bank and in hand	1,295	48	1,247
Bank overdrafts	(6,900)	(4,020)	(2,880)
	(5,605)	(3,972)	(1,633)

(iii) Analysis of changes in financing during the year

	Share capital including share premiums £000	Loans and finance lease obligations £000
At 1st October 1994	8,480	2,660
Cash flow from financing	39	(1,005)
Bonus issue	668	—
At 30th September 1995	9,187	1,655

Statement of Total Recognised Gains and Losses

for the year ended 30th September 1995

	1995 £000	1994 £000
Profit for the financial year	3,955	3,160
Revaluation	(575)	4
Exchange differences	(19)	—
Total recognised gains and losses relating to the year	3,361	3,164

Note of Historical Cost Profits and Losses

for the year ended 30th September 1995

Reported profit on ordinary activities before taxation	5,534	4,750
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	62	78
Historical cost profit on ordinary activities before taxation	5,596	4,828
Historical cost profit for the year retained after taxation and dividends	1,742	1,158

Movement in Shareholders' Funds

for the year ended 30th September 1995

Profit for the financial year	3,955	3,160
Dividends	(2,275)	(2,080)
	1,680	1,080
New share capital subscribed	39	527
Property valuation adjustment	(575)	4
Goodwill adjustment	—	124
Exchange difference	(19)	—
Net movement in shareholders' funds	1,125	1,735
Opening shareholders' funds	27,199	25,464
Closing shareholders' funds	28,324	27,199

Principal Accounting Policies

The financial statements are prepared under the historical cost convention, as modified by the revaluation of land and buildings and in accordance with applicable accounting standards.

a. Basis of consolidation and accounting for acquisitions and disposals
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 trading results of subsidiaries acquired or sold are included in the consolidated profit and loss account from or until the effective date of acquisition or disposal respectively.

Fair values are ascribed to tangible assets and liabilities of subsidiaries at dates of acquisition and any surplus or deficiency between such values and the purchase consideration is dealt with through reserves. Subsequent adjustments are also dealt with through reserves.

When a business is sold any goodwill dealt with through reserves at the time the business was purchased is added back to the book value in determining the profit or loss on disposal.

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 or valuation 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.

In accordance with Statement of Standard Accounting Practice Number 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation is provided in respect of freehold investment properties.

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.

No provision is made for any possible liabilities on the future sales of properties at their revalued book figures as it is intended that such properties will be retained for use in the business.

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
Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. The results of overseas operations are also translated into sterling, at the exchange rate ruling at the balance sheet date. Exchange differences arising from the retranslation of opening net assets denominated in foreign currencies are taken direct to reserves.

All other exchange differences are taken to 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 pensions evenly over the members' working lives with the Group.

j. Research and development
All expenditure on research and development is charged to the profit and loss account as incurred.

Notes to the Financial Statements

1. ANALYSIS BY ACTIVITY

a) The analysis below sets out information for each trading division of the Group by geographical segment from which sales are made.

i) Analysis of turnover and profit before taxation

		Turnover		Profit	
		1995	1994	**1995**	1994
		£000	£000	**£000**	£000
Building Products	— UK	**22,941**	20,717	**2,927**	2,710
Barrier and Fencing	— UK	**19,110**	19,050	**1,643**	2,115
Drainage	— UK	**10,558**	8,692	**496**	1,149
	— Rest of Europe				
	before exceptional items	**2,703**	2,414	**296**	(251)
	exceptional items	**—**	—	**—**	(281)
Steel stockholding	— UK	**27,941**	21,664	**1,734**	644
	— Inter-divisional	**(1,480)**	(1,174)		
Forging	— UK				
	before exceptional items	**6,050**	5,276	**(70)**	(303)
	exceptional items	**—**	—	**—**	301
Sales to third parties		**87,823**	76,639		
Common costs				**(791)**	(603)
Profit before interest and taxation				**6,235**	5,481
Net interest				**(701)**	(731)
Profit before taxation				**5,534**	4,750

ii) Analysis of net operating assets

		1995	1994
		£000	£000
Building Products	— UK	**8,641**	5,992
Barrier and Fencing	— UK	**7,694**	8,983
Drainage	— UK	**6,558**	5,122
	— Rest of Europe	**879**	381
Steel stockholding	— UK	**7,945**	7,084
Forging	— UK	**3,866**	3,930
Common interest bearing liabilities		**(7,259)**	(4,293)
Total net assets		**28,324**	27,199

The segments have been redefined to more fully reflect the operations of the group. The figures for the previous year have been restated to reflect the change.

b) Turnover by geographical destination is as follows:	**1995**	1994
	£000	£000
UK	**82,071**	69,906
Rest of Europe	**3,680**	5,395
Rest of World	**2,072**	1,338
	87,823	76,639

2. PROFIT AND LOSS ACCOUNT

a) Operating profit
The results for the two years all relate to continuing operations.

b) Exceptional item	1995 £000	1994 £000
Claim by a customer for remedial work	—	281

c)	1995 £000	1994 £000
i) Reorganisation costs	—	453
ii) Profit on the disposal of property	—	(754)

The above items arose on the reorganisation of the Forgings Division.

3. OPERATING PROFIT

	1995 £000	1994 £000
After charging:		
Directors' emoluments (note 20)	443	423
Depreciation:		
— on tangible fixed assets owned	1,688	1,540
Hire of equipment	354	374
Property rents payable	64	64
Auditors' remuneration:		
— Audit	90	87
— Other services	51	50
Loss on disposal of fixed assets	—	16
After crediting:		
Net property income	30	33
Profit on disposal of fixed assets	86	—

4. INTEREST

	1995 £000	1994 £000
Interest payable and similar charges on bank loans, overdrafts and other loans:		
— Repayable within five years not by instalments (Bank overdraft)	783	642
— Repayable within five years by instalments (ECSC loan and loan notes)	69	107
— Repayable wholly or partly in more than five years (Mortgage debenture)	140	140
	992	889
Interest receivable	(291)	(158)
	701	731

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1995	1994
	£000	£000
UK corporation tax at 33% (1994 — 33%)	1,719	1,565
Transfer to deferred taxation	(115)	30
	1,604	1,595
Prior year adjustments	(25)	(5)
	1,579	1,590

6. DIVIDENDS

	1995	1994
	£000	£000
Interim dividend of 2.10p per share paid 25th September 1995 (1994 — 2.10p per share)	771	715
Proposed final dividend of 4.10p per share (1994 — 4.10p per share)	1,504	1,365
	2,275	2,080

7. RETAINED PROFIT/(LOSS) FOR THE YEAR

	1995	1994
	£000	£000
By Hill & Smith Holdings PLC	788	(201)
By subsidiaries	892	1,281
	1,680	1,080

8. EARNINGS PER SHARE

The earnings per share is arrived at by dividing the profit after tax of £3.955m (1994 — £3.160m) by 36,672,828 shares, being the weighted average number of ordinary shares in issue during the year.

A further measure of earnings per share has been recommended by the Institute of Investment Management and Research (IIMR) for adoption by financial analysts. This measure of headline earnings adjusts standard earnings per share so as to eliminate capital items only rather than all exceptional items. The reconciliation of earnings to IIMR headline earning is shown below.

Both earnings per share figures for 1994 have been adjusted for the bonus issues during the year.

	1995	1994
	£000	£000
Profit attributable to shareholders	3,955	3,160
Less: Profit on disposal of property	—	(754)
IIMR headline earnings	3,955	2,406
IIMR headline earnings per share	10.78p	6.58p

9. TANGIBLE FIXED ASSETS

a. Cost or valuation

	Freehold land and buildings £000	Long Leasehold land and buildings £000	Freehold investment property £000	Plant, machinery and vehicles £000	Total £000
At 30th September 1994	10,992	1,300	200	16,687	29,179
Additions	556	23	—	2,931	3,510
Disposals	—	—	—	(646)	(646)
Exchange movement	—	—	—	33	33
Revaluation adjustment	(406)	—	—	—	(406)
At 30th September 1995	**11,142**	**1,323**	**200**	**19,005**	**31,670**
Depreciation					
At 30th September 1994	306	66	—	9,416	9,788
Provision for the year	114	23	—	1,551	1,688
Disposals	—	—	—	(532)	(532)
Exchange movement	—	—	—	18	18
Revaluation adjustment	169	—	—	—	169
At 30th September 1995	**589**	**89**	**—**	**10,453**	**11,131**
Net book value At 30th September 1995	**10,553**	**1,234**	**200**	**8,552**	**20,539**
Net book value At 30th September 1994	10,686	1,234	200	7,271	19,391

Included in the above is freehold land not subject to depreciation of £5,116,000.

The freehold investment property is stated at the directors' valuation based on open market value at the balance sheet date. The surplus arising on revaluation has been credited to investment revaluation reserve.

b. The cost or valuation figures for land and buildings include:	Freehold 1995 £000	Freehold 1994 £000	Long Leasehold 1995 £000	Long Leasehold 1994 £000
Valuation made in 1990	**500**	500	**—**	—
Valuation made in 1991	**7,034**	8,284	**1,245**	1,245
Valuation made in 1995	**275**	275	**—**	—
Stated at historical cost	**3,333**	1,933	**78**	55
	11,142	10,992	**1,323**	1,300

c. The amount of revalued land and buildings as determined according to the historical cost accounting rule is:	Freehold 1995 £000	Freehold 1994 £000	Long Leasehold 1995 £000	Long Leasehold 1994 £000
Cost	**5,948**	5,477	**451**	428
Depreciation	**1,036**	968	**87**	80
	4,912	4,509	**364**	348

d. Capital commitments:	1995 £000	1994 £000
Contracted for	**139**	190
Authorised but not contracted for	**3,031**	138
	3,170	328

10. STOCKS

	1995 £000	1994 £000
Raw materials and consumables	**5,507**	4,785
Work in progress	**5,197**	5,116
Finished goods and goods for resale	**5,682**	3,472
	16,386	13,373

11. DEBTORS

	1995 £000	1994 £000
Trade debtors	**19,948**	17,481
Other debtors	**166**	72
Prepayments	**760**	702
Advance corporation tax (ACT) recoverable within one year	**538**	484
ACT recoverable after one year, less amount deducted from deferred taxation	**315**	210
	21,727	18,949

12. CREDITORS

	Amounts due within one year		Amounts due after one year	
	1995 £000	1994 £000	**1995 £000**	1994 £000
Loans (note 13)	**440**	1,005	**1,215**	1,655
Bank overdraft	**6,900**	2,880	—	—
Trade creditors	**16,066**	13,311	—	—
Corporation tax	**1,716**	1,557	—	—
ACT on dividends	**569**	516	—	—
Other taxes and social security	**1,547**	1,981	—	—
Accruals	**1,207**	843	—	—
Proposed dividend	**1,504**	1,365	—	—
Deferred purchase consideration	—	50	—	—
	29,949	23,508	**1,215**	1,655

Interest on bank borrowing is payable at normal clearing bank rates.

13. LOANS

	Amounts due within one year 1995 £000	Amounts due within one year 1994 £000	Amounts due after one year 1995 £000	Amounts due after one year 1994 £000
14% First mortgage debenture stock	—	—	1,000	1,000
Bank Euro loan	—	118	—	—
European Coal and Steel Community loans	69	70	140	209
Unsecured loan notes 1993/95	—	447	—	—
Unsecured loan notes 1994/96	296	295	—	296
Unsecured loan notes 1995/97	75	75	75	150
	440	1,005	1,215	1,655

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 was repaid in November 1994 and carried a rate of interest of 10.125%.

European Coal and Steel Community loans are repayable between 1995 and 1998 and carry a fixed rate of interest of 10% per annum.

All the unsecured loan notes carry interest at 1% per annum below the London Inter-Bank Offered Rate.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	1995 £000	1994 £000
Deferred taxation	41	86
Pension scheme provision	209	248
	250	334
Deferred taxation		
i) Provided in financial statements:		
Accelerated capital allowances	102	222
Other timing differences	—	(5)
	102	217
Advance corporation tax recoverable	(61)	(131)
	41	86
ii) If provision had been made for all timing differences, further liability as follows would have appeared in the financial statements:		
Accelerated capital allowances	1,260	813
Other timing differences	(17)	(14)
Revaluation of properties	583	738
	1,826	1,537
iii) Deferred taxation provided		
At 30th September 1994	217	187
Movement arising in year	(115)	30
At 30th September 1995	102	217

15. ACCRUALS AND DEFERRED INCOME

	1995 £000	1994 £000
Government Grants		
At 30th September 1994	264	297
Amounts written off	(55)	(33)
At 30th September 1995	209	264

16. SHARE CAPITAL

	1995 £000	1994 £000
Authorised		
48,000,000 ordinary shares of 25p each (1994 — 38,000,000)	12,000	9,500
Called up and fully paid		
36,680,474 ordinary shares of 25p each (1994 — 33,302,760)	9,170	8,326

On 31st March 1995, the issued share capital was increased by £833,090 being the capitalisation issue from reserves of one ordinary share for every ten ordinary shares held on 17th March 1995.

On 30th May 1995, 21,296 ordinary shares were allotted under the 1985 Executive share option scheme at a price of 101.400p each.

Between November 1994 and July 1995, 24,057 ordinary shares were allotted under the 1985 Savings related share option scheme at an average price of 74.159p each.

Options outstanding at 30th September 1995 were:

	Option price	Option periods ending
1985 Executive share option scheme:		
113,574 ordinary shares	101.400p	1995
184,800 ordinary shares	120.000p	1997
1985 Savings related share option scheme:		
10,368 ordinary shares	100.409p	1996
326,193 ordinary shares	58.910p	1996
145,092 ordinary shares	58.910p	1998
65,484 ordinary shares	78.099p	1998
291,992 ordinary shares	78.099p	2000
549,270 ordinary shares	96.000p	2000
59,288 ordinary shares	96.000p	2002

17. RESERVES

a) Profit and loss account

	1995 £000	1994 £000
At 30th September 1994	**13,448**	12,375
Retained profit for the year	**1,680**	1,080
Goodwill adjustment	**—**	124
Bonus issue	**(668)**	(131)
Exchange difference	**(19)**	—
At 30th September 1995	**14,441**	13,448

b) Share premium

At 30th September 1994	**154**
Savings related share option scheme	**12**
Executive share option scheme	**16**
Bonus issue	**(165)**
At 30th September 1995	**17**

c) Revaluation reserves

	Revaluation reserve £000	Investment property revaluation reserve £000	Total £000
At 30th September 1994	5,267	4	5,271
Adjustment to revaluation of property	(575)	—	(575)
At 30th September 1995	**4,692**	**4**	**4,696**

d) Goodwill

The accumulated goodwill written off to reserves in respect of the acquisition of continuing businesses is £2,946,000 (1994 — £2,946,000).

18. CONTINGENT LIABILITIES

a) A claim following the supply of alleged faulty material has been made against the Group's French subsidiary. The sum of £281,000 has been previously provided in respect of this claim. Having taken legal opinion, the directors are advised that no further liability will arise in respect of this claim.

b) The Group had guarantees outstanding to a bank in respect of performance bonds of £131,000 (1994 — £94,000), Customs and Excise of £146,000 (1994 — £156,000) and to other third parties of £139,000 (1994 — £10,000), at 30th September 1995.

19. PARTICULARS OF EMPLOYEES

	1995	1994
The average number of persons, all of whom were engaged in the principal activities, employed by the Group (including directors) during the year was:	**1,019**	1,003

	1995 £000	1994 £000
Their total remuneration was:		
Wages and salaries	**15,537**	14,551
Social security	**1,310**	1,323
Other pension costs	**538**	456
	17,385	16,330

20. INFORMATION REGARDING DIRECTORS

	1995	1994
Total remuneration including pension contributions	£000	£000
Fees as directors	42	44
Salaries and other benefits	320	331
Performance related bonuses	81	48
	443	423

The annual bonuses for Messrs Sara and Everett are related to the profitability of the Group. The annual bonuses for Messrs Johnson, Pensom and Simpson are related to the profitability of their division within the Group.

Directors' emoluments

	Salaries £000	Fees £000	Benefits £000	Annual bonus £000	Total 1995 £000	Total 1994 £000	Pension contributions 1995 £000	Pension contributions 1994 £000
Executives								
M.E. Sara (Chairman from 1st April 1995)	72	—	5	22	99	94	7	7
H.C. Everett	47	—	5	11	63	63	4	4
E. Johnson	44	—	6	23	73	53	5	4
A.J. Pensom	47	—	3	13	63	63	4	4
R.W. Simpson	48	—	4	12	64	63	4	4
Non-executives								
John G. Silk (Chairman to 1st April 1995)	—	23	2	—	25	28	—	—
S.H.J.A. Knott	—	13	—	—	13	13	—	—
J.R. Skidmore	13	6	—	—	19	23	—	—
	271	42	25	81	419	400	24	23

The remuneration of the chairman and highest paid director is disclosed above.

Other directors' remuneration including Benefits in Kind is within the following bands:	1995 Number	1994 Number
£10,001 — £15,000	1	1
£15,001 — £20,000	1	1
£50,001 — £55,000	—	1
£60,001 — £65,000	3	3
£70,001 — £75,000	1	—

21. DIRECTORS' INTERESTS

The directors of the Company who have acted during the year, and the interest 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 1995	30th September 1994
John G. Silk	738,926	667,209
J.R. Skidmore	283,965	283,965
M.E. Sara	157,110	141,546
S.H.J.A. Knott	103,589	94,173
E. Johnson	89,249	81,791
A.J. Pensom	51,402	46,730
H.C. Everett	46,760	42,436
R.W. Simpson	21,424	19,477

John G. Silk's interest in the ordinary shares of the Company included non-beneficial interests of 48,372 (1994 — 43,975) held by a private limited company of which he is a director and a beneficial interest in 454,666 (1994 — 413,333) shares in an Estate in which he is both an Executor and a Trustee. On 27th October 1995, 59,829 shares of this holding were transferred to a beneficiary.

21. DIRECTORS' INTERESTS (CONTINUED)

On 11th October 1995, S.H.J.A. Knott acquired an additional 30,000 shares in the Company.

John G. Silk is a partner in Silks, Solicitors to the Company, which receives fees for services rendered to the Company.

Directors' Options

The following options are held under the 1985 Hill & Smith Savings Related Share Option Schemes.

	At 30th September 1994	Scrip Issue Adjustment	Granted during year	At 30th September 1995	Exercise Price	Date exercisable	Expiry Date
M.E. Sara	12,499	1,249	—	13,748	58.910p	1.4.1996	1.10.1996
	11,983	1,198	—	13,181	78.099p	1.4.1998	1.10.1998
H.C. Everett	12,657	1,265	—	13,922	78.099p	1.4.1998	1.10.1998
	—	—	7,187	7,187	96.000p	1.4.2000	1.10.2000
E. Johnson	5,786	578	—	6,364	58.910p	1.4.1996	1.10.1996
	6,328	632	—	6,960	78.099p	1.4.1998	1.10.1998
A.J. Pensom	4,628	462	—	5,090	58.910p	1.4.1996	1.10.1996
	—	—	7,187	7,187	96.000p	1.4.2000	1.10.2000
R.W. Simpson	12,862	1,286	—	14,148	78.099p	1.4.1998	1.10.1998
	—	—	3,593	3,593	96.000p	1.4.2000	1.10.2000

22. FINANCIAL COMMITMENTS

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

	Land and buildings		Other	
	1995	1994	**1995**	1994
Leases expiring within:	**£000**	£000	**£000**	£000
One year	**25**	7	**40**	25
Two to five years	**24**	—	**141**	94
Over five years	**43**	56	**13**	4

23. PENSION SCHEME ARRANGEMENTS

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

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

With regard to the principal scheme, the most recent valuation was at 5th April 1994. This showed that the market value of the scheme's assets was £16,268,200 and that the actuarial value of these assets represented 122% of the benefits that had accrued to members, after allowing for expected future increases in earnings. At 5th April 1994, the number of active members was 532. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9.5% per annum, and that salary increases would average 8% per annum.

The pension cost for the year was £538,000 (1994 — £456,000). This took account of the amortisation of the surplus disclosed at the most recent valuation over the average remaining service lives of the active members. The provision for pension costs amounting to £209,000 at the balance sheet date is being released to the pension fund over the average future working lifetime of the members of the scheme. It is the intention of the Group to continue to make contributions to the pension scheme in line with the recommendations of the actuary in respect of contribution rates.

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

Parent Company Balance Sheet

as at 30th September 1995

	Notes	1995 £000	1994 £000
Fixed assets			
Tangible assets	25	910	871
Investments	26	22,339	21,901
		23,249	22,772
Current assets			
Debtors	27	5,125	4,368
Cash at bank and in hand		1,022	—
		6,147	4,368
Creditors (amounts due within one year)	28	5,893	4,091
Net current assets		254	277
Total assets less current liabilities		23,503	23,049
Creditors (amounts due after one year)	28	1,075	1,446
Provision for liabilities and charges	30	12	14
Net assets		22,416	21,589
Capital and reserves			
Called up share capital	16	9,170	8,326
Share premium	31	17	154
Profit and loss account	31	13,229	13,109
Shareholders' funds		22,416	21,589

These financial statements were approved by the Board on 16th January 1996 and signed on its behalf by:

M.E. SARA
JOHN G. SILK } *Directors*

Notes to the Parent Company Balance Sheet

24. PROFIT AND LOSS ACCOUNT

The Company has taken advantage of the statutory exemption from presenting its own profit and loss account.

25. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Office equipment and vehicles £000	Total £000
Cost			
At 30th September 1994	850	114	964
Additions	11	68	79
Disposals	–	(75)	(75)
At 30th September 1995	861	107	968
Depreciation			
At 30th September 1994	11	82	93
Provision for the year	7	15	22
Disposals	—	(57)	(57)
At 30th September 1995	18	40	58
Net book value at 30th September 1995	843	67	910
Net book value at 30th September 1994	839	32	871

26. FIXED ASSET INVESTMENTS

	Shares in group undertakings £000	Loans to group undertakings £000	Total £000
At 30th September 1994	16,659	5,242	21,901
Increase in acquisition cost	1,533	—	1,533
(Increase)/decrease in provision during year	(355)	452	97
Repayments	—	(1,192)	(1,192)
At 30th September 1995	17,837	4,502	22,339

A list of the Group undertakings is given on pages 36 and 37.

All the Group undertakings are wholly owned, and are registered in England and Wales with the exception of Spirel S.A., which is registered in France, and Duct and Access Covers Limited, which is registered in Scotland.

27. DEBTORS

	1995 £000	1994 £000
Amounts owed by Group undertakings	4,066	3,518
Other debtors	21	16
Prepayments	10	9
Advance corporation tax (ACT) recoverable within one year	538	484
ACT recoverable after one year	375	341
Corporation tax	115	—
	5,125	4,368

28. CREDITORS

	Amounts due within one year		Amounts due after one year	
	1995	1994	1995	1994
	£000	£000	£000	£000
Loans (note 29)	371	935	1,075	1,446
Bank overdraft	2,760	708	—	—
Trade creditors	240	72	—	—
Amounts owed to Group undertakings	310	243	—	—
Corporation tax	—	12	—	—
ACT on dividends	569	516	—	—
Other taxes and social security	30	175	—	—
Accruals	109	15	—	—
Proposed dividend	1,504	1,365	—	—
Deferred purchase consideration	—	50	—	—
	5,893	4,091	1,075	1,446

Interest on bank borrowing is payable at normal clearing bank rates.

29. LOANS

	Amounts due within one year		Amounts due after one year	
	1995	1994	1995	1994
	£000	£000	£000	£000
14% First mortgage debenture stock	—	—	1,000	1,000
Bank Euro loan	—	118	—	—
Unsecured loan notes 1993/95	—	447	—	—
Unsecured loan notes 1994/96	296	295	—	296
Unsecured loan notes 1995/97	75	75	75	150
	371	935	1,075	1,446

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 was repaid in November 1994 and carried a fixed rate of interest of 10.125%.

All the unsecured loan notes carry interest at 1% per annum below the London Inter-Bank Offered Rate.

30. PROVISIONS FOR LIABILITIES AND CHARGES

	1995	1994
	£000	£000
Pension scheme provision	12	14

31. RESERVES

	Share premium	Profit and loss
	£000	£000
At 30th September 1994	154	13,109
Loss for the year after taxation and dividend	—	788
Savings related share option scheme	12	—
Executive share option scheme	16	—
Bonus issue	(165)	(668)
At 30th September 1995	17	13,229

32. CONTINGENT LIABILITIES

a) The Company has guaranteed bank and other short-term borrowings of subsidiaries amounting at 30th September 1995 to £5,816,302 (1994 — £6,774,000).

b) The Company has guaranteed trade liabilities of subsidiaries amounting at 30th September 1995 to £129,000 (1994 — nil).

Report of the Auditors

TO THE MEMBERS OF HILL & SMITH HOLDINGS PLC

We have audited the financial statements on pages 14 to 32, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 19.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 12, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on these statements and to report our opinion to you.

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30th September 1995 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

John W. Hinks & Co.
Chartered Accountants and Registered Auditor
Smethwick, Warley, West Midlands, B67 7BH.

16th January 1996

Five Year Record

	1991 £000	1992 £000	1993 £000	1994 £000	**1995** **£000**
Turnover	75,815	66,413	66,968	76,639	**87,823**
Profit before taxation	4,640	1,531	4,026	4,750	**5,534**
Taxation	1,531	952	1,075	1,590	**1,579**
Profit after taxation	3,109	579	2,951	3,160	**3,955**
Shareholders' funds	28,956	24,687	25,464	27,199	**28,324**
Dividends per ordinary share	6.00p	6.00p	6.20p	6.20p	**6.20p**

Growth of capital and income
100 ordinary shares held at 1st October 1990

Shares	110	121	129	142	**156**
Dividends	£6.60	£7.26	£8.00	£8.80	**£9.67**

Equivalent market price at 31st March 1982* of a 25p ordinary share in Hill & Smith Holdings PLC, as adjusted by capitalisation issues to date, is 11.43p.

* 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 11.67p.

Notice of Meeting

Notice is hereby given that the 35th annual general meeting of Hill & Smith Holdings PLC will be held at **The Copthorne Hotel, The Waterfront, Level Street, Brierley Hill, DY5 1UR** on 22nd March 1996 at 12 noon for the following purposes:

1. To receive the directors' report and the financial statements for the year ended 30th September 1995 together with the auditors' report thereon.
2. To approve the payment of the proposed final dividend of 4.10p 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 re-appoint Messrs John W. Hinks & Co. as Auditors and to authorise the directors to determine their remuneration. (Resolution No. 4)

23rd February 1996

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

By Order of the Board

H.C. EVERETT
Secretary

Notes:

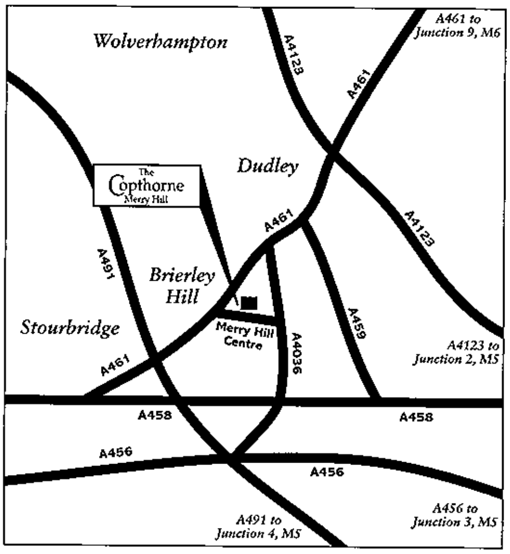
A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be received at the registered office not less than 48 hours before the time fixed for the meeting.

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.



Principal Group Companies

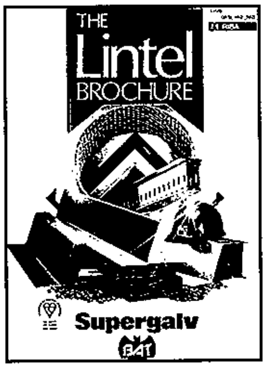
BUILDING PRODUCTS DIVISION

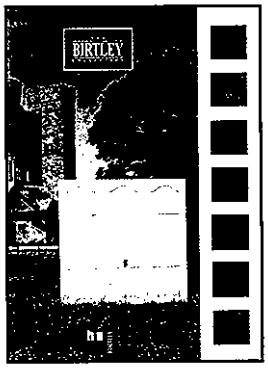
Birtley Building Products Limited
Mary Avenue, Birtley,
County Durham, DH3 1JF
Tel. (0191) 410 6631 Fax. (0191) 410 0650

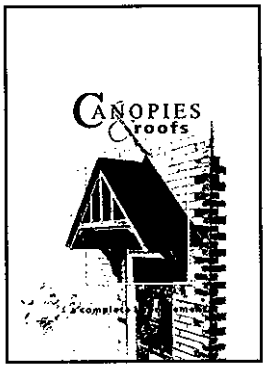
Bainbridge Engineering Limited
Woodhill Road,
Bury, Lancashire, BL8 1BW
Tel. (0161) 764 5034 Fax. (0161) 764 5020

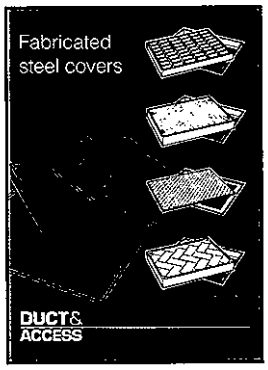
Duct & Access Covers Limited
Newtown Industrial Estate, Crosskeys,
Newport, Gwent, NP1 7PZ
Tel. (01495) 272727 Fax. (01495) 270978

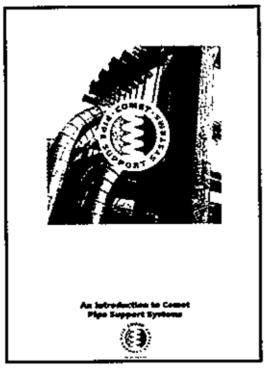
Pipe Supports Limited
Salwarpe Road,
Droitwich, Worcestershire, WR9 9BH
Tel. (01905) 795500 Fax. (01905) 794126











BARRIER AND FENCING DIVISION

Hill & Smith Limited
P.O. Box 4, Canal Street,
Brierley Hill, West Midlands, DY5 1JL
Tel. (01384) 480084 Fax. (01384) 480543

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

W.H. Barker & Son Engineers Limited
Etna Works, Duke Street, Fenton,
Stoke-on-Trent, Staffs., ST4 3NS
Tel. (01782) 319264 Fax. (01782) 599724