

PIPE & TUBE GROUP LIMITED

REPORT AND ACCOUNTS

31 December 1999

Registered number: 456349

REGISTRAR'S COPY

HLB KIDSONS

CHARTERED ACCOUNTANTS

MANCHESTER



PIPE & TUBE GROUP LIMITED

ACCOUNTS

for the year ended 31 December 1999

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PIPE & TUBE GROUP LIMITED**COMPANY INFORMATION****31 December 1999**

Company Number	456349
DIRECTORS	R E Dugard S Storer W H Johnson B Larsson S Wenk A Gerber
SECRETARY	W H Johnson
REGISTERED OFFICE	Crompton Way Bolton BL1 8TY
BANKERS	Barclays Bank plc Manchester City Office P O Box 357 51 Mosley Street Manchester M60 2AU
AUDITORS	HLB Kidsons Chartered Accountants Devonshire House 36 George Street Manchester M1 4HA
SOLICITORS	Cobbetts Ship Canal House King Street Manchester M2 4NB

PIPE & TUBE GROUP LIMITED**DIRECTORS' REPORT****31 December 1999**

The directors present their report and the audited accounts for the year ended 31 December 1999.

Principal activities

The principal activities are the distribution and processing of mechanical and hydraulic precision steel tubes, trading under four separate names: Pipe & Tube Supplies, Lancashire Tube Stockholders, British & General Tubes, and Harbour Tubes.

Business review

The company experienced very difficult trading conditions throughout most of the year with falling volumes and extreme pressure from competitors on selling prices. Costs have been rationalised and the warehouse facility in the Midlands was closed at the end of the year.

Trading levels for the commencement of the current year show a slight improvement over the close of last year. The directors feel that this combined with the cost savings made should give the company a return to profit in the new financial year.

Profit, dividends and appropriations

The results for the year are shown in the profit and loss account on page 5.

A final dividend of 52.5p per share (1998: 55.9p) was paid. Retained losses transferred to reserves are £736,683 (1998 : £167,014).

Fixed Assets

The movements in fixed assets during the year are set out in the notes to the financial statements.

Directors

The directors of the company who served during the year as recorded in the register of directors' interests were as follows:

R E Dugard
S Storer
W H Johnson (appointed 3 February 1999)
B Larsson
F Fischer (retired 30 November 1999)
S Wenk
A Gerber (appointed 30 November 1999)

The directors had no interests in the ordinary shares of the company at 31 December 1999 and at 31 December 1998. Their interests in the shares of the parent company and other group companies are disclosed in the financial statements in that company's accounts.

Charitable and political donations

Payments of a charitable nature made during the year amounted to £536 (1998: £520).

PIPE & TUBE GROUP LIMITED

DIRECTORS' REPORT

31 December 1999

(continued)

Euro

The directors have assessed the impact of the introduction of the Euro on the business and consider that there will not be a significant effect on the company.

Statement of directors' responsibilities

We are required under company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these accounts we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, and give details of any departures;
- prepare the accounts on a going concern basis unless in our view the company will be unable to continue in business;


We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.

Auditors

HLB Kidsons, formerly Kidsons Impey, have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board



W H Johnson
Secretary

Registered Office:

Crompton Way
Bolton
BL1 8TY

8 February 2000

PIPE & TUBE GROUP LIMITED

AUDITORS' REPORT

Auditors' report to the members of Pipe & Tube Group Limited

We have audited the accounts on pages 5 to 17 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, the directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

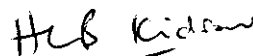
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



HLB Kidsons
Registered Auditors
Chartered Accountants

Devonshire House
36 George Street
Manchester
M1 4HA

8 February 2000

PIPE & TUBE GROUP LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

		1999 £	1998 £
Turnover	Note 2	15,273,558	17,578,526
Cost of sales		(10,182,294)	(11,875,061)
		<hr/>	<hr/>
Gross profit		5,091,264	5,703,465
Administrative expenses		(5,224,495)	(5,137,708)
		<hr/>	<hr/>
Operating (loss) / profit	3	(133,231)	565,757
Interest receivable and similar income	5	2,460	8,501
Interest payable and similar charges	6	(112,341)	(110,686)
		<hr/>	<hr/>
(Loss) / profit on ordinary activities before taxation		(243,112)	463,572
Taxation	7	31,000	(71,300)
		<hr/>	<hr/>
(Loss) profit on ordinary activities after taxation		(212,112)	392,272
Dividends (equity)	8	(524,571)	(559,286)
		<hr/>	<hr/>
Retained (loss) for the year	19	(736,683)	(167,014)
		<hr/>	<hr/>

Other movements in reserves are shown in notes 18 to 19.

PIPE & TUBE GROUP LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1999

	1999 £	1998 £
Retained (loss) for the year after taxation and dividends	(736,683)	(167,014)
Unrealised surplus arising on revaluation of land and buildings	172,315	-
Total recognised (loss) for the year	<u>(564,368)</u>	<u>(167,014)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 1999

	1999 £	1998 £
Reported (loss) / profit on ordinary activities before taxation	(243,112)	463,572
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount.	8,384	8,384
Historical cost (loss) / profit on ordinary activities before taxation	<u>(234,728)</u>	<u>471,956</u>
Historical cost (loss) for the year retained after taxation and dividends	<u>(728,299)</u>	<u>(158,630)</u>

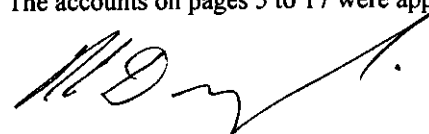
PIPE & TUBE GROUP LIMITED

BALANCE SHEET

at 31 December 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	9	3,813,979	3,233,677
Investments	10	701	701
		<hr/>	<hr/>
		3,814,680	3,234,378
Current assets			
Stocks	11	2,318,183	3,327,419
Debtors	12	3,569,364	3,788,578
Cash at bank and in hand		136,319	3,005
		<hr/>	<hr/>
		6,023,866	7,119,002
Creditors: Amounts falling due within one year	13	(5,624,526)	(7,097,460)
		<hr/>	<hr/>
Net current (liabilities) assets		399,340	21,542
		<hr/>	<hr/>
Total assets less current (liabilities)		4,214,020	3,255,920
Creditors: Amounts falling due after more than one year	14	(1,635,408)	(112,940)
		<hr/>	<hr/>
		2,578,612	3,142,980
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	1,000,000	1,000,000
Revaluation reserve	18	569,247	405,316
Profit and loss account	19	1,009,365	1,737,664
		<hr/>	<hr/>
Total shareholder's funds (equity)	16	2,578,612	3,142,980
		<hr/>	<hr/>

The accounts on pages 5 to 17 were approved by the board of directors on 8 February 2000.



R E Dugard Director

PIPE & TUBE GROUP LIMITED

NOTES ON ACCOUNTS

31 December 1999

1 Principal accounting policies

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards and the historical cost accounting rules except for freehold and leasehold properties which are stated at valuation.

Consolidated accounts

Consolidated accounts for Pipe & Tube Group Limited and its subsidiaries have not been prepared as the company is a wholly owned subsidiary of another company incorporated in Great Britain.

Depreciation

Depreciation of fixed assets is charged by equal annual installments commencing with the year of acquisition at rates estimated to write off their cost or valuation less any residual value over the expected useful lives which are as follows:

Freehold land	Nil
Buildings freehold and long leasehold	2%
Racking	6.5%
Plant, machinery, fixtures, fittings	
tools and equipment	12.5%
Computer equipment	17.5% - 20%
Vehicles:	
Vans and cars	20% - 25%
Lorries	15%

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

Cash flow Statement

The company has not prepared a cash flow statement on the grounds that it is a wholly owned subsidiary of a group company that produces a consolidated cash flow statement.

Stocks

Stocks are valued at the lower of average cost and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

PIPE & TUBE GROUP LIMITED

NOTES ON ACCOUNTS

31 December 1999

(continued)

1 Principal accounting policies (continued)**Foreign currencies**

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities at rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

Defined contribution scheme

The company operates a number of defined contribution schemes. Contributions are charged to the profit and loss accounts as they become payable in accordance with the rules of the schemes.

2 Turnover and segmental analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

All activities are classed as continuing. There were no acquisitions or disposals of operations during the year or previous year.

The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to one activity, the processing and distribution of mechanical and hydraulic precision steel tubes.

The geographical analysis of turnover is as follows:

	1999 £	1998 £
United Kingdom	15,098,629	17,429,330
Other European countries	164,726	47,368
Rest of world	10,203	101,828
	<hr/> 15,273,558 <hr/>	<hr/> 17,578,526 <hr/>

3 Operating profit

	1999 £	1998 £
Operating profit is stated after crediting		
Profit on sale of fixed assets	-	27,257
and after charging:		
Staff costs (note 4)	1,814,354	1,913,921
Auditors' remuneration – audit fees	15,500	17,000
- other services	4,000	3,832
Operating leases		
- Hire of plant and machinery	45,836	60,237
- Other	363,736	340,082
Depreciation of tangible fixed assets - owned	296,367	298,501
- leased	92,109	64,966
Loss on sale of fixed assets	435	-

PIPE & TUBE GROUP LIMITED

NOTES ON ACCOUNTS

31 December 1999
(continued)

4 Directors and employees

	1999 £	1998 £
Staff costs		
Wages and salaries	1,593,087	1,655,569
Social security costs	152,477	167,606
Pension costs	68,790	90,746
	<hr/> 1,814,354 <hr/>	<hr/> 1,913,921 <hr/>
Average number employed	Number	Number
Sales and distribution	65	70
Administration	31	32
	<hr/> 96 <hr/>	<hr/> 102 <hr/>

The directors are employed and paid by the holding company, United Tube Stockholdings Limited.

Pension schemes

From April 1997, the company changed from a defined benefits scheme to a number of moneypurchase schemes. The assets of the defined contribution scheme are held separately from those of the company in independently administered funds.

The Pipe & Tube Group Retirement Benefits Scheme was established for all qualified employees. The scheme is a defined benefits scheme which was funded by contributions from employers and employees which were paid into the fund on the advice of professionally qualified actuaries. An actuarial valuation is currently in progress. Details about the actuarial valuation are disclosed in the parent company accounts.

The pension costs for the year to all the funds amounted to £68,790 (1998:£90,746).

PIPE & TUBE GROUP LIMITED

NOTES ON ACCOUNTS

31 December 1999

(continued)

5 Interest receivable and similar income

	1999 £	1998 £
Bank interest	2,318	7,016
Other interest	142	1,485
	<u>2,460</u>	<u>8,501</u>

6 Interest payable and similar charges

	1999 £	1998 £
Interest on bank overdrafts	8,966	8,596
Inter company loan interest	84,202	83,944
Finance leases and hire purchase contracts	19,173	17,869
Other interest	-	277
	<u>112,341</u>	<u>110,686</u>

7 Taxation

	1999 £	1998 £
Corporation tax on (loss) / profit on ordinary activities at 30.25% (1998: 31%)	(31,000)	71,300

8 Dividends

	1999 £	1998 £
Final paid – 52.5 p per ordinary share (1998: 55.9 p)	524,571	559,286

PIPE & TUBE GROUP LIMITED

NOTES ON ACCOUNTS

31 December 1999

(continued)

9 Tangible fixed assets

	Land and buildings £	Plant, machinery, vehicles, fixtures and fittings £	Computer software under development £	Total £
Cost or valuation				
1 January 1999	1,768,892	3,997,269	-	5,766,161
Additions	8,200	323,053	481,893	813,146
Adjustment arising on revaluation	69,876	-	-	69,876
Disposals	-	(52,721)	-	(52,721)
31 December 1999	1,846,968	4,267,601	481,893	6,596,462
Depreciation				
1 January 1999	69,468	2,463,016	-	2,532,484
Charge for year	32,971	355,505	-	388,476
Adjustment arising on revaluation	(102,439)	-	-	(102,439)
Disposals	-	(36,038)	-	(36,038)
31 December 1999	-	2,782,483	-	2,782,483
Net book amount				
31 December 1999	1,846,968	1,485,118	481,893	3,813,979
31 December 1998	1,699,424	1,534,253	-	3,233,677

The net book amount of plant and machinery, vehicles, fixtures and fittings includes £448,527 (1998: £338,838) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

Included in land and buildings is land valued at £350,000 (1998: £285,000) which is not depreciated.

	1999 £	1998 £
Land and buildings		
Freehold	1,521,968	1,444,067
Long leasehold	325,000	255,357
Net Book Value	1,846,968	1,699,424

Long leaseholds are those leaseholds with more than 50 years unexpired.

Freehold land and buildings were revalued by Matthews and Goodman, Chartered Surveyors, and the leasehold buildings were revalued by Loveitts, Chartered Surveyors, on 31 December 1999. The freehold land and buildings were valued at open market value on the basis of existing use. The leasehold buildings are surplus to requirements and were valued at the current open market value. The surplus arising on revaluation has been taken to revaluation reserve.

PIPE & TUBE GROUP LIMITED

NOTES ON ACCOUNTS

31 December 1999

(continued)

9 Tangible fixed assets (continued)

	1999 £	1998 £
Historical cost information		
Historical cost of revalued land and buildings	1,594,572	1,586,372
Depreciation based on historical cost	(292,499)	(232,220)
Net historical cost	<u>1,302,073</u>	<u>1,354,152</u>
Future Capital Commitments		
Authorised and contracted for	-	11,054

10 Fixed asset investments

	1999 £	1998 £
Shares in subsidiary undertakings at cost		
Lancashire Tube Stockholders Limited	200	200
Pipe & Tube Supplies Limited	500	500
Harbour Tubes Limited	1	1
British & General Tube Company Limited	-	-
31 December 1999	<u>701</u>	<u>701</u>

The company owns 100% of the ordinary shares of the above companies all of which are dormant, incorporated in Great Britain and registered in England and Wales.

11 Stocks

	1999 £	1998 £
Finished goods and goods for resale	<u>2,318,183</u>	<u>3,327,419</u>

The directors are of the opinion that there is no material difference between the value of stocks included in the accounts and the value of stocks at replacement cost.

12 Debtors

Amounts falling due within one year	1999 £	1998 £
Trade debtors	3,256,741	3,520,803
Amounts owed by group undertakings		
Fellow subsidiaries	1,431	-
Prepayments and accrued income	286,676	267,775
Corporation Tax	24,516	-
	<u>3,569,364</u>	<u>3,788,578</u>

PIPE & TUBE GROUP LIMITED

NOTES ON ACCOUNTS

31 December 1999
(continued)

13 Creditors: amounts falling due within one year:

	1999	1998
	£	£
Bank overdrafts	-	549,128
Obligation under finance leases and hire purchase contracts (note 14)	147,063	109,460
Trade creditors	1,626,837	1,885,265
Amounts owed to group undertakings		
Parent company	1,557,416	2,893,662
Ultimate parent company	6,516	816,717
Subsidiaries	700	700
Fellow subsidiaries	1,370,544	61,747
Corporation tax	-	30,991
Taxation and social security	277,579	316,593
Other creditors	13,064	22,815
Accruals and deferred income	624,807	410,382
	<u>5,624,526</u>	<u>7,097,460</u>

The overdraft is secured by fixed and floating charges on the assets of the company, excluding freehold and leasehold property.

14 Creditors: amounts falling due after more than one year

	1999	1998
	£	£
Amount owed to group undertakings		
Parent company loan	1,500,000	-
Finance leases and hire purchase contracts	135,408	112,940
	<u>1,635,408</u>	<u>112,940</u>

The parent company loan is unsecured, interest free and has no fixed date for repayment.

Finance leases and hire purchase contracts

Obligations under finance leases and hire purchase contracts are repayable over varying periods by monthly instalments as follows:

	1999	1998
	£	£
In one year or less (see note 13)	147,063	109,460
Between one and two years	81,740	89,120
Between two and five years	53,668	23,820
	<u>282,471</u>	<u>222,400</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations	147,063	109,460
Non-current obligations	135,408	112,940
	<u>282,471</u>	<u>222,400</u>

PIPE & TUBE GROUP LIMITED

NOTES ON ACCOUNTS

31 December 1999

(continued)

15 Provision for liabilities and charges

	1999 £	Profit and loss account £	Other movements £	1998 £
Deferred taxation	-	-	-	-

15 Provision for liabilities and charges (continued)

Deferred taxation

	1999		1998	
	Potential Liability £	Provision made £	Potential liability £	Provision made £
Corporation tax deferred by:				
Capital allowances	161,000	-	96,183	-
Revaluation reserve	93,000	-	43,000	-
Other	-	-	(3,100)	-
Tax losses	(110,000)	-	-	-
	<u>144,000</u>	<u>-</u>	<u>136,083</u>	<u>-</u>

The potential liability and provision are based on a corporation tax rate of 31 % (1998: 31%).

16 Reconciliation of shareholders' funds

	1999 £	1998 £
(Loss) / profit for the financial year	(212,112)	392,272
Dividends	(524,571)	(559,286)
Adjustment arising on revaluation	172,315	-
Net (subtraction from) shareholders' funds	<u>(564,368)</u>	<u>(167,014)</u>
Opening shareholders' funds	3,142,980	3,309,994
Closing shareholders' funds	<u>2,578,612</u>	<u>3,142,980</u>

17 Called up share capital

	Authorised		Allotted called up and fully paid up	
	1999 Number	1998 Number	1999 Number	1998 Number
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
	£	£	£	£
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

PIPE & TUBE GROUP LIMITED

NOTES ON ACCOUNTS

31 December 1999

(continued)

18 Revaluation reserve

£

1 January 1999	405,316
Depreciation on revaluation surplus - transferred to profit and loss account (note 19)	(8,384)
Adjustment arising on revaluation	172,315
31 December 1999	<u>569,247</u>

19 Profit and loss account

£

1 January 1999	1,737,664
Retained loss for the year	(736,683)
Transfer from revaluation reserve (note 18)	8,384
31 December 1999	<u>1,009,365</u>

20 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 December 2000.

	1999		1998	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring				
Within one year	-	8,164	-	24,207
Within one to five years	26,500	-	26,500	-
After five years	339,701	8,811	321,200	8,811
	<u>366,201</u>	<u>16,975</u>	<u>347,700</u>	<u>33,018</u>

PIPE & TUBE GROUP LIMITED**NOTES ON ACCOUNTS****31 December 1999****(continued)****21 Contingent liabilities**

The companies bankers have provided a duty deferment in favour of Customs and Excise for £20,000.

The company is party to a cross guarantee and debenture between itself, its subsidiary undertakings and the parent company. The guarantee is with the group's bankers, with all monies and liabilities of the company being included.

22 Ultimate parent company

The parent company is United Tube Stockholdings Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent company and ultimate controlling party is Benteler AG, a company incorporated and registered in Germany. Copies of the financial statements of the ultimate parent company can be obtained from Residenzstrasse 1, 33104 Paderborn, Germany.

23 Related parties

The company has taken advantage of the exemptions contained in Financial Reporting Standard No. 8 from disclosing group transactions and balances on the grounds that 100% of the company's voting rights are controlled within the group.

At 31 December 1999, balances were due to Benteler AG, and other group undertakings companies, under common control, which have less than 90% control of the company. The amounts due were £6,516 (1998: £816,717) and £1,370,544 (1998: £61,647) respectively. Also there were amounts due from other group undertakings of £1,431 (1998: Nil)

During the year, Pipe & Tube Group Limited purchased goods from group undertakings to the value of £4,024,293 (1998: £4,652,055).