

**Pipe & Tube Group Limited**

**Directors' report and financial  
statements**

Registered number 456349

Year ended 31 December 2005



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## Company information

<b>Directors</b>	S Storer WH Johnson R Heath U Becker R Hannemann (resigned 20 February 2006) U Kranz
<b>Secretary</b>	WH Johnson
<b>Registered office</b>	Crompton Way Bolton BL1 8TY
<b>Bankers</b>	Natwest PO Box 8044 104-110 Fore Street Upper Edmonton London N18 2YR
<b>Auditors</b>	KPMG LLP Chartered Accountants 2 Cornwall Street Birmingham B3 2DL
<b>Solicitors</b>	Cobbetts Ship Canal House King Street Manchester M2 4MB

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2005.

### Principal activities

The principal activities are the distribution and processing of mechanical and hydraulic precision steel tubes.

### Business review

The directors consider that the state of the company's affairs is satisfactory.

### Profit, dividends and appropriations

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

A dividend of 50p per share (2004: 15p) was paid. Retained profits transferred to reserves are £741,692 (2004: £455,586).

### 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:

S Storer  
WH Johnson  
R Heath  
U Becker  
U Kranz  
R Hannemann (resigned 20 February 2006)

The directors had no interests in the ordinary shares of the company at 31 December 2005 and at 31 December 2004. Their interests in the shares of the parent company and other group companies are disclosed in the financial statements of that company.

According to the register of directors' interests, no rights to subscribe for shares in, or debentures of, the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

### Charitable and political donations

Payments of a charitable nature made during the year amounted to £1,539 (2004: £382).

### Auditors

A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board



WH Johnson  
Secretary

Crompton Way  
Bolton  
BL1 8TY

10 March 2006

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 financial statements, the directors are required to:

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

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

Under applicable law the directors are also responsible for preparing a directors' report that complies with that law.



## KPMG LLP

2 Cornwall Street  
Birmingham  
B3 2DL  
United Kingdom

### **Independent auditors' report to the members of Pipe & Tube Group Limited**

We have audited the financial statements of Pipe & Tube Group Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

#### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*K/ML LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

10 March 2006

**Profit and loss account**  
*for the year ended 31 December 2005*

	<i>Note</i>	2005 £	2004 £
<b>Turnover</b>	2	22,111,879	17,553,332
Cost of sales		<b>(15,000,694)</b>	<b>(11,583,203)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		7,111,185	5,970,129
Administrative expenses		<b>(5,257,345)</b>	<b>(4,961,793)</b>
		<hr/>	<hr/>
<b>Operating profit</b>	3	1,853,840	1,008,336
Interest receivable and similar income	5	611	272
Interest payable and similar charges	6	<b>(67,925)</b>	<b>(132,452)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		1,786,526	876,156
Tax on profit on ordinary activities	7	<b>(544,834)</b>	<b>(270,570)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation and for the financial year</b>		<b>1,241,692</b>	<b>605,586</b>
		<hr/> <hr/>	<hr/> <hr/>

Movements in reserves are shown in notes 18 to 19.

All operations were derived from continuing activities and there were no discontinued operations during the current or preceding year.

There were no recognised gains or losses other than the results for the current and preceding year as reported above.

**Balance sheet**  
*at 31 December 2005*

	<i>Note</i>	2005		2004	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	<i>9</i>		3,058,257		2,933,089
Investments	<i>10</i>		701		701
			<hr/>		<hr/>
			3,058,958		2,933,790
<b>Current assets</b>					
Stocks	<i>11</i>	3,735,591		3,239,078	
Debtors	<i>12</i>	4,715,975		3,674,330	
Cash at bank and in hand		128,896		152,399	
			<hr/>		<hr/>
		8,580,462		7,065,807	
<b>Creditors: amounts falling due within one year</b>	<i>13</i>	(6,954,786)		(6,025,117)	
			<hr/>		<hr/>
<b>Net current assets</b>			1,625,676		1,040,690
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			4,684,634		3,974,480
<b>Creditors: amounts falling due after more than one year</b>	<i>14</i>		(1,520,936)		(1,569,689)
<b>Provisions for liabilities and charges</b>	<i>15</i>		(156,309)		(139,094)
			<hr/>		<hr/>
<b>Net assets</b>			3,007,389		2,265,697
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	<i>17</i>		1,000,000		1,000,000
Revaluation reserve	<i>18</i>		582,819		588,655
Profit and loss account	<i>19</i>		1,424,570		677,042
			<hr/>		<hr/>
<b>Total shareholders' funds</b>	<i>16</i>		3,007,389		2,265,697
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 10 March 2006 and were signed on its behalf by:



S Storer  
 Director

**Note of historical cost profits and losses**  
*for the year ended 31 December 2005*

	2005 £	2004 £
<b>Reported profit on ordinary activities before taxation</b>	<b>1,786,526</b>	876,156
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	5,836	5,836
<b>Historical cost profit on ordinary activities before taxation</b>	<b>1,792,362</b>	881,992
<b>Historical cost profit for the year retained after taxation and dividends</b>	<b>747,528</b>	461,422

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below:

In these financial statements, the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

FRS 21 and FRS 25 have had no material effect on the financial statements.

In addition, FRS 28 "Corresponding amounts" has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

#### *Basis of preparation*

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

#### *Basis of consolidation*

The company is exempt, by virtue of S248 of the Companies Act 1985, from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

#### *Depreciation*

The company has continued to follow the transitional provisions of FRS 15 'Tangible fixed assets' to retain the book value of freehold land and buildings, which were last revalued in 1999.

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

Buildings - Freehold and long leasehold	2%
Racking	6.5% - 10%
Plant and machinery	6.5% - 20%
Computer equipment	20% - 33.3%
Fixtures, fittings tools and equipment	10% - 20%
Vehicles - Cars	20% - 25%
Lorries and trailers	15% - 20%

No depreciation is provided on freehold land.

#### *Investments*

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

#### *Leases and hire purchase contracts*

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

#### *Cash flow statement*

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking of another company, whose consolidated financial statements incorporate the company's own results and are publicly available.

**Notes** (continued)

**1 Accounting policies** (continued)

*Stocks*

Stocks are stated 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.

*Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

*Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

*Pension costs*

*Post-retirement benefits*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

**2 Turnover and segmental analysis**

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

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 analysis of turnover by geographical area is as follows:

	2005	2004
	£	£
United Kingdom	21,552,375	17,207,683
Rest of Europe	533,249	338,965
Rest of world	26,255	6,684
	<hr/>	<hr/>
	22,111,879	17,553,332
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**3 Operating profit**

	2005	2004
	£	£
<i>Operating profit is stated</i>		
<i>after charging/(crediting)</i>		
Staff costs (note 4)	2,099,047	1,924,954
Operating leases:		
Hire of plant and machinery	40,491	29,182
Other	347,127	345,897
Depreciation of tangible fixed assets:		
Owned assets	259,378	241,180
Assets held under finance leases	78,406	113,308
Profit on sale of fixed assets	(8,653)	(6,634)
	<u>          </u>	<u>          </u>
<i>Auditors' remuneration</i>		
Audit	17,500	17,500
Other services – fees receivable by the auditors and their associates	4,400	4,250
	<u>          </u>	<u>          </u>

**4 Directors and employees**

The average number of persons employed by the company (including directors) during the year was as follows:

	Number of employees	
	2005	2004
Sales and distribution	68	66
Administration	15	15
	<u>      </u>	<u>      </u>
	83	81
	<u>          </u>	<u>          </u>

The aggregate payroll cost of these persons during the year was as follows:

	£	£
Wages and salaries	1,826,370	1,678,529
Social security costs	185,748	168,741
Pension costs	86,929	77,684
	<u>          </u>	<u>          </u>
	2,099,047	1,924,954
	<u>          </u>	<u>          </u>

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

**Notes** (continued)

**5 Interest receivable and similar income**

	2005 £	2004 £
Bank interest	611	102
Other interest	-	170
	<u>611</u>	<u>272</u>

**6 Interest payable and similar charges**

	2005 £	2004 £
Interest on bank overdrafts	18,520	13,385
Inter-company loan interest	42,295	74,435
Finance charges payable in respect of finance leases and hire purchase contracts	7,110	43,534
Other interest	-	1,098
	<u>67,925</u>	<u>132,452</u>

**7 Tax on profit on ordinary activities**

	2005		2004	
	£	£	£	£
<i>UK corporation tax</i>				
Current tax on income for the year	522,458		255,650	
Adjustment in respect of prior years	5,161		(4,263)	
	<u>527,619</u>		<u>251,387</u>	
<i>Deferred tax (see note 15)</i>				
Origination/reversal of timing differences	21,715		19,183	
Adjustment in respect of prior years	(4,500)		-	
	<u>17,215</u>		<u>19,183</u>	
Tax on profit on ordinary activities		<u>544,834</u>		<u>270,570</u>

**Notes** (continued)

**7 Tax on profit on ordinary activities** (continued)

**Factors affecting the tax charge for the current year**

The current tax charge for the year is lower (2004: lower) than the standard rate of corporation tax in the UK (30% 2004: 30%). The differences are explained below:

	2005 £	2004 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,786,526	876,156
Current tax at 30% (2004: 30%)	535,958	262,847
<i>Effects of:</i>		
Expenses not deductible for tax purposes	6,464	7,586
Capital allowances for period in excess of depreciation	(21,715)	(16,533)
Depreciation on ineligible	1,751	1,750
Adjustments to tax charge in respect of previous periods	5,161	(4,263)
Total current tax charge (see above)	527,619	251,387

**8 Dividends**

The aggregate amount of dividends comprises:

	2005 £	2004 £
Aggregate amount of dividends paid in the financial year in respect of the current year	500,000	150,000

**9 Tangible fixed assets**

	Freehold land and buildings £	Plant, machinery, fixtures and fittings £	Total £
<i>Cost</i>			
At beginning of year	1,788,779	3,819,676	5,608,455
Additions	-	477,242	477,242
Disposals	-	(202,041)	(202,041)
At end of year	1,788,779	4,094,877	5,883,656
<i>Depreciation</i>			
At beginning of year	153,909	2,521,457	2,675,366
Charge for year	33,634	304,150	337,784
Disposals	-	(187,751)	(187,751)
At end of year	187,543	2,637,856	2,825,399
<i>Net book value</i>			
At 31 December 2005	1,601,236	1,457,021	3,058,257
At 31 December 2004	1,634,870	1,298,219	2,933,089

**Notes** (continued)

**9 Tangible fixed assets** (continued)

Included in the total net book value of plant and machinery, vehicles, fixtures and fittings is £247,268 (2004: £418,945) in respect of assets held under finance leases, the depreciation for which is shown in note 3.

Included in freehold land and buildings is land valued at £350,000 (2004: £350,000) which is not depreciated.

Freehold land and buildings were revalued by Matthews and Goodman, Chartered Surveyors, on an open market value basis for existing use at 31 December 1999.

The following information relates to assets carried forward at revalued amounts which have been retained under the transitional provisions set out in FRS 15 "Tangible fixed assets":

	2005 £	2004 £
<i>Land and buildings</i>		
At 1999 open market value	1,788,779	1,788,779
Aggregate depreciation thereon	(187,542)	(153,909)
Net book value	<u>1,601,237</u>	<u>1,634,870</u>
Historical cost of revalued assets	1,363,646	1,363,646
Aggregate depreciation based on historical cost	(345,228)	(317,431)
Historical cost net book value	<u>1,018,418</u>	<u>1,046,215</u>

**10 Fixed asset investments**

	2005 £	2004 £
<i>Shares in subsidiary undertakings at cost</i>		
Lancashire Tube Stockholders Limited	200	200
Pipe & Tube Supplies Limited	500	500
Harbour Tubes Limited	1	1
British and General Tube Company Limited	-	-
<b>At 31 December 2005</b>	<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**

	2005 £	2004 £
Finished goods and goods for resale	<u>3,735,591</u>	<u>3,239,078</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.

**Notes** (continued)

**12 Debtors**

	2005 £	2004 £
Trade debtors	4,283,541	3,457,307
Prepayments and accrued income	199,997	217,023
Corporation tax	232,437	-
	<u>4,715,975</u>	<u>3,674,330</u>

**13 Creditors: Amounts falling due within one year**

	2005 £	2004 £
Obligations under finance leases and hire purchase contracts (secured)	50,800	137,391
Trade creditors	2,400,602	2,080,009
Amounts owed to group undertakings:		
Parent undertaking	472,568	1,038,069
Ultimate parent undertaking	710,179	-
Subsidiaries	700	700
Fellow subsidiaries	2,556,345	1,992,680
Corporation tax	-	142,328
Taxation and social security	487,606	383,945
Other creditors	90,406	92,242
Accruals and deferred income	185,580	157,753
	<u>6,954,786</u>	<u>6,025,117</u>

Assets held under finance leases and hire purchase contracts are secured by a legal charge over the assets to which they relate.

**14 Creditors: Amounts falling due after more than one year**

	2005 £	2004 £
Amount owed to group undertakings		
Parent company loan	1,500,000	1,500,000
Finance leases and hire purchase contracts (secured – see note 13)	20,936	69,689
	<u>1,520,936</u>	<u>1,569,689</u>

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

**Notes** (continued)

**14 Creditors: Amounts falling due after more than one year** (continued)

**Finance leases and hire purchase contracts**

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

	2005 £	2004 £
Within one year or less (see note 13)	50,800	137,391
Between one year and two years	20,936	51,212
Between two and five years	-	18,477
	<u>71,736</u>	<u>207,080</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations	50,800	137,391
Non-current obligations	20,936	69,689
	<u>71,736</u>	<u>207,080</u>

**15 Provisions for liabilities and charges**

	Deferred tax £
At beginning of year	139,094
Profit and loss account	17,215
<b>At end of year</b>	<b><u>156,309</u></b>

The elements of deferred taxation are as follows:

	2005 £	2004 £
Difference between accumulated depreciation and amortisation and capital allowances	184,809	163,094
Other timing differences	(28,500)	(24,000)
Deferred tax liability	<u>156,309</u>	<u>139,094</u>

**16 Reconciliation of movements in shareholders' funds**

	2005 £	2004 £
Profit for the financial year	1,241,692	605,586
Dividends on shares classified as shareholders' funds (2004: on FRS 4 equity shares)	(500,000)	(150,000)
<b>Net increase in shareholders' funds</b>	<b>741,692</b>	<b>455,586</b>
Opening shareholders' funds	2,265,697	1,810,111
<b>Closing shareholders' funds</b>	<b><u>3,007,389</u></b>	<b><u>2,265,697</u></b>

**Notes** (continued)

**17 Called up share capital**

	2005 £	2004 £
<i>Authorised, allotted, called up and fully paid:</i>		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

**18 Revaluation reserve**

	£
At beginning of year	588,655
Depreciation on revaluation surplus – transferred to profit and loss account (note 19)	(5,836)
<b>At end of year</b>	<u><b>582,819</b></u>

**19 Profit and loss account**

	£
At beginning of year	677,042
Retained profit for the year	741,692
Transfer from revaluation reserve	5,836
<b>At end of year</b>	<u><b>1,424,570</b></u>

**20 Contingent liabilities**

The company's bankers have provided a duty deferment in favour of HM Customs & Excise for £20,000.

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

**21 Commitments**

- (i) There were no capital commitments at 31 December 2005 (2004: £Nil).
- (ii) Annual commitments under non-cancellable operating leases are as follows:

	2005		2004	
	Land and buildings £	Other £	Land and buildings £	Other £
<i>Expiring:</i>				
Within one year	-	-	-	312
Within one to five years	-	41,252	-	26,059
After five years	<u>344,500</u>	<u>12,516</u>	<u>344,500</u>	<u>4,172</u>
	<u><b>344,500</b></u>	<u><b>53,768</b></u>	<u><b>344,500</b></u>	<u><b>30,543</b></u>

**22 Pension scheme**

From April 1997, the company changed from a defined benefit scheme to a number of money purchase schemes and a group personal pension plan. The assets of the defined contribution scheme are held separately from those of the company in independently administered funds.

The pension costs for the year to all the funds amounted to £86,929 (2004: £77,684). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

**Notes** *(continued)*

**23 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.

**24 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.