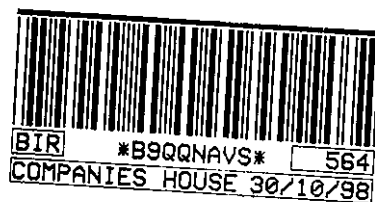


HEH INVESTMENTS LIMITED
(REGISTERED NUMBER 1247237)

DIRECTORS' REPORT AND ACCOUNTS

31 December 1997



HEH INVESTMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The Directors present their annual Report and the audited Accounts for the year ended 31 December 1997.

PRINCIPAL ACTIVITY AND RESULTS

The principal activity of the Company is to hold investments. The results of the Company are disclosed in the Profit and Loss Account.

DIRECTORS AND DIRECTORS' INTERESTS

The following Directors served during the year and up to the date of this report:

RNC Hall
MLW Hughes

Mr MLW Hughes retires by rotation and, being eligible, offers himself for re-appointment.

Neither of the Directors had any beneficial interest in the shares of the Company at any time during the year.

The interests of both Directors in the shares of the ultimate parent company, Hall Engineering (Holdings) PLC, of which they are also Directors, are dealt with in the Directors' Report of that company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each 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 those financial statements, the Directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HEH INVESTMENTS LIMITED

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997
(CONTINUED)**

AUDITORS

The auditors, Price Waterhouse, have expressed their willingness to be re-appointed.

By Order of the Board

A handwritten signature in black ink, appearing to read 'M A Youens', with a horizontal line drawn underneath the signature.

M A Youens
COMPANY SECRETARY

9 March 1998

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF HEH INVESTMENTS LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 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 those 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 mis-statement, 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 the Company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

**PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors**

9 March 1998

HEH INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997	1996
Dividends received		93,735	-
Foreign exchange gain		<u>158,447</u>	<u>630,089</u>
OPERATING PROFIT	2	252,182	630,089
Loss on disposal of investment		<u>(16,605)</u>	<u>-</u>
PROFIT BEFORE INTEREST		235,577	630,089
Interest payable to group company		<u>(120,035)</u>	<u>(100,053)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		115,542	530,036
Tax on profit on ordinary activities	3	<u>11,336</u>	<u>33,017</u>
PROFIT FOR THE FINANCIAL YEAR		126,878	563,053
Balance brought forward		<u>563,053</u>	<u>-</u>
BALANCE CARRIED FORWARD		<u>£689,931</u>	<u>£563,053</u>

The profit for the year has been derived from continuing operations.

The profit for the financial year includes all gains and losses arising in the year (1996 - includes all gains and losses). There is no material difference between the result as disclosed in the Profit and Loss Account and the result on an unmodified historical cost basis.

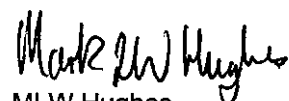
HEH INVESTMENTS LIMITED

BALANCE SHEET - 31 DECEMBER 1997

	Notes	1997	1996
FIXED ASSETS			
Investments	4	3,325,929	3,417,489
CURRENT ASSETS			
Amount due from ultimate parent company		198,046	-
Amounts owed by Group companies		263,652	248,125
Corporation tax recoverable		24,719	33,017
NET CURRENT ASSETS		486,417	281,142
TOTAL ASSETS LESS CURRENT LIABILITIES		3,812,346	3,698,631
CREDITORS (amounts falling due after more than one year)			
Amounts due to Group company		(3,120,915)	(3,134,078)
		£691,431	£564,553
CAPITAL AND RESERVES			
Called-up equity share capital	5	1,500	1,500
Profit and loss account		689,931	563,053
EQUITY SHAREHOLDERS' FUNDS	6	£691,431	£564,553

Approved by the Board on 9 March 1998

Signed on its behalf by



MLW Hughes
DIRECTOR

HEH INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

1 ACCOUNTING POLICIES

(1) Basis of preparation

The Accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

At 31 December 1997 the Company was a wholly owned subsidiary of Hall Engineering (Holdings) PLC, a company incorporated in England and therefore under Section 228 (2) of the Companies Act 1985, is exempt from producing group accounts.

(2) Cash flow statement

As the consolidated Group accounts of Hall Engineering (Holdings) PLC include a Group cash flow statement, in accordance with Financial Reporting Standard 1 (revised) no cash flow statement is included in these Accounts.

(3) Investments

Shares in Group companies are stated at cost less provision for permanent diminution in value.

(4) Foreign currency balances

Transactions denominated in foreign currencies occurring during the course of the year are translated at the rates ruling at the dates of those transactions.

Balances denominated in foreign currencies which are outstanding at the year end are translated at the rates ruling at that date.

Exchange differences arising on translation are taken to the Profit and Loss Account.

2 STAFF COSTS AND DIRECTORS' REMUNERATION

No staff costs or directors' remuneration were paid during the year (1996 - £Nil).

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation credit is based on the profit for the year:

	<u>1997</u>	<u>1996</u>
United Kingdom Corporation Tax at 31.5% (1996 - 33%)	(14,149)	33,017
Double taxation relief	<u>25,485</u>	<u>-</u>
	<u>£11,336</u>	<u>£33,017</u>

HEH INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

4 INVESTMENTS

	<u>Shares in group companies</u>	<u>Shares in associated companies</u>	<u>Other Investments</u>	<u>Total</u>
<u>Cost</u>				
At 1 January 1997	2,077,476	1,058,594	281,419	3,417,489
Group transfer	(101,282)	-	-	(101,282)
Foreign exchange translation difference	-	9,722	-	9,722
At 31 December 1997	£1,976,194	£1,068,316	£281,419	£3,325,929

The above investments, all of which are unlisted, comprise the following:

<u>Name</u>	<u>Holding</u>	<u>Country of Incorporation</u>	<u>Primary business</u>
Group companies			
Hall Holdings (Pty) Limited	100%	South Africa	Steel stockholding and heat treatment
Hall Engineering (Far East) Pte Limited	100%	Singapore	Distribution of wire products
Associated companies			
Williams Industries Inc	22%	Barbados	Steel related products and electrical engineering and contracting services
Other investments			
BRC Al-Burhan (Private) Limited	43%	Pakistan	Reinforcement and related products
BRC Weldmesh (Gulf) WLL	33%	Bahrain	Reinforcement and related products
IRC Steels Ltd	19%	India	Reinforcement and related products

HEH INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

5 CALLED UP EQUITY SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
Authorised, allotted and fully paid: 1,500 Ordinary shares of £1 each	£1,500	£1,500
	<u> </u>	<u> </u>

6 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<u>1997</u>	<u>1996</u>
Profit for the financial year and net addition to equity shareholders' funds	126,878	563,053
Opening equity shareholders' funds	<u>564,553</u>	<u>1,500</u>
Closing equity shareholders' funds	<u>£691,431</u>	<u>£564,553</u>

7 RELATED PARTY TRANSACTIONS

The Company, being a wholly owned subsidiary of Hall Engineering (Holdings) PLC, has taken advantage of the exemptions within Financial Reporting Standard 8 (Related Party Transactions) and not included details in these Accounts of transactions with other Group companies.

8 ULTIMATE PARENT COMPANY

The ultimate parent company is Hall Engineering (Holdings) PLC, a company incorporated in Great Britain. A copy of the Group Accounts can be obtained from that company's registered office at Harlescott Lane, Shrewsbury, SY1 3AS.