

Ash & Lacy Limited

Registered number 47169

Directors' report and Financial Statements
For the year ended 31 December 2006



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Directors' report

The directors present their annual report and Financial Statements for the year ended 31 December 2006

Principal activity and business review

The company is an intermediate holding company. During the year, the Group made a further investment of £26,761,000 in the company's share capital. This reflects the £22,135,000 increased investment in various subsidiaries and replaces intercompany balances included in current liabilities.

Dividends

A dividend of £4,000,000 has been paid during the year (2005 £14,707,000)

Directors and their interests

The directors serving during the year were as follows

D L Grove
C J Burr

None of the directors has any beneficial interest in the shares of the company.

Mr DL Grove and Mr CJ Burr are directors of the ultimate holding company, Hill & Smith Holdings PLC. Both of these directors' interests in the shares and share options of that company are shown in its Financial Statements.

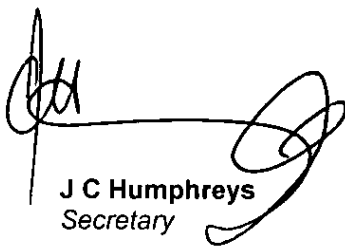
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming annual general meeting.

By order of the Board



J C Humphreys
Secretary

2 Highlands Court
Cranmore Avenue
Shirley
Solihull
West Midlands
B90 4LE

6 March 2007

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 they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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.

Independent auditors' report to the members of Ash & Lacy Limited

We have audited the Financial Statements of Ash & Lacy Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of movements in shareholder's funds 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 auditors' 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

The directors' responsibilities for preparing the Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, 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 2006 and of its profit for the year then ended,
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Financial Statements.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor
2 Cornwall Street
Birmingham
B3 2DL

6 March 2007

Profit and loss account
for the year ended 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Income from shares in group undertakings		3,800	4,407
Profit on ordinary activities before interest and taxation		3,800	4,407
Interest payable and similar charges	3	(3)	(258)
Profit on ordinary activities before taxation		3,797	4,149
Tax on profit on ordinary activities	4	21	77
Profit for the financial year		3,818	4,226

All operations are continuing

There were no recognised gains or losses during the current or preceding year apart from the loss for the financial year shown above

Balance sheet
as at 31 December 2006

	Note	2006 £000	2005 £000
Fixed assets			
Investments	5	63,447	41,312
Current assets			
Debtors	6	1	77
Cash at bank and in hand		1,079	-
		<u>1,080</u>	<u>77</u>
Creditors Amounts falling due within one year	7	(11,507)	(14,928)
Net current liabilities		<u>(10,427)</u>	<u>(14,851)</u>
Total assets less current liabilities		<u>53,020</u>	<u>26,461</u>
Provisions for liabilities and charges	8	-	(20)
Net assets		<u>53,020</u>	<u>26,441</u>
Capital and reserves			
Called up share capital	9	28,598	1,837
Share premium		19,228	19,228
Capital redemption reserve		53	53
Other reserve		3,098	3,098
Profit and loss account	10	2,043	2,225
Equity shareholder's funds		<u>53,020</u>	<u>26,441</u>

These Financial Statements were approved by the board of directors on 6 March 2007 and signed on their behalf by


C J Burr
 Director


D L Grove
 Director

Reconciliation of movements in shareholder's funds
for the year ended 31 December 2006

	2006 £000	2005 £000
Profit for the financial year	3,818	4,226
Dividends	(4,000)	(14,707)
	<hr/>	<hr/>
Retained loss	(182)	(10,481)
Share capital issued during the year	26,761	-
	<hr/>	<hr/>
Net increase/(decrease) in shareholder's funds	26,579	(10,481)
Opening shareholder's funds	26,441	36,922
	<hr/>	<hr/>
Closing shareholder's funds	53,020	26,441
	<hr/>	<hr/>

Notes to the Financial Statements (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 Financial Statements, except as noted below

Basis of accounting

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated Financial Statements

Consolidation

In accordance with Section 228 of the Companies Act 1985, consolidated accounts have not been prepared as the company is a wholly owned subsidiary of Hill & Smith Holdings PLC, a company incorporated in England, which has prepared consolidated Financial Statements to include the results of the company

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, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed at the balance sheet date, except as otherwise required by FRS 19

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the Financial Statements

2 Directors and employees

The company had no employees either this year or last and, as such, in both years, the aggregate payroll costs were £Nil

3 Interest payable and similar charges

	2006 £000	2005 £000
On loans from group undertakings	3	258
	<hr/>	<hr/>

4 Tax on profit on ordinary activities

Analysis of credit in year

	2006 £000	2005 £000
<i>UK corporation tax</i>		
Current tax on loss for the year	(1)	(77)
<i>Deferred tax</i>		
Origination and reversal of timing differences	(20)	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	(21)	(77)
	<hr/>	<hr/>

Notes (continued)

4 Tax on profit on ordinary activities (continued)

Factors affecting tax credit for the year

The effective current tax rate for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below

	2006 £000	2005 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	3,797	4,149
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	1,139	1,245
<i>Effects of</i>		
Non-taxable dividend income	(1,140)	(1,322)
	<hr/>	<hr/>
Current tax credit	(1)	(77)
	<hr/>	<hr/>

5 Fixed asset investments

	Shares in subsidiary undertakings £000
<i>Cost</i>	
At beginning of year	42,075
Additions	22,135
	<hr/>
At end of year	64,210
	<hr/>
<i>Provisions</i>	
At beginning and end of the year	763
	<hr/>
<i>Net book value</i>	
At 31 December 2005	41,312
	<hr/>
At 31 December 2006	63,447
	<hr/>

During the year the Company made further investments in certain of its wholly-owned subsidiaries of £22,135,000 (2005: £Nil). This investment has been reflected through intercompany balances included in current assets and liabilities and serves to show a more accurate representation of the finances of those subsidiaries.

The company owns the whole of all classes of issued share capital and voting rights of three subsidiary undertakings, which are registered in England and Wales.

Subsidiary

Business activities

Ash & Lacy Services Limited
Ash & Lacy Manufacturing Limited
Hawkshead Properties Limited

Holding company
Holding company
Owners and managers of freehold properties

6 Debtors

	2006 £000	2005 £000
Corporation tax	1	77
	<hr/>	<hr/>

Notes (continued)

7 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Bank Overdraft	-	5,150
Amounts owed to group undertakings	11,507	9,778
	<u>11,507</u>	<u>14,928</u>

During the year the Group made a further investment of £26,761,000 in the company's share capital. The company also made further investments in certain of its wholly-owned subsidiaries of £22,135,000. These amounts are reflected through intercompany balances included in current liabilities.

Intercompany loans are unsecured and with no fixed repayment date. Interest is charged at a rate equivalent to the Group's average borrowing rate for the year.

8 Provisions for liabilities and charges

Details of amounts provided for deferred taxation and movements in the year are set out below.

	£000
At beginning of year	20
Profit and loss account	(20)
	<u>-</u>
At end of year	<u>-</u>

	2006 £000	2005 £000
Other timing differences	-	20
	<u>-</u>	<u>20</u>

9 Share capital

	2006 £000	2005 £000
Authorised		
600,000,000 (2005: 50,000,000) Ordinary shares of 5p each	30,000	2,500
	<u>30,000</u>	<u>2,500</u>
Allotted called up and fully paid		
571,958,956 (2005: 36,738,956) Ordinary shares of 5p each	28,598	1,837
	<u>28,598</u>	<u>1,837</u>

10 Profit and loss account

	£000
Balance as at 1 January 2005	2,225
Profit for the financial year	3,818
Dividends	(4,000)
	<u>2,043</u>
Balance as at 31 December 2006	<u>2,043</u>

11 Related party transactions

The company has taken advantage of the exemption available under FRS 8 *Related Party Transactions*.

11 Related party transactions

The company has taken advantage of the exemption available under FRS 8 *Related Party Transactions* not to disclose transactions that have been made between the company and other fellow subsidiaries of Hill & Smith Holdings PLC

12 Ultimate parent company

The company's ultimate parent undertaking is Hill & Smith Holdings PLC, a company registered in England. Copies of the Group Financial Statements may be obtained from Group headquarters

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