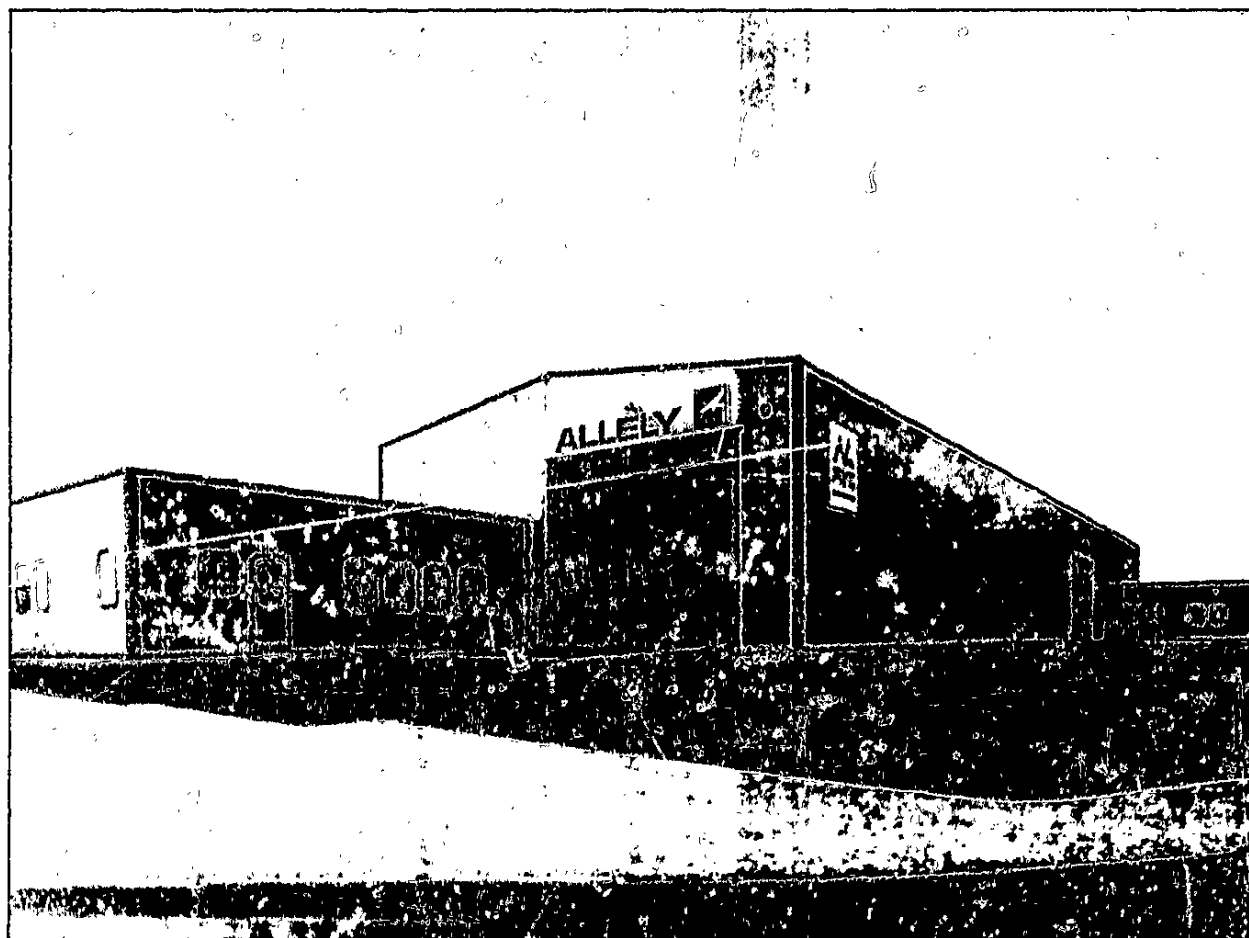
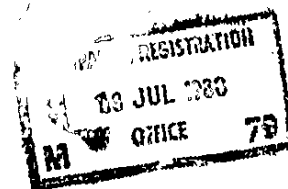


Ash & Lacy plc 1987

Report and Accounts



Contents

The objectives of our company	1
Directors and officers	2
Directors' biographical notes	3
Notice of meeting	4
Report of the directors	5
Statement by the chairman	8
Accounting policies	10
Group profit and loss account	12
Group balance sheet	13
Balance sheet	14
Source and application of funds	15
Notes on the accounts	16
Report of the auditors	23
Seven year financial record	24
Trading members of the group	25

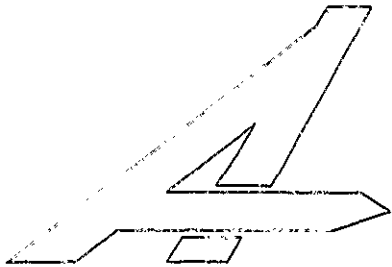
Financial Calendar

Annual general meeting	18th May 1988
Final dividend for 1987	Payable on 27th May 1988 to members on the register at the close of business on 29th April 1988
Interim report for 1988	October 1988
Interim dividend for 1988	Payable in November 1988
Financial year-end for 1988	30th December 1988
Preliminary announcement for 1988	April 1989
Report and accounts for 1988	April 1989

The photograph on the cover shows the new warehouse in Chippenham which has just been opened

It is a steel-framed building clad with composite cladding. The steel frame was galvanized by Joseph Ash. The fabric of the building was supplied by Ash & Lacy Building Products with the Kalfen panels being manufactured by our related company, Huural, and the G.R.P. gutters by Foremost Mouldings. The windows and flashing were supplied by Ash & Lacy Steel Products.

The objectives of our company



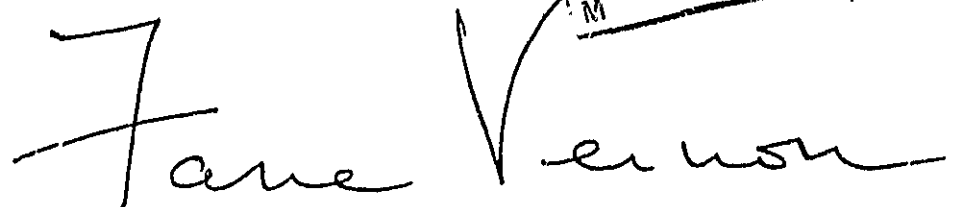
SYMBOL OF COMMITMENT TO SUCCESS

"The prime objective of our company is to earn the maximum possible profits.

High profits help to achieve:

- ★ **Maximum job security for our employees.**
- ★ **Pride and satisfaction in our work and in our company.**
- ★ **Better opportunities for promotion at all levels.**
- ★ **Increasing dividends for our shareholders.**
- ★ **Money for reinvestment.**
- ★ **The confidence of our suppliers and financial backers.**
- ★ **Customer satisfaction and loyalty.**

We seek to achieve all these desirable objectives by making the best use of all our resources and by securing the total commitment of each employee to the success of his or her company or unit."


A rectangular stamp is placed over the signature. The stamp contains the text: "COMPANIES REGISTRATION", "18 JUL 1988", "OFFICE", and "79". There is also a small letter "M" in a circle to the left of the date.

Fane Vernon
Chairman

Directors and officers

Directors

* John Fane Vernon
(Chairman)

David Sword Little Fletcher, RD,
BSc(Eng), CEng, MIMechE
(Managing)

Henry Victor Scaldwell, FCMA
(Deputy managing)

Michael John Leonard Cartwright

* Colin Ivor Cooke

* John Jeremy McKinnell Potter, BA, FCA
John Jeremy Troman, TD

* John Horton Vernon, MA

*Non-executive director

Secretary

Raymond Foxall, FCA
Alma Street, Smethwick, Warley,
West Midlands, B66 2RP

Group Accountant

David Thomas Dee, FCA, ACMA

Auditors

Grant Thornton

Registrars

Price Waterhouse
Livery House, 169 Edmund Street,
Birmingham, B3 2JB

Solicitors

Shakespeare Duggan Lea & Co

Bankers

Lloyds Bank Plc
The Royal Bank of Scotland plc

Stockbrokers

Phillips & Drew, London
Albert E Sharp & Co, Birmingham

Directors' biographical notes

J F Vernon

Born Dublin 16th January 1924

Joined Ash & Lacy in 1951. Appointed director 1954.

Group managing director 1958. Chairman and group managing director 1970. Non-executive chairman 1980. Chairman British Dredging plc., chairman Brooke Tool Engineering (Holdings) plc.

D S L Fletcher

Born Winnipeg 14th February 1933

Chartered engineer.

Joined Ash & Lacy in 1966. Appointed director 1970. Group managing director 1980.

H V Scaldwell

Born Birmingham 2nd February 1931

Management accountant.

Joined Ash & Lacy in 1962. Appointed director 1980.

Deputy group managing director 1986.

Managing director of Joseph Ash & Son Ltd., and director in charge of all galvanizing and tank-making activities.

M J L Cartwright

Born West Bromwich 6th December 1934

Joined Ash & Lacy in 1965. Appointed director in 1986.

Managing director of Ash & Lacy Building Products Ltd.

C I Cooke

Born Coventry 17th December 1939

Qualified metallurgist. Director of Magnetic Materials Group Plc., Board member of the Welsh Development Agency. Has a variety of industrial and commercial interests in electrical distribution and steel.

Appointed non-executive director 1987.

J J McK. Potter

Born Cobham, Surrey 3rd February 1937

Chartered accountant.

Formerly assistant director with J Henry Schroder Wagg & Co. Ltd. Presently executive director of The Law Debenture Corporation p.l.c.

Associated professionally with Ash & Lacy since 1971.

Appointed non-executive director 1977.

J J Troman

Born Blackheath, West Midlands 31st May 1934

Joined Ash & Lacy in 1965. Appointed director in 1986. Managing director of W & S Allely Ltd.

J H Vernon

Born Birmingham 17th September 1937

Solicitor - Partner Shakespeare Duggan Lea & Co.

Associated in his professional capacity with Ash & Lacy since 1963. Appointed non-executive director 1976.

Notice of meeting

NOTICE IS HEREBY GIVEN that the ninety-third annual general meeting of the members will be held at the Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, on Wednesday, 18th May 1988 at 12.00 noon for the following purposes:

- 1 To receive the report of the directors and statement of accounts for the year 1987 (52 weeks ended 1st January 1988).
- 2 To declare a final dividend.
- 3 To re-elect Mr J J McK Potter a director.
- 4 To re-elect Mr C I Cooke a director.
- 5 To re-appoint Grant Thornton as auditors pursuant to section 384(1) of the Companies Act 1985.
- 6 To authorise the directors to fix the remuneration of the auditors.
- 7-9 As special business to consider and, if thought fit, pass the special resolutions set out in the Notice of Special Business enclosed herewith.

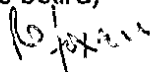
Any member of the company entitled to attend and vote may appoint one or more proxies to attend and on a poll vote instead of him, for which purpose a form of proxy is enclosed. The form of proxy must, in order to be effective, be received at the registered office of the company not less than 48 hours before the time fixed for the meeting. A proxy need not be a member.

Warrants in respect of the final dividend will be posted on 27th May 1988 to members registered on 29th April 1988.

Copies of the directors' contracts of service are available for inspection during normal business hours at the registered office from 22nd April 1988 until 18th May 1988 and at the Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, on 18th May 1988 from 11.45 a.m. until the conclusion of the annual general meeting.

By order of the board,

R FOXALL,
Secretary.



Alma Street,
Smethwick,
Warley,
West Midlands, B66 2RP
Reg. No. 47169 England
22nd April 1988

Report of the directors

The directors present their report and statement of accounts for 1987

Trading results

The group profit for the year before taxation amounted to £4.089 million (1986 £3.255 million) which after taxation amounted to £2.764 million (1986 £1.970 million) applied as follows:

	1987 £000	1986 £000
Interim dividend 1987 of 12.0p per share (1986 —11.0p)	506	464
Final dividend 1987 of 18.0p per share (1986 —13.0p)	759	548
Profit retained	1499	958
	<u>2,764</u>	<u>1,970</u>

Dividends

The directors recommend a final dividend of 18p per share payable on 27th May 1988 which, with the interim dividend of 12p per share paid on 6th November 1987, makes a total distribution for the year of 30p per share.

Principal activities

Manufacturers of perforated metal and expanded metal, curtain walling and metal cladding systems; tanks; galvanizers; stockholders of non-ferrous metals and stainless steel.

Review of activities

A review of activities is set out in the chairman's statement on page 8.

Share capital

During the year 3,004 fully paid ordinary shares were issued under the Ash & Lacy Save As You Earn Share Option Scheme for a consideration of £9,373.

Three resolutions are included in the notice of the annual general meeting to be submitted as special business. The texts and explanations of these are given in the chairman's letter dated 22nd April 1988 enclosed with this report.

Fixed assets

The investment in properties and plant during the year amounted to £2,744,000.

Directors

The directors in office during and at the end of the financial year together with their interests and those of their families (as defined in the Companies Act 1985) in the shares of the company are set out below. Mr C I Cooke was appointed to the board on 1st September 1987.

1 Fully paid ordinary shares of 25p each

	1st January 1988		2nd January 1987 or date of appointment	
	Beneficial	Non- beneficial	Beneficial	Non- beneficial
J F Vernon	82,597	—	82,597	—
D S L Fletcher	27,041	—	27,041	—
M J L Cartwright	1,426	—	1,028	—
C I Cooke	2,500	—	—	—
J J McK Potter	100	400	100	400
H V Scaldwell	6,036	—	6,036	—
J J Troman	5,709	—	5,709	—
J H Vernon	500	—	500	—

- 2 Options to purchase fully paid ordinary shares of 25p each.
The following options to purchase fully paid ordinary shares of 25p have been granted pursuant to the Ash & Lacy 1985 Executive Share Option Scheme, the Ash & Lacy 1985 Savings Related Share Option Scheme and the Ash & Lacy Save As You Earn Share Option Scheme.

Executive share option scheme

	1st January 1988		2nd January 1987	
	No. of shares	Price per share	No. of shares	Price per share
D S L Fletcher	6,400	360.0p	6,400	360.0p
H V Scaldwell	6,400	360.0p	6,400	360.0p
M J L Cartwright	4,800	360.0p	4,800	360.0p
	1,600	415.0p	1,600	415.0p
J J Troman	4,800	360.0p	4,800	360.0p
	1,600	415.0p	1,600	415.0p
Savings related share option scheme				
D S L Fletcher	2,283	324.0p	2,283	324.0p
Save as you earn share option scheme				
D S L Fletcher	251	477.0p	251	477.0p
M J L Cartwright	—	—	398	301.5p
J J Troman	276	433.8p	276	433.8p

No changes in the directors' interests have occurred between 1st January 1988 and 25th March 1988.

The director retiring by rotation is Mr J J McK Potter who, being eligible, offers himself for re-election.

In accordance with the Articles of Association, Mr C I Cooke who was appointed to the board on 1st September 1987 retires from office at the annual general meeting and being eligible offers himself for re-election. Neither Mr C I Cooke or Mr J J McK Potter have service contracts.

During the year none of the directors had any interest in any contract in relation to the group's activities.

Substantial shareholdings

In accordance with section 198 of the Companies Act 1985 notice has been received that the following had an interest in 5% or more of the company's fully paid issued share capital which has full voting rights.

	25th March 1988
Britannic Assurance Public Limited Company	11.6%
Wesleyan & General Assurance Society	7.6%
Imperial Group Pension Trust Limited and another	7.3%
The Sea Insurance Company Limited	6.9%
Prudential Assurance Company Limited	5.3%

Charitable and political donations

During the year the group donated £1,500 to charity and contributed £4,000 to the Conservative Party.

Pensions

In the last few years the benefits of the pension schemes have been improved specifically with regard to life cover, part time employees and early retirement of women employees.

At the recent three-yearly actuarial valuation the pension fund was in surplus. Part of this surplus will be used to increase pensions already in payment and to increase the prospective pensions for the years served to date for those members of the pension schemes who are still in our employment. The rest of the surplus is being used in lieu of contributions from the company to the pension schemes in 1988, 1989 and 1990.

Employee involvement

We believe in promoting the full involvement and understanding of all our employees in the success of the business. This is a fundamental part of achieving "pride and satisfaction in our work and in our company" which is one of the stated objectives of our company shown on page 1.

The Ash & Lacy group is decentralised. This means that each company in the group is given as much freedom as possible to respond to trading conditions in the market in which it operates and to generate profits. Decentralisation also means that employees can closely identify with their own company's contribution to group profits.

Companies in the Ash & Lacy group vary in size and organisation and their arrangements for involving employees vary accordingly. For example, companies which employ a small number of people have largely informal arrangements whereas those with more employees tend to back up informal arrangements with briefing sessions or meetings. Additionally all companies in the group operate bonus schemes which are related to the performance of the company and which are aimed at increasing employee awareness of performance and, at the same time, creating a greater sense of involvement.

Copies of the annual report and accounts and the interim report are sent to all employees at their homes.

Fifty-eight of our employees are shareholders and a further one hundred and thirty-three employees are among the participants in the Ash & Lacy employee share option schemes which were approved by the shareholders in 1978 and 1985.

Employment of disabled persons

It is the policy of the company that candidates for positions are selected and appointed on the basis of their suitability for the job concerned. Applications from suitable disabled persons receive the same consideration as applications from anyone else. This policy also applies to promotions.

It is also the policy of the company that disabled employees are fully included in any training programme so that their prospects may be enhanced. Furthermore every effort is made to continue the employment of those who have the misfortune to become disabled and, where necessary, retraining is arranged.

The above policy applied throughout 1987 and is still in force.

Close companies

The provisions of the Income and Corporation Taxes Act 1970 relating to close companies do not apply to the company.

Capital gains tax

For capital gains tax purposes the price of the company's ordinary shares of 25p each at 31st March 1982 is 290p.

Auditors

Grant Thornton have indicated their willingness to continue in office and a resolution for their re-appointment under section 384(1) of the Companies Act 1985 will be proposed at the annual general meeting.

By order of the board,
R FOXALL, Secretary.
7th April 1988

Statement by the chairman

RESULTS FOR 1987

I am pleased to report that 1987 has been a year of strong growth for the Ash & Lacy group. Turnover is up 20% to £40 million (1986 — £33 million). Pre-tax profit is up 25.6% to £4,089 million (1986 — £3,255 million). Earnings per share are up 40% to 65.6 pence (1986 — 46.8 pence).

DIVIDENDS

Your directors are pleased to recommend a final dividend of 18pence per share making a total for the year of 30 pence per share compared with 24 pence per share in the previous year. This represents an increase of 25% with a dividend cover of 2.18 times.

BALANCE SHEET

The costs of our seven acquisitions and subsequent investment in them during the year amounted to £1.5 million. After absorbing these costs, the increased dividend proposed and increased working capital requirements, we still have substantial cash resources of £3 million available for investment.

TRADING MEMBERS OF THE GROUP

Joseph Ash & Son Limited

Joseph Ash improved its performance, turning in increased profits from the principal plants at Birmingham, Telford and London. At the same time the management has laid the ground for further expansion this year by the acquisition of Lamben Galvanizing in Mitcham, London, Plymouth Galvanizing and Bridgend Galvanizing.

Western Galvanizers, which became a wholly-owned subsidiary from the beginning of the year, returned a good profit.

In order to deal with the increasing requirement for its services as installers of the tanks which it manufactures, Joseph Ash formed a new division — Ash Mechanical Services — which is proving to be a useful addition to Joseph Ash's tank-making operations.

Ash & Lacy Perforators Limited

Ash & Lacy Perforators continues to perform well with a substantial increase in sales and profit. More new plant was purchased during the year (£0.7 million) and further plant is on order for delivery in 1988 (£0.8 million) to meet the developing market requirements for perforated metal, expanded metal and welded mesh products. Current trading remains buoyant.

Ash & Lacy Building Products Limited

This company has been formed in order to integrate and control all our operations concerned with building products and services. These now comprise the previous core business of Ash & Lacy Steel Products at West Bromwich, Ash & Lacy Steel Products (Scotland) and Foremost Moulding, together with the new acquisitions made during 1987 — Prince Cladding, Prince Construction and Bell Contract Installations. This means that our clients will be able to obtain specialist building products from each company and will also be able to obtain the total building fabric from Ash & Lacy Building Products.

During 1987 a great deal of work has been done in securing these acquisitions and integrating them into the building products company. This should stand us in good stead during 1988 and in the future.

Huurral Limited, of which we have a 50% share, was formally opened by Professor Heinz Wolff in the presence of the Finnish Ambassador to Great Britain. The company is now beginning to penetrate the market and has secured a number of worthwhile contracts.

W. & S. Allely Limited

W & S Allely had an excellent year, achieving a considerable increase in tonnage throughput and also benefiting from a rise in metal prices.

A new warehouse at Chippenham which opened on 1st March this year, is pictured on the front cover.

PENSIONS

The surplus in the pension fund is referred to in both the directors' report and in the notes to the accounts. This surplus will enable us to improve present and future pensions and reduce future company contributions.

DIRECTORATE

Mr. Colin Cooke accepted an invitation to join the board on 1st September 1987. He brings to the group the benefit of his wide experience in industry.

PERSONNEL

Shareholders' thanks are due to all our employees who have made possible the results which have been achieved.

OUTLOOK

1987 has been an outstanding year showing what our growing group of companies is capable of achieving. I am confident that, with continuing strong demand for our products, Ash & Lacy will make further steady progress. Trading activity in the first three months of 1988 has been good.

A handwritten signature in cursive script that reads "Jane Vernon". The signature is written in dark ink on a white background.

7th April 1988

Chairman

The following are the main accounting policies of the group, which are consistent with those applied last year.

(a) Historical cost convention

The accounts are prepared under the historical cost convention as modified by the revaluation of certain properties.

(b) Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiaries, all of which are made up to 1st January 1988. The results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal respectively.

(c) Related company

A related company is defined as a company not being a subsidiary in which the group has a substantial and long term interest and over whose financial and operating policy decisions the group is in a position to exercise significant influence.

The group's share of the results of the related company is included in the group's profit and loss account.

The group's balance sheet includes the investment in the related company at the group's share of net assets and the premium paid less any discount on the acquisition of the interest in so far as it had not been written off or amortised.

The company's balance sheet shows the investment in the related company at cost less amounts written off.

(d) Turnover

The turnover figure is the total amount receivable (excluding VAT) by the group in the ordinary course of business for goods supplied as a principal and for services provided and in the case of long-term contracts, the value of work done during the year, excluding transactions between group members of £839,000 (1986 £549,000).

(e) Stock and work in progress

The valuation is at cost or net realisable value whichever is lower. Cost is represented by cost of materials and direct labour together with overheads related to production. Net realisable value is the actual or estimated selling price less all further costs to complete and less selling and distribution expenses.

Long-term contract work in progress is stated at cost plus attributable profits, less any foreseeable losses and progress payments received and receivable. Attributable profit is that part of the total profit currently estimated to arise over the duration of each contract which fairly reflects the profit attributable to the work performed by the balance sheet date. A foreseeable loss is that which is currently estimated to arise over the duration of any contract, irrespective of the amount of work carried out at the balance sheet date.

(f) Depreciation

Depreciation is calculated to write down the cost or valuation of fixed assets by equal annual instalments over their estimated useful lives.

The periods generally applicable are:

Freehold buildings	20 to 50 years
Leasehold buildings	6 years
Plant, machinery and equipment	4 to 7 years
Motor vehicles	3 years

Freehold land is not depreciated.

(g) Deferred taxation

Deferred tax is the tax attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the accounts.

Deferred tax is provided to the extent that it is probable that a liability will crystallise and not provided to the extent that it is probable that a liability will not crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Deferred tax is calculated at the rate at which it is estimated that the tax will be paid when the timing differences reverse.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that it is foreseen that sufficient corporation tax will be assessed in the succeeding period to allow offset.

(h) Investment properties

In accordance with Statement of Standard Accounting Practice No. 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. Depreciation is not provided in respect of investment properties. The directors consider that this policy is necessary to provide a true and fair view.

(i) Pensions

The group operates pension schemes for the benefit of its employees. The funds of the schemes are administered by trustees, are separate from the group, and independent actuaries complete valuations every 3 years. In accordance with their recommendations contributions may be adjusted so as to secure the benefits set out in the rules and the augmentation of current pensions from time to time. The cost of these is charged against profits when the contributions are made. When the contributions are not sufficient the capital cost of such augmentation is charged against the profits of the group for the year in which the increases are granted.

(j) Goodwill

Purchased goodwill and goodwill arising on acquisition are written off to reserves in the year of acquisition.

(k) Leased assets

All leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

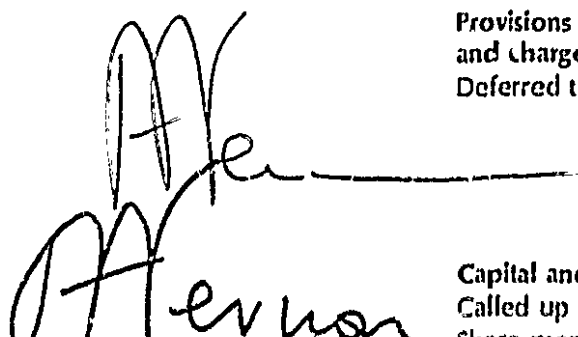
Year ended 31 January 1988

**Group profit
and loss account
for the 52 weeks ended
1st January 1988**

	Notes	1987 £000	1986 £000
Turnover	1	40,005	33,326
Cost of sales		30,358	25,452
Gross profit		9,647	7,874
Distribution costs		2,843	2 696
Administrative expenses		3,124	2,312
Operating profit	1 & 2	3,680	2,866
Share of loss of related company		(136)	(66)
Other income less interest payable	3	545	455
Profit on ordinary activities before taxation		4,089	3,255
Tax on profit on ordinary activities	5	1,325	1,285
Profit on ordinary activities after taxation	6	2,764	1,970
Dividends	7	1,265	1,012
Retained profit transferred to reserves	19	1,499	958
Earnings per share	8	65.6p	46.8p

Group balance sheet
at 1st January 1988

	Notes	£000	1987 £000	£000	1986 £000
Fixed assets					
Tangible assets:	9				
Investment properties			750		750
Freehold properties			5,636		4,975
Leasehold property			24		—
Plant, machinery and equipment			2,814		2,796
Motor vehicles			497		354
Assets in course of construction and payments on account			508		36
			<u>10,229</u>		<u>8,911</u>
Investment in related company	11		148		284
			<u>10,377</u>		<u>9,195</u>
Current assets					
Stocks	12	6,883		4,843	
Debtors	13	10,133		7,800	
Short term government securities		600		—	
Short term deposits		3,005		5,003	
Bank balance		205		—	
			<u>20,826</u>	<u>17,646</u>	
Creditors—amounts falling due within one year	14	10,064		6,400	
Net current assets			<u>10,762</u>		<u>11,246</u>
Total assets less current liabilities			<u>21,139</u>		<u>20,441</u>
Creditors—amounts falling due after more than one year	15	1,894		1,516	
Provisions for liabilities and charges					
Deferred taxation	17	313		552	
			<u>2,207</u>	<u>—</u>	<u>2,068</u>
			<u>18,932</u>		<u>18,373</u>
Capital and reserves					
Called up share capital	18		1,054		1,054
Share premium account	19		737		728
Revaluation reserve	19		1,262		1,315
Other non-distributable reserves	19		227		227
Profit and loss account	19		15,652		15,049
			<u>18,932</u>		<u>18,373</u>


J F Vernon Director



D S L Fletcher Director

Approved by the board
7th April 1988

Balance sheet

30.04.1988

	Notes	£000	1987 £000	£000	1986 £000
Fixed assets					
Tangible assets:	9				
Investment properties			750		750
Freehold properties			5,446		4,975
Plant, machinery and equipment			1,564		1,648
Motor vehicles			204		190
Assets in course of construction and payments on account			508		36
			<u>8,472</u>		<u>7,599</u>
Investments	10		(477)		539
Investment in related company	11		350		350
			<u>8,345</u>		<u>8,488</u>
Current assets					
Stocks	12	2,452		2,266	
Debtors	13	4,337		3,639	
Short term government securities		600		—	
Short term deposits		3,001		5,001	
		<u>10,390</u>		<u>10,906</u>	
Creditors—amounts falling due within one year	14	4,676		5,677	
Net current assets			<u>5,714</u>		<u>5,229</u>
Total assets less current liabilities			<u>14,059</u>		<u>13,717</u>
Creditors—amounts falling due after more than one year	15	1,038		629	
Provisions for liabilities and charges					
Deferred taxation	17	128		332	
			<u>1,166</u>		<u>961</u>
			<u>12,893</u>		<u>12,756</u>
Capital and reserves					
Called up share capital	18		1,054		1,054
Share premium account	19		737		728
Revaluation reserve	19		1,133		1,186
Other non-distributable reserves	19		3		3
Profit and loss account	19		9,966		9,785
			<u>12,893</u>		<u>12,756</u>

Ale
J F Vernon
J F Vernon Director

D.S.L. Fletcher

D S L Fletcher Director

Approved by the board
7th April 1988

D.S.L. Fletcher

Source and
application
of funds
for the year ended
31 December 1986

	1987	1986
	£000	£000
Source of funds		
Profit on ordinary activities before taxation	4,089	3,255
Add: Related company loss	136	66
	<u>4,225</u>	<u>3,321</u>
Depreciation	1,368	1,462
Total generated from operations	<u>5,593</u>	<u>4,783</u>
Funds from other sources		
Disposals of tangible fixed assets	58	40
Shares issued (note 18)	9	8
	<u>5,660</u>	<u>4,831</u>
Application of funds		
Dividends paid	1,054	896
Tax paid	1,531	853
Purchase of tangible fixed assets	2,744	839
Purchase of goodwill	163	—
Goodwill arising on acquisition of subsidiaries	786	—
Investment in related company	—	350
Purchase of loan stock in subsidiary	—	200
Repayment of loan capital	—	100
	<u>6,278</u>	<u>3,238</u>
Net (decrease)/increase in working capital detailed below	<u>(618)</u>	<u>1,593</u>
(Decreases)/increases in working capital		
Stocks	2,040	(1,363)
Debtors	2,333	128
Creditors—amounts falling due within one year	(3,175)	938
—amounts falling due after more than one year	(345)	(68)
	<u>853</u>	<u>(365)</u>
Movement in net borrowings and liquid funds:		
Purchase of short term government securities	600	—
(Decrease)/increase in short term deposits (after adjusting for bank borrowings)	(2,071)	1,958
	<u>(618)</u>	<u>1,593</u>
Acquisition of Subsidiaries	£000	£000
Fixed assets	355	1,508
Stocks	288	522
Debtors	733	24
Goodwill arising on acquisition of subsidiaries	786	108
	<u>2,162</u>	<u>2,162</u>

Notes on the accounts

1 Turnover and contribution to group operating profit

	1987		1986	
	Turnover	Operating Profit	Turnover	Operating Profit
	£000	£000	£000	£000
Manufacturing	32,047	2,945	26,479	2,494
Distributing	7,958	735	6,847	372
	<u>40,005</u>	<u>3,680</u>	<u>33,326</u>	<u>2,866</u>

2 Operating profit

	1987	1986
	£000	£000
Operating profit is stated after charging:		
Depreciation	1,368	1,462
Operating lease rentals	154	235
Plant hire	101	42
Auditors' remuneration	61	43

3 Other income less interest payable

	1987	1986
	£000	£000
Income receivable from listed investments	33	12
Interest receivable	516	379
Rent receivable	125	129
	<u>674</u>	<u>520</u>
Less Interest payable		
Bank loan and overdrafts repayable within five years		
—by instalments	—	4
—otherwise than by instalments	102	34
Debenture stock repayable after five years	27	65
	<u>129</u>	<u>65</u>
	<u>545</u>	<u>455</u>

4 Directors and employees

	1987	1986
	£000	£000
Employee costs during the year:		
Wages and salaries	7,174	6,092
Social security costs	703	605
Pension costs	118	105
	<u>7,995</u>	<u>6,802</u>

The average number of employees of the group during the year was 756 (1986: 696). Employee costs include remuneration and pension contributions in respect of directors as follows:

	1987	1986
	£	£
Fees	31,356	27,590
Remuneration	203,426	171,048
	<u>234,782</u>	<u>198,638</u>

The directors' emoluments excluding pension contributions were:

The chairman	14,724	14,020
The highest paid director	57,273	54,219

The emoluments of other directors were in the following ranges

	No.	No.
Nil to £5,000	1	—
£ 5,001 to £10,000	2	2
£25,001 to £30,000	—	2
£35,001 to £40,000	2	—
£45,001 to £50,000	—	1
£50,001 to £55,000	1	—

5 Tax on profit on ordinary activities	1987 £000	1986 £000
The taxation charge based on profit for the year is made up as follows:		
United Kingdom corporation tax at 35.0 % (1986: 36.25 %)	1,493	1,447
Deferred taxation	(189)	(156)
	<u>1,304</u>	<u>1,291</u>
Adjustments for previous year	21	(6)
	<u>1,325</u>	<u>1,285</u>

6 Profit for the year

As provided by section 228(7) of the Companies Act 1985 only the group profit and loss account is published herein.
The group profit for the year includes £1,393,000 (1986: £1,046,000) which is dealt with in the accounts of the parent company.

7 Dividends	1987 £000	1986 £000
Interim 1987 paid 6th November 1987		
12.0p per share (1986 — 11.0p)	506	464
Proposed final 1987 — 18.0p per share (1986 — 13.0p)	759	548
	<u>1,265</u>	<u>1,012</u>

8 Earnings per share

The calculation of earnings per share is based on earnings of £2,764,000 (1986: £1,970,000) and on 4,215,630 fully paid ordinary shares being the weighted average of the fully paid ordinary shares ranking for dividend in issue during the year (1986: 4,212,940).

The dilution effect of the employee share option schemes is not material.

9 Tangible fixed assets

Group	Investment properties	Freehold properties	Leasehold property	Plant, machinery and equipment	Motor vehicles	Assets in course of construction and payments on account £000
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 2nd January 1987	750	4,975	—	8,622	1,478	36
Additions	—	683	5	790	403	508
Disposals	—	(27)	—	(234)	(298)	—
On acquisition	—	201	24	240	75	—
Reclassifications	—	—	—	25	11	(36)
At 1st January 1988	750	5,832	29	9,443	1,669	508
Depreciation						
At 2nd January 1987	—	—	—	5,826	1,124	—
Provided in the year	—	182	1	911	274	—
Disposals	—	—	—	(227)	(274)	—
On acquisition	—	14	4	119	48	—
At 1st January 1988	—	196	5	6,629	1,172	—
Net book amount:						
At 1st January 1988	750	5,636	24	2,814	497	508
At 2nd January 1987	750	4,975	—	2,796	354	36

Cost or valuation at
1st January 1988

is represented by:

Valuation in 1986

Valuation in 1987

Cost

—	4,975	—	—	—	—
750	—	—	—	—	—
—	857	29	9,443	1,669	508

The gross amount of land and buildings on which depreciation is being provided is £4,873,000 (1986: £4,070,000).

Company

Cost or valuation					
At 2nd January 1987	750	4,975	—	5,143	551
Additions	—	659	—	444	138
Disposals	—	(27)	—	(6)	(66)
Intra group	—	—	—	—	(11)
Reclassifications	—	—	—	25	11
At 1st January 1988	750	5,607	—	5,606	623
Depreciation					
At 2nd January 1987	—	—	—	3,495	361
Provided in the year	—	162	—	551	130
Disposals	—	(1)	—	(4)	(66)
Intra group	—	—	—	—	(6)
At 1st January 1988	—	161	—	4,042	419
Net book amount:					
At 1st January 1988	750	5,446	—	1,564	204
At 2nd January 1987	750	4,975	—	1,648	190
Cost or valuation at 1st January 1988					
is represented by:					
Valuation in 1986	—	4,975	—	—	—
Valuation in 1987	750	—	—	—	—
Cost	—	632	—	5,606	623
					508

The gross amount of land and buildings on which depreciation is being provided is £4,648,000 (1986: £4,070,000).

Group and Company

If the investment and freehold properties had not been revalued, they would have been included on the historical cost basis at the following amounts:

	Group £000	Company £000
Cost	6,532	6,307
Accumulated depreciation	<u>699</u>	<u>664</u>
Net book amount At 1st January 1988	<u>5,833</u>	<u>5,643</u>
Net book amount At 2nd January 1987	<u>5,092</u>	<u>5,092</u>

The investment properties are stated at the directors' estimate of their open market values at 1st January 1988.

10 Fixed asset investments

	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Shares in subsidiaries at cost, less amounts written off	—	—	1,279	1,479
Advances to subsidiaries	—	—	2,070	1,399
Loan stock in subsidiary	—	—	1,025	1,025
	<u>—</u>	<u>—</u>	<u>4,374</u>	<u>3,903</u>
Advances from subsidiaries	—	—	4,851	3,364
	<u>—</u>	<u>—</u>	<u>(477)</u>	<u>539</u>

11 Investment in related company

	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Shares and loan stock in related company at cost	350	350	350	350
Less: Share or loss of related company	202	66	—	—
	<u>148</u>	<u>284</u>	<u>350</u>	<u>350</u>

12 Stocks

	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Raw material and merchandise	5,064	3,694	1,307	1,287
Long term contract work in progress	485	—	—	—
Other work in progress	148	129	93	77
Finished goods	1,186	1,020	1,052	902
	<u>6,883</u>	<u>4,843</u>	<u>2,452</u>	<u>2,266</u>

Long term contract work in progress is stated after deducting progress payments received and receivable amounting to £3,451,000.

There were no significant differences between the replacement cost and the balance sheet value of stocks.

13 Debtors

	Group		Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	9,544	7,362	3,978	3,268
Amounts due from group companies	—	—	38	—
Other debtors	165	19	5	32
Prepayments and accrued income	424	419	316	339
	<u>10,133</u>	<u>7,800</u>	<u>4,337</u>	<u>3,639</u>

14 Creditors—amounts falling due within one year

	Group		Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
8% Debenture stock 1987/92	8	—	8	—
Bank loan and overdrafts	580	302	898	2,395
Trade creditors	5,704	2,963	1,700	1,454
Bills of exchange payable	38	—	—	—
Amounts due to group companies	—	—	33	21
Taxation	1,533	1,533	649	656
Social security and other taxes	798	375	301	148
Other creditors	314	300	80	136
Accruals and deferred income	330	379	248	319
Proposed final dividend	759	548	759	548
	<u>10,064</u>	<u>6,400</u>	<u>4,676</u>	<u>5,677</u>

There is an arrangement with the company's bankers whereby bank balances and overdrafts of the company and certain subsidiaries are offset.

15 Creditors—amounts falling due after more than one year

	Group		Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
8% Debenture stock 1987/92	326	334	326	334
Bank loan	4	—	—	—
	<u>330</u>	<u>334</u>	<u>326</u>	<u>334</u>
Other Creditors	454	100	450	100
Accruals and deferred income	25	30	—	—
Corporation tax payable in July 1989	1,085	1,052	262	195
	<u>1,894</u>	<u>1,516</u>	<u>1,038</u>	<u>629</u>

The bank loan and debenture stock are repayable as follows:

Repayable between 2—5 years	34	30	30	30
Repayable after 5 years	296	304	296	304
	<u>330</u>	<u>334</u>	<u>326</u>	<u>334</u>

The 8% debenture stock 1987/92 is secured by a floating charge on the assets of the company and certain subsidiaries. The company is required to establish a non-cumulative sinking fund of £7,500 per annum commencing in the year to 30th June 1973 to be applied annually in the redemption of stock at par but the company may satisfy this obligation in whole or in part by surrendering not later than 15th June in each year stock purchased by it at any time previously. Sufficient stock has been purchased and surrendered to meet this requirement up to 15th June 1987.

16 Group borrowings

	1987			1986		
	Unsecured £000	Secured £000	Total £000	Unsecured £000	Secured £000	Total £000
Amounts falling due within one year:						
8% Debenture stock 1987/92	—	8	8	—	—	—
Bank loan	4	—	4	—	—	—
Bank overdrafts	576	—	576	302	—	302
Amounts falling due after more than one year:						
8% Debenture stock 1987/92	—	326	326	—	334	334
Bank loan	4	—	4	—	—	—
Total group borrowings	584	334	918	302	334	636

17 Deferred taxation

	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Accelerated capital allowances	640	775	359	553
Other timing differences	6	(20)	22	(18)
Losses	(80)	—	—	—
	566	755	381	535
Less: Future recovery of advance corporation tax	253	203	253	203
	313	552	128	332

The total potential amount of deferred taxation is as follows:

	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Accelerated capital allowances	1,561	1,636	1,259	1,374
Other timing differences	43	21	108	62
Capital gains	532	576	532	576
Losses	(102)	—	—	—
	2,034	2,233	1,899	2,012
Less: Future recovery of advance corporation tax	253	203	253	203
	1,781	2,030	1,646	1,809

18 Called up share capital

	1987 £000	1986 £000
Authorised:		
Ordinary shares of 25p each—5,300,000	1,325	1,325
Allotted and called up:		
Ordinary shares of 25p each, fully paid—4,217,857	1,054	1,054
	1,054	1,054

During the year 3,004 fully paid shares were issued under the Ash & Lacy Save As You Earn Share Option Scheme for a consideration of £9,373.

Options granted under the save as you earn share option scheme which remain outstanding entitle participants to purchase ordinary shares as follows:

Date options granted	No. of shares	Price per share
5th July 1983	3,279	433.8p
22nd May 1984	3,637	477.0p

Options granted under the executive share option scheme which remain outstanding entitle participants to purchase ordinary shares as follows:

Date options granted	No. of shares	Price per share
3rd December 1985	64,800	360p
29th April 1986	9,600	415p
30th April 1987	4,800	525p

Options granted under the savings related share option scheme which remain outstanding entitle participants to purchase ordinary shares as follows:

Date options granted	No. of shares	Price per share
10th December 1985	37,425	324p
19th May 1987	27,608	472.5p

The options can normally be exercised five years after the date on which they were granted except in respect of the executive share option scheme where options can normally be exercised three years after the date on which they were granted.

19 Reserves

	Share premium account	Non-distributable Revaluation reserve	Other reserves	Distributable Profit and loss account	Total
Group	£000	£000	£000	£000	£000
At 2nd January 1987	728	1315	227	15,049	17,319
Share premium on shares issued (note 18)	9	—	—	—	9
Transfer	—	(53)	—	53	—
Purchased goodwill written off	—	—	—	(163)	(163)
Goodwill on consolidation written off	—	—	—	(786)	(786)
Retained profit for the year	—	—	—	1,499	1,499
At 1st January 1988	737	1,262	227	15,652	17,878
Company					
At 2nd January 1987	728	1,186	3	9,785	11,702
Share premium on shares issued (note 18)	9	—	—	—	9
Transfer	—	(53)	—	53	—
Retained profit for the year	—	—	—	128	128
At 1st January 1988	737	1,133	3	9,966	11,839

20 Capital expenditure

	Group		Company	
	1987 £000	1986 £000	1987 £000	1986 £000
Authorised by the directors but not provided for in the accounts:				
Contracted for	605	97	508	—
Not contracted for	111	1,197	87	322
	716	1,294	595	322

21 Guarantees

The company has given guarantees to banks to secure loan and overdraft facilities of certain subsidiaries. The amount covered by these guarantees at 1st January 1988 amounted to £150,000 (1986 £124,000). The company has given indemnities to the value of £1,375,000 in respect of loans made to its related company.

22 Pension commitments

The actuarial valuation with respect to the position at 31st March 1987, has resulted in a surplus which is more than adequate to meet the future liabilities of the schemes.

23 Leasing commitments

Operating lease payments amounting to £175,000 are due within one year. The commitments to make the payments included in this sum expire as follows:

	Land and Buildings £000
Within 2-5 years	18
In five years or more	157
	<hr/>
	175

Report of the auditors to the members of Ash & Lacy plc

We have audited the financial statements on pages 10 to 23 and 25 in accordance with approved auditing standards.

In our opinion the financial statements, which have been prepared under the historical cost convention as modified by the revaluation of certain properties, give a true and fair view of the state of affairs of the company and the group at 1st January 1988 and of the profit and source and application of funds of the group for the 52 weeks then ended and comply with the Companies Act 1985.

Grant Thornton

Grant Thornton
Chartered Accountants.

Birmingham
7th April 1988

Seven year financial record

	1981 £000	1982 £000	1983 £000	1984 £000	1985 £000	1986 £000	1987 £000
Turnover	25,237	27,070	27,554	32,614	34,934	33,326	40,005
Group profit							
Operating profit	2,041	2,594	3,127	2,709	2,800	2,866	3,680
Share of loss of related company	—	—	—	—	—	(66)	(136)
Other income less interest payable	308	485	285	163	213	455	545
Profit before taxation	2,349	3,079	3,412	2,872	3,013	3,255	4,089
Taxation	661	898	1,059	1,492	1,562	1,285	1,325
Profit after taxation	1,688	2,181	2,353	1,380	1,451	1,970	2,764
Extraordinary items	—	—	—	—	(264)	—	—
Profit attributable to ordinary shareholders	1,688	2,181	2,353	1,380	1,187	1,970	2,764
Dividends	583	751	838	841	853	1,012	1,265
Profit retained	1,105	1,430	1,515	539	334	958	1,499
Funds							
Called up share capital	1,042	1,043	1,049	1,052	1,053	1,054	1,054
Retained profits and reserves	12,105	13,541	15,074	15,530	15,870	17,319	17,878
Total shareholders' funds	13,147	14,584	16,123	16,582	16,923	18,373	18,932
Employment of funds							
Fixed assets	6,523	8,346	9,884	10,161	9,165	9,195	10,377
Net current assets	7,941	7,641	7,766	8,790	10,288	11,246	10,762
	14,464	15,987	17,650	18,951	19,453	20,441	21,139
Creditors —amounts falling due after more than one year	(1,167)	(1,219)	(987)	(1,503)	(1,795)	(1,516)	(1,894)
Provisions for liabilities and charges	(150)	(184)	(540)	(866)	(735)	(552)	(313)
	13,147	14,584	16,123	16,582	16,923	18,373	18,932
Profit before tax expressed as a percentage of shareholders' funds employed at beginning of year	19.5%	23.4%	23.4%	17.8%	18.2%	19.2%	22.3%
Earnings per share	40.5p	52.3p	56.3p	32.9p	34.5p	46.8p	65.6p
Net dividends per share	14.0p	18.0p	20.0p	20.0p	20.25p	24.0p	30.0p
Gross equivalent dividend per share	20.0p	25.7p	28.6p	28.6p	28.7p	33.3p	40.4p

Trading members of the group

Ash & Lacy plc
Alma Street, Smethwick, Warley, West Midlands, B66 2RP
Telephone: 021-558 2171 Telex: 338597 Fax: 021-558 1400
D S L FLETCHER, group managing director

Ash & Lacy Perforators Limited
Perforated and expanded metals
Alma Street, Smethwick, Warley,
West Midlands, B66 2RP
Telephone: 021-558 8921 Telex: 337608

Ash & Lacy
Clydesmill Drive,
Cambuslang Investment Park,
Cambuslang, Glasgow, G32 8RE
Telephone: 041-641 0044 Telex: 776136

Bumpers Way, Bumpers Farm Industrial Estate,
Bristol Road, Chippenham,
Wiltshire, SN14 6LH
Telephone: 0249-443029 Telex: 445712

Unit 10, Middleton Central Industrial Estate,
Oldham Road, Middleton,
Manchester, M24 1AZ
Telephone: 061-653 7301 Telex: 669770

3 Laker Road,
Rochester Airport Industrial Estate,
Rochester, Kent, ME1 3QX
Telephone: 0634-684101 Telex: 966407

P J ROBINSON, managing director

Ash & Lacy Building Products Limited
Shaw Street, Hill Top, West Bromwich,
West Midlands, B70 0TX
Telephone: 021-556 4211 Telex: 336239

Ash & Lacy Steel Products Limited
Roll-formed steel roofing and cladding
sheets; gutters, flashings and other
press brake work
Shaw Street, Hill Top, West Bromwich,
West Midlands, B70 0TX
Telephone: 021-556 4211 Telex: 336239

Ash & Lacy Steel Products (Scotland) Limited
Steel service and processing centre
Glasgow Road, Clydebank,
Strathclyde, G81 1PP
Telephone: 041-952 7831 Telex: 779197

Bell Contract Installations Limited
A multi-product cladding contractor
Windsor Road, Enfield, Redditch,
Worcestershire, B97 6DJ
Telephone: 0527-61061 Telex: 335540

Foremost Moulding Limited
Glass reinforced plastics for the
construction industry
Shaw Street, Hill Top, West Bromwich,
West Midlands, B70 0TX
Telephone: 021-556 4211 Telex: 336239

Prince Cladding Limited
Architectural cladding systems
Northgate Works, Stanley Lane, Bridgnorth,
Shropshire WV16 4SF
Telephone: 0746-761556 Telex: 338246

Prince Construction Limited
Installer of cladding systems
15 Guilthayon Street, Witham,
Essex, CM18 1BJ
Telephone: 0376-521020

M J L CARTWRIGHT, managing director

Joseph Ash & Son Limited
Galvanizing and fabricating
Joseph Ash Galvanizing
Charles Henry Street, Birmingham, B12 0SP
Telephone: 021-622 4661 Telex: 337978

Joseph Ash Galvanizing
Stafford Park 6, Telford, Shropshire, TF3 3BQ
Telephone: 0952-615201 Telex: 35667

London Galvanizers Limited
Poplar Works, Leven Road, Poplar, London, E14 0LP
Telephone: 01-987 5070

Western Galvanizers Limited
Mortimer Road, Hereford, HR4 9SY
Telephone: 0432-277722

Bridgend Galvanizers
1 Raven Close, Western Avenue,
Bridgend Industrial Estate, Bridgend,
Mid Glamorgan, CF31 3RF
Telephone: 0656-68735

Plymouth Galvanizing
Polbathic, Torpoint, Cornwall PL11 3EY
Telephone: 0503-30673

Surrey Galvanizers
24 Willow Lane, Mitcham,
Surrey, CR4 4NA
Telephone: 01-685 0308

Joseph Ash Storage Tanks
Charles Henry Street, Birmingham, B12 0SP
Telephone: 021-622 4661 Telex: 337978

Joseph Ash Mechanical Services
Charles Henry Street, Birmingham B12 0SP.
Telephone: 021-622 4661 Telex: 337978

H V SCALDWELL, managing director

W. & S. Allely Limited
Non-ferrous metals and stainless steel
stockholding

Alma Street, Smethwick, Warley,
West Midlands, B66 2RP
Telephone: 021-558 3301 Telex: 335761

3 Laker Road, Rochester Airport Industrial Estate,
Rochester, Kent, ME1 3QX
Telephone: 0634-660542 Telex: 966407

Rochdale Industrial Centre, Albion Road,
Rochdale, Lancashire, OL11 4JB
Telephone: 0706-353770 Telex: 635623

Bumpers Way, Bumpers Farm Industrial Estate,
Bristol Road, Chippenham,
Wiltshire, SN14 6LH
Telephone: 0249-443033 Telex: 445712

J J TROMAN, managing director

Huurral Limited
Composite Cladding
No 2 Greenfield Business Park,
Greenfield, Holywell, Clwyd, CH8 7EP
Telephone: 0352-714545

(All companies are directly owned by the company, operate in the United Kingdom and are wholly owned apart from Huurral Limited in which the company owns 50% of its issued ordinary shares).