

# **Ash & Lacy Pressings Limited**

Registered number 224382

Directors' report and financial statements  
For the year ended 31 December 2005



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## Directors' report

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

### Principal activity

The company is principally engaged in contract presswork.

### Business review and future developments

Turnover was lower in the year mainly due to a reduction in sales to a major customer. New automotive work won in 2003 contributed strongly to the company's performance and will be further developed in 2005 with the introduction of a second model.

Increased focus has been brought to the sales activities. As a result several new opportunities have been identified, which should result in new business.

Operational improvements were made in the year and further work is ongoing to increase productivity in order to maintain profitability and support our service levels to customers.

### Dividends

No dividend has been paid for the year ended 31 December 2005 (2004: £Nil)

### Directors and their interests

The directors serving during the year were as follows:

D L Grove  
C J Burr  
J L Horne  
J F Keating

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.

The interests of the other directors in office at the end of the year in the shares of Hill & Smith Holdings PLC are detailed as follows. No share options were granted to, or exercised by, the remaining directors in the year.

### Ordinary shares of 25p each

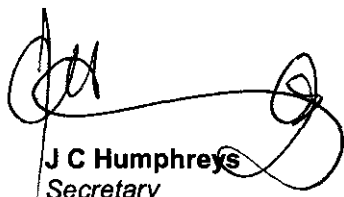
	2005	2004
JL Horne	597	597

## **Directors' report** *(continued)*

### **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

8 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 they 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.

## **Independent auditor's report to the members of Ash & Lacy Pressings Limited**

We have audited the financial statements of Ash & Lacy Pressings Limited for the year ended 31 December 2005 which comprise primary statements such as the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains 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**

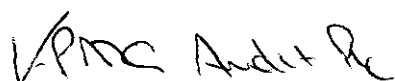
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

8 March 2006

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

	<i>Note</i>	<b>2005 £000</b>	2004 £000
<b>Turnover</b>	2	<b>2,068</b>	2,392
Cost of sales		<b>(1,877)</b>	(2,042)
<b>Gross profit</b>		<b>191</b>	350
Distribution costs		<b>(149)</b>	(121)
Administrative expenses		<b>(225)</b>	(161)
<b>Operating (loss)/profit</b>		<b>(183)</b>	68
Other interest receivable and similar income	6	<b>34</b>	14
Bank interest payable		<b>(10)</b>	-
<b>(Loss)/profit on ordinary activities before taxation</b>	3,7	<b>(159)</b>	82
Tax on (loss)/profit on ordinary activities	7	<b>51</b>	(19)
<b>(Loss)/profit for the financial year</b>		<b>(108)</b>	63

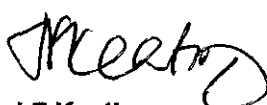
All operations are continuing.

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 2005**

	<i>Note</i>	<b>2005 £000</b>	<b>£000</b>	<b>2004 £000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	8		82		133
<b>Current assets</b>					
Stocks	9	173		179	
Debtors	10	1,031		796	
Cash at bank and in hand		-		221	
		<u>1,204</u>		<u>1,196</u>	
<b>Creditors: amounts falling due within one year</b>	12	<b>(571)</b>		<b>(506)</b>	
		<u></u>		<u></u>	
<b>Net current assets</b>			<b>633</b>		<b>690</b>
			<u></u>		<u></u>
<b>Net assets</b>			<b>715</b>		<b>823</b>
			<u></u>		<u></u>
<b>Capital and reserves</b>					
Called up share capital	13		1		1
Share premium			1		1
Profit and loss account	14		713		821
			<u>715</u>		<u>823</u>
<b>Equity shareholder's funds</b>			<b>715</b>		<b>823</b>
			<u></u>		<u></u>

These financial statements were approved by the board of directors on 8 March 2006 and signed on their behalf by:



**J F Keating**  
Director



**J L Horne**  
Director



**Reconciliation of movements in shareholder's funds**  
*for the year ended 31 December 2005*

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
<b>(Loss)/profit for the financial year</b>	<b>(108)</b>	<b>63</b>
Opening shareholder's funds	<b>823</b>	<b>760</b>
<b>Closing shareholder's funds</b>	<b>715</b>	<b>823</b>

## 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 financial statements, except as noted below.

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

- FRS 20 'Share-based payments';
- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. 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. Likewise FRS 25 has had no material effect on these financial statements.

The effect of the adoption FRS 20 is detailed in note 13, no prior year adjustment is required in respect of the adoption of this standard because the share option scheme dealt with under this standard was only established in the year ended 31 December 2005.

The effects of the adoption of FRS 21 and the associated prior year adjustment are detailed in note 14.

#### **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.

#### **Fixed assets and depreciation**

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:

Plant, equipment and vehicles - 4 to 20 years

#### **Stocks and work in progress**

These are valued on a "first-in, first-out" basis at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses.

#### **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.

#### **Foreign currency**

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date.

All exchange differences are taken to the profit and loss account.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **Turnover**

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

#### **Pension scheme arrangements**

The company participates in the Hill & Smith Executive Pension Scheme and the Hill & Smith Pension Scheme, as described in note 17.

As the company is unable to identify its share of the Group pension scheme assets in respect of the defined benefit sections on a consistent and reasonable basis, as permitted by FRS 17 the schemes are accounted for as if they are defined contribution schemes.

Contributions in respect of defined contribution schemes are charged to the profit and loss account in the period to which they relate.

#### **Goodwill**

Goodwill arising on acquisitions (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised as a fixed asset and amortised on a straight line basis over its estimated useful economic life up to a maximum of 20 years.

#### **Leased assets**

Assets held under leases which confer rights and obligations similar to those attaching to owned assets are capitalised as tangible fixed assets and the corresponding liability to pay rentals is shown net of interest in the accounts as obligations under finance leases. Interest is calculated on the reducing balance basis and is charged over the period of the lease.

All other 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.

#### **Share based payments**

The share option programme allows employees to acquire shares of the ultimate parent company Hill & Smith Holdings PLC. The fair value of options granted after 7 November 2002 and those not yet vested by 31 December 2004 are not recognised as an employee expense, those vested 1 January 2005 onwards are expensed with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

For cash settled share based payment transactions, with the exception of those awards settled before 1 January 2005, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking in to account the terms and conditions upon which the instruments were granted. The liability is revalued at each Balance Sheet date and settlement date with any changes to fair value being recognised in the Profit and Loss Account.

#### **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.

## Notes (continued)

### 1 Accounting policies (continued)

#### Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

### 2 Turnover

The turnover is the total amount receivable by the Company (excluding VAT) in the ordinary course of business for goods sold to third parties

	2005 £000	2004 £000
Turnover by destination:		
United Kingdom	2,068	2,392

### 3 (Loss)/profit on ordinary activities before taxation

	2005 £000	2004 £000
(Loss)/profit on ordinary activities before taxation is stated		

after charging

Auditor's remuneration	7	6
Depreciation – owned fixed assets	69	97
Operating lease rentals – other	79	80
Loss on disposal of fixed asset	-	25
Loss on exchange	1	-

### 4 Remuneration of directors

Aggregate directors' remuneration for the year was as follows:

	2005 £000	2004 £000
Emoluments	-	18
Number of directors exercising share options	2	1

Directors' interests in shares and share options in the ultimate parent company are disclosed in the directors' report.

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) all of whom were involved in the principal activity was:

	2005 Number	2004 Number
Production	36	38
Sales and distribution	3	4
Administration	1	1
	<hr/> 40 <hr/>	<hr/> 43 <hr/>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	719	671
FRS20 charge	1	-
Social security costs	65	58
Other pension costs	18	15
	<hr/> 803 <hr/>	<hr/> 744 <hr/>

### 6 Other interest receivable and similar income

	2005 £000	2004 £000
Receivable from group undertakings	34	9
Interest on bank balances	-	5
	<hr/> 34 <hr/>	<hr/> 14 <hr/>

### 7 Tax on (loss)/profit on ordinary activities

*Analysis of (credit)/charge in year*

	2005 £000	2004 £000
UK corporation tax on (losses)/profit for the year	(50)	30
Deferred tax (see note 11)		
Origination/reversal of timing differences	(1)	(7)
Adjustment in respect of previous years	-	(4)
	<hr/> (51) <hr/>	<hr/> 19 <hr/>

## Notes (continued)

### 7 Tax on (loss)/profit on ordinary activities (continued)

#### Factors affecting tax (credit)/charge for the year

The effective current tax (credit)/charge is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £000	2004 £000
<b>Current tax reconciliation</b>		
(Loss)/profit on ordinary activities before taxation	(159)	82
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(48)	25
<b>Effect of:</b>		
Expenses not deductible for tax purposes	-	1
Deductible items not charged against profit	(3)	(3)
Difference between capital allowances for year and depreciation	-	12
Income and expenditure timing difference	1	(5)
Current tax (credit)/charge	(50)	30

### 8 Tangible fixed assets

	Plant, equipment and vehicles £000
<b>Cost</b>	
At beginning of year	1,701
Additions	18
Disposals	(129)
At end of year	1,590
<b>Depreciation</b>	
At beginning of year	1,568
Charge for the year	69
Disposals	(129)
At end of year	1,508
<b>Net book value</b>	
At 31 December 2005	82
At 31 December 2004	133

### 9 Stocks

	2005 £000	2004 £000
Raw materials	51	97
Work in progress	42	39
Finished goods and goods for resale	80	43
	173	179

## Notes (continued)

### 10 Debtors

	2005 £000	2004 £000
Trade debtors	246	276
Amounts owed by group undertakings	664	470
Prepayments and accrued income	34	12
Deferred taxation (see note 11)	39	38
Corporation tax	48	-
	<hr/>	<hr/>
	1,031	796
	<hr/>	<hr/>

### 11 Deferred taxation

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

	£000
At beginning of year	38
Profit and loss account	1
	<hr/>
<b>At end of year</b>	<b>39</b>
	<hr/>

	2005 £000	2004 £000
Difference between accumulated depreciation and capital allowances	38	38
Other timing differences	1	-
	<hr/>	<hr/>
	39	38
	<hr/>	<hr/>

### 12 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank overdraft	242	-
Trade creditors	172	287
Amounts owed to group undertakings	53	39
Taxation and social security	57	62
Corporation tax	-	32
Accruals and deferred income	41	86
Other creditors	6	-
	<hr/>	<hr/>
	571	506
	<hr/>	<hr/>

### 13 Share capital

	2005 £000	2004 £000
<b>Authorised</b>		
Ordinary shares of £1 each	5	5
	<hr/>	<hr/>
<b>Allotted called up and fully paid</b>		
Ordinary shares of £1 each	1	1
	<hr/>	<hr/>

## Notes (continued)

### 13 Share capital (continued)

The charge for the share-based payment in the company for the year ending 31 December 2005 was £1,000 (2004: £Nil). Details of the assumptions and methodology used in calculating this charge can be seen in the ultimate parent company Hill & Smith Holdings PLC group accounts.

The options over the ultimate parent company shares outstanding at 31 December 2005 all had an option price of 100p. The average share price for the year ending 31 December 2005 was 177p (2004: 105p). The total movement across the group is as follows:

	2005 Number of shares	2004 Number of shares
<b>1995 Savings Related Share Option Scheme</b>		
As at 1 January	1,458,759	-
Issued	-	1,458,759
Lapsed	(110,982)	-
Exercised	(3,150)	-
	<hr/>	<hr/>
<b>As at 31 December</b>	<b>1,344,627</b>	<b>1,458,759</b>
	<hr/>	<hr/>

### 14 Profit and loss account

Balance as at 1 January 2004	758
Profit on ordinary activities after tax	63
	<hr/>
Balance as at 1 January 2005	821
Loss on ordinary activities after tax	(108)
	<hr/>
<b>Balance as at 31 December 2005</b>	<b>713</b>
	<hr/>

Since there were no dividends paid in 2004 or 2005, FRS 21 has had no effect on reserves.

### 15 Contingent liabilities

The company is a party to cross guarantees given for bank loans and overdrafts of the parent company and certain fellow subsidiaries amounting to £78,909,000 (2004: £64,768,000) which are secured on the assets of the Group.

### 16 Financial commitments

The company's annual commitments under non-cancellable operating leases was as follows:

	2005 Land and buildings £000	Other £000	2004 Land and buildings £000	Other £000
Leases which expire:				
Within less than one year	-	8	-	-
Within two to five years	-	2	-	17
After five years	70	-	70	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>70</b>	<b>10</b>	<b>70</b>	<b>17</b>
	<hr/>	<hr/>	<hr/>	<hr/>



## **Notes (continued)**

### **17 Pension scheme**

The company is a subsidiary of Hill & Smith Holdings PLC and participates in the Hill & Smith Executive Pension Scheme and the Hill & Smith Pension Scheme, the former provides benefits on a defined benefit basis and the second scheme providing benefits that are on a defined benefit and a defined contribution basis. Details of the schemes and their most recent actuarial valuation are contained in the financial statements of Hill & Smith Holdings PLC.

The pension cost for the year represents contributions payable by the company to the fund and amounted to £18,000 (2004: £15,000).

As the company is unable to identify its share of the schemes' assets and liabilities in respect of the defined benefit sections on a consistent and reasonable basis, as permitted by FRS 17: *Retirement Benefits*, the schemes are accounted for by the company as defined contribution schemes.

### **18 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.

### **19 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:

2 Highlands Court  
Cranmore Avenue  
Shirley  
Solihull  
B90 4LE