

**ALCO HOLDINGS PTY. LTD.
GROUP**

ANNUAL REPORT

TO STAFF

1986 - 87

CHAIRMAN'S MESSAGE

1986/7 was the first full year in which I have been involved with the ALCO Board of Directors and the excellent results achieved during the year were particularly pleasing.

Considerable planning for further expansion has already taken place and future prospects for the group in the years ahead look extremely good. I look forward to working with you during this exciting period.

Brian Coppin
Chairman

MANAGING DIRECTOR'S REVIEW OF 1986-87, PREVIEW OF 1987-88

Trading during the year under review has resulted in the Group achieving record sales and profits and on behalf of the Board, I would like to thank you for the tremendous team effort.

The year saw some notable changes to the Group's operations, with the closure of two divisions and the opening of the Soils and Garden Yards as an extension of the ALCO Handyman Division. This new dimension to the ALCO Handyman business is expected to have a positive impact on the future results of the Group.

In December 1986 the Fashion Factory closed after only three years' of trading and we also ceased demolition contracting activities. This was the end of a very interesting era in the history of the Group.

Another record year of sales and profits is expected this year and we are slightly ahead of our budget after the first 4 months' trading. It will be another year of considerable change and with an exciting expansion program ahead of us.

The new W.A. Salvage and Soils and Garden Yards at Malaga opened in October and have been trading strongly. The first Hometown centre in Bibra Lake is nearly complete and should also produce strong results when it is fully tenanted, and opened by the end of January 1988. Hometown complexes have been planned to take maximum advantage of the expected deregulation of trading hours for the hardware industry.

Other moves include the development of a well located property in Belmont to replace the Leederville W.A. Salvage property, which was sold. Also the planning for our second Hometown complex on the Cannington site has commenced. This will be our largest development yet with a capital cost of around \$9m. It will provide improved retailing and office facilities for all our divisions and the opportunity to consolidate our management team together for the first time in 15 years.

The very heavy program over recent years has caused some growing pains and sometimes an unfair burden on some individuals. It also provides many challenging opportunities for those who wish to grow with the Group. My thanks and appreciation go to the executives, managers and staff who have, as a team, continued to produce record results. My congratulations and best wishes go to those who have advanced their careers.

To everyone, a happy Christmas.

Joe Boros
Managing Director

SUPERANNUATION FUND

During the year the Company and your Fund Trustees took steps to improve the investment performance of the fund and this included:-

- (a) The appointment of A.I.B. Financial Planning as Fund Managers
- (b) The appointment of Wardley Investment Management Ltd and S.P.A.L. Management Ltd as Fund Investment Managers

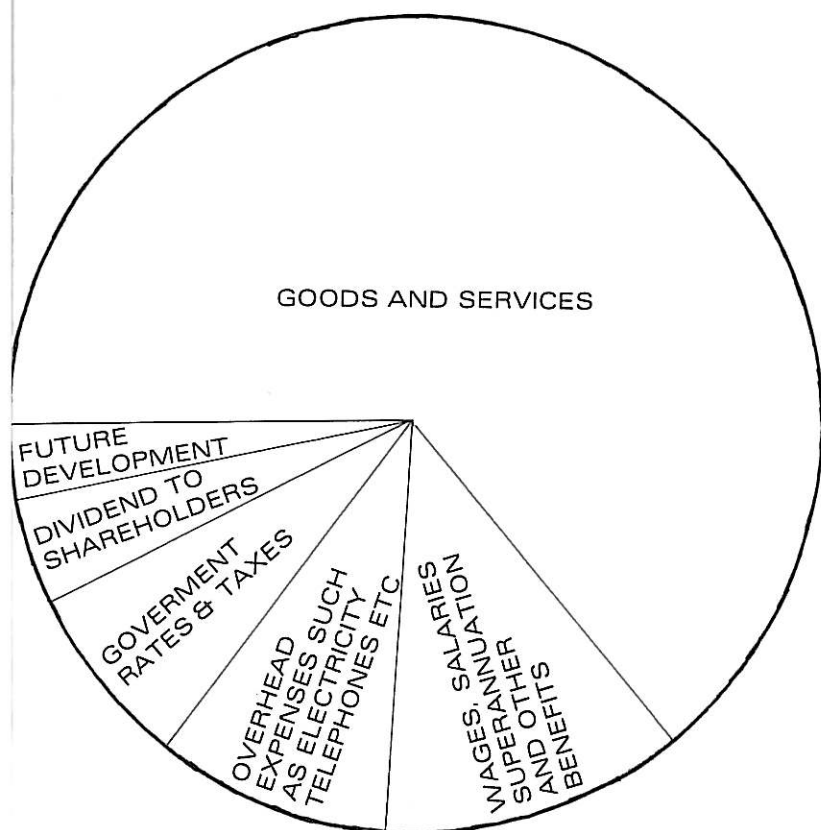
The life assurance policy which forms part of the Superannuation Plan has been left with the AMP Society.

Investment performance for the year to 30th June, 1987 was 24% and was only marginally better than that achieved by the AMP Society. 1987/88 will be the first full year with the new Investment Managers and will provide a better comparison of performance with other Funds. Reports from A.I.B. Financial Planning indicate that the Funds continue to be in a very healthy condition despite the recent fall in stock market values. The affect on your fund was to reduce the value of assets by approximately 8%.

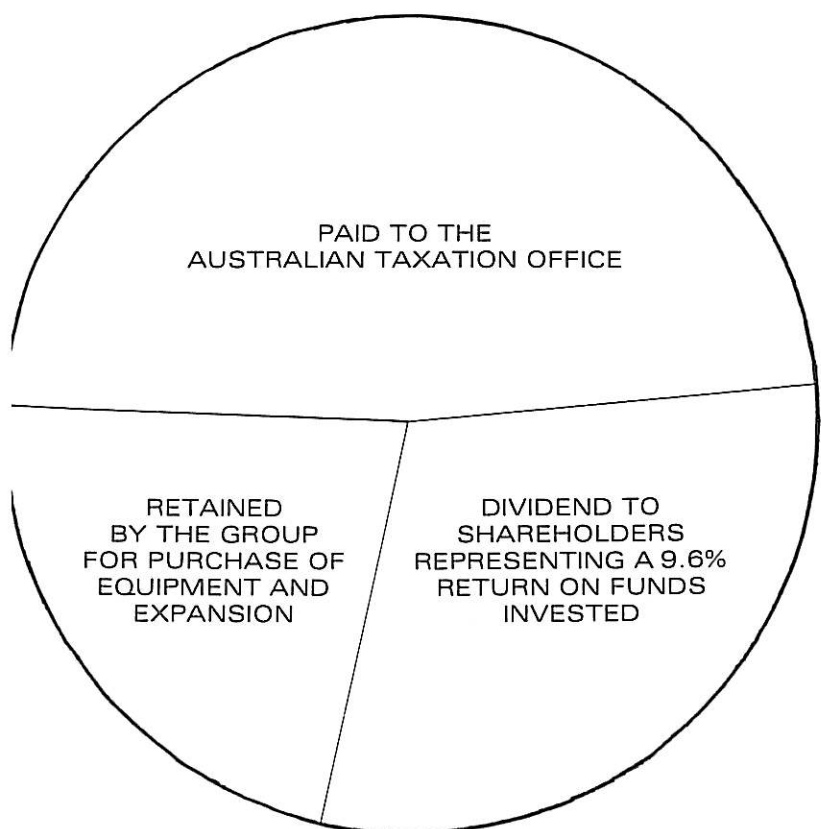
Your elected representatives on the Board of Trustees are:-

P.M. Knapton - Administration Melville
C. Woodroff - ALCO Handyman Bibra Lake

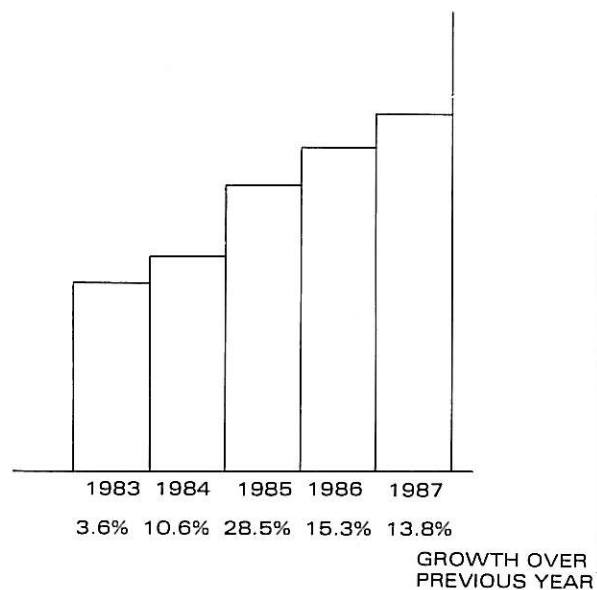
HOW WE SPENT THE SALES DOLLAR



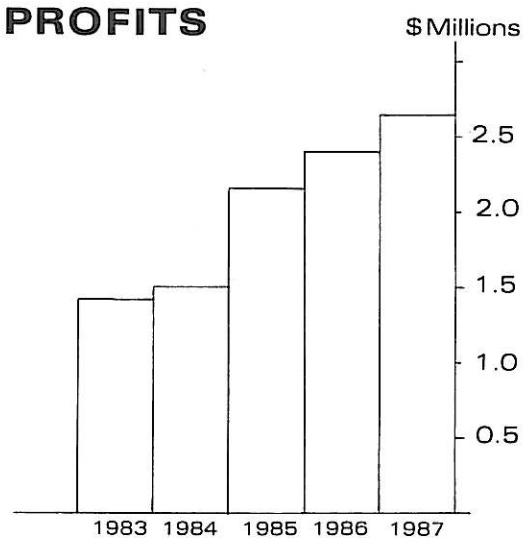
WHERE THE PROFITS WENT



GROUP SALES GROWTH



NET PROFITS



THE GROUP'S WHO'S WHO

There are over 185 staff members all fulfilling an important function in the operation of the group.

BOARD OF DIRECTORS

Brian Coppin (Chairman)
Joe Boros (Managing Director)
Peter-John Davis
Warren Jones
Kevin Langlands
Wayne Reed

EXECUTIVE TEAM

Joe Boros – Managing Director
Peter-John Davis – Divisional Manager, WA Salvage
Kevin Langlands – Divisional Manager, ALCO Handyman
Bernie Lydiate – Divisional Manager, Housing
Dennis Alexandratos – Assist. Divisional Manager, WA Salvage
Don Rogers – Group Admin. Manager/Company Secretary
Roy Vickers – Data Processing Manager
Martin Zlotnick – Merchandising Manager, ALCO Handyman

MANAGEMENT STRUCTURE

Ken Alden – Buyer, WA Salvage
Ted Aubrey – Manager, ALCO Handyman, Wanneroo
Don Beisley – Buyer, ALCO Handyman
Mike Broadbent – Manager, WA Salvage, Leederville
Peter Everett – Manager, WA Salvage, Malaga
Errol Field – Manager, ALCO Handyman, Morley
John Freeman – Manager, ALCO Handyman, Bunbury
David Fry – Manager, ALCO Handyman, Bibra Lake
Steve Gibson – Manager, WA Salvage, Balcatta
Jeff Kniveton – Accountant
Wayne Lyons – Manager, ALCO Handyman, Cannington
Steve Masnyk – Acting Manager WA Salvage, Cannington
Ivan Merrill – Manager, WA Salvage, Spearwood
John Pollock – Supervisor, ALCO Soils and Gardens Division
Brian Taylor – Manager, ALCO Handyman, Osborne Park
David Wharton – Buyer, ALCO Handyman
Bill Woodroff – Manager, ALCO Handyman, Melville