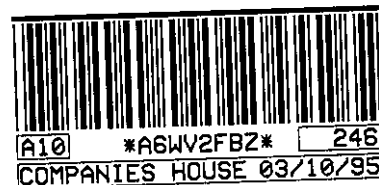


MBS DISTRIBUTION LIMITED
(REGISTERED NUMBER 199318)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 1994



COMPANIES HOUSE
CARDIFF

- 3 OCT 1995

RECEPTION DESK

MBS DISTRIBUTION LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1994

The directors present their annual report together with the audited financial statements for the year ended 31 December 1994.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is the distribution of industrial fastenings.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £704,000 (year ended 31 December 1993 loss: £14,000) which has been added to reserves. The directors do not recommend payment of a dividend (1993 - £Nil).

DIRECTORS AND DIRECTORS' INTERESTS

The composition of the Board of directors during the year, and to the date of this report, was as follows:

SA Smith (Chairman)
F Thorpe
PJ Henwood
SC Wheeler (Appointed 29 December 1994)

The interests of the directors in the issued ordinary share capital, preference shares and loan notes of Caradon plc, the ultimate parent undertaking, are as follows:

	31 December 1994				31 December 1993 or date of appointment			
	Options over Ordinary shares	Options over Ordinary shares	Preference shares	Loan notes	Options over Ordinary shares	Options over Ordinary shares	Preference shares	Loan notes
SA Smith	-	23,460	-	-	-	-	-	-
PJ Henwood	-	4,203	-	-	-	-	-	-
F Thorpe	-	10,404	-	-	-	-	-	-
SC Wheeler	100,137	94,107	150,939	12,534	100,137	94,107	150,939	12,534

MBS DISTRIBUTION LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

DIRECTORS AND DIRECTORS' INTERESTS (CONTINUED)

The following options over ordinary shares of Caradon plc were granted to, or exercised by, the directors during the year.

<u>Director</u>	<u>Options Granted</u> Number of shares	<u>Options Exercised</u> Number of shares
SA Smith	23,460	-
PJ Henwood	4,203	-
F Thorpe	10,404	-

No director was or is interested in any contract subsisting during or at the end of the year which was significant in relation to the Company's business.

Caradon plc has continued to provide liability insurance for the Company's Directors and officers as permitted by the Companies Act 1985.

EMPLOYEE PARTICIPATION

The Company is committed to employee participation and encourages the development of co-operation with employees.

Disabled persons - The Company has continued to examine ways and means of providing employment for disabled employees, under normal terms and conditions, with opportunities for training, career development and promotion as appropriate. The Company's policy on the employment of disabled persons has been applied as sympathetically and positively as possible.

DONATIONS

Charitable donations - Donations to charitable organisations amounted to £145 (1993: £135). No payments were made during the year for political purposes. (1993: £Nil).

FIXED ASSETS

Information relating to the tangible fixed assets of the Company is given in note 8.

MBS DISTRIBUTION LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law required the directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing those financial statements, the directors are required to:

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

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

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Price Waterhouse as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



D Burningham
Secretary

28 April 1995

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF MBS DISTRIBUTION LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 of the state of the Company's affairs as at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

28 April 1995

MBS DISTRIBUTION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1994

	<u>Notes</u>	<u>1994</u> £'000	<u>1993</u> £'000
TURNOVER	2	17,723	11,526
Change in stocks of finished goods and work in progress		847	(532)
Raw materials and consumables		(13,722)	(7,573)
Other external changes		(1,443)	(1,404)
Staff costs	4,5	(2,160)	(1,645)
Depreciation	8	(227)	(191)
OPERATING PROFIT		1,018	181
Net interest	6	8	(143)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1,026	38
Tax on profit/(loss) on ordinary activities	7	322	(52)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION - RETAINED PROFIT/(LOSS) FOR THE YEAR	15	704	(14)

The notes on pages 8 to 16 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The Company has had no recognised gains or losses other than the profit for the year and from the profit and loss account.

HISTORICAL COST PROFIT AND LOSS ACCOUNT

There is no material difference between reported profits and profits on a historical cost basis.

MBS DISTRIBUTION LIMITED

BALANCE SHEET - 31 DECEMBER 1994

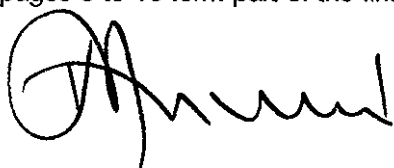
	Notes	1994 £'000	1993 £'000
FIXED ASSETS			
Tangible assets	8	<u>980</u>	<u>889</u>
CURRENT ASSETS			
Stocks	9	2,972	2,125
Debtors	10	4,202	2,721
Cash at bank and in hand		<u>451</u>	<u>3</u>
		7,625	4,849
CREDITORS (amounts falling due within one year)	11	<u>(4,265)</u>	<u>(4,427)</u>
NET CURRENT ASSETS		<u>3,360</u>	<u>422</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,340	1,311
CREDITORS (amounts falling due after more than one year)	12	(2,360)	-
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(17)</u>	<u>(52)</u>
NET ASSETS		<u>1,963</u>	<u>1,259</u>
CAPITAL AND RESERVES			
Called up share capital	14	2,075	2,075
Share premium account	15	413	413
Profit and loss account	15	<u>(525)</u>	<u>(1,229)</u>
SHAREHOLDERS' FUNDS		<u>1,963</u>	<u>1,259</u>

These financial statements were approved by the Board of Directors on 28 April 1995

The notes on pages 8 to 16 form part of the financial statements.

PJ Henwood

DIRECTOR



MBS DISTRIBUTION LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1994</u> £'000	<u>1993</u> £'000
Profit/(loss) for the financial year	<u>704</u>	<u>(14)</u>
Net movement in Shareholders' funds	704	(14)
Opening shareholders' funds	<u>1,259</u>	<u>1,273</u>
Closing shareholders' funds	<u>1,963</u>	<u>1,259</u>

MBS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention.

(2) Turnover

Turnover represents the invoiced value of sales made to third parties, net of Value Added Tax.

(3) Goodwill

Purchased goodwill is eliminated immediately on acquisition against reserves.

(4) Tangible fixed assets

Tangible fixed assets are stated at cost. These assets are written off using the straight line method.

Depreciation is provided to write off the book amount of tangible fixed assets over the expected useful lives at the following rates per annum:

Leasehold land and buildings	Over the term of the lease
Plant and equipment	5% - 33⅓%

(5) Stocks

Stocks and work in progress are stated at the lower of cost and estimated net realisable value. Cost of finished goods comprises materials.

(6) Operating leases

Rentals under operating leases are charged to the profit and loss account, as incurred, over the term of the lease.

(7) Foreign currencies

Trading items are translated into sterling at average rates of exchange for the relevant accounting period. Balance sheet items in foreign currencies are translated into sterling at mid-market rates of exchange at the balance sheet date. All foreign currency gains and losses are taken to the profit and loss account.

MBS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(8) Deferred taxation

Deferred taxation is provided on the liability method at current rates of taxation in respect of short term timing differences between profits computed for taxation purposes and profits as stated in the financial statements. Provision is made for other timing differences where a liability is expected to arise in the foreseeable future.

(9) Pensions

The retirement benefit obligations of the Company are financed by contributions to separate funds, which are subject to actuarial valuations every three years.

Pension costs in respect of employees who are members of the Caradon Group's Pension Schemes are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the Schemes.

2 TURNOVER

Set out below is an analysis of the destination of turnover by geographical area:

	<u>1994</u>	<u>1993</u>
	£'000	£'000
United Kingdom	17,620	11,413
Continental Europe	35	60
Other	<u>68</u>	<u>53</u>
	<u>17,723</u>	<u>11,526</u>

The source of all turnover of the Company is within the United Kingdom.

MBS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1994</u> £'000	<u>1993</u> £'000
Profit on ordinary activities before taxation is stated after the following:		
Amounts charged by the Company's auditors:		
Audit fees and expenses	13	10
Tax and consultancy fees	-	-
Rentals payable under operating leases:		
Plant and machinery	140	234
Land and buildings	336	273
Depreciation charge for the year:		
Tangible fixed assets	227	191
Loss on disposal of tangible fixed assets	17	5
	<u> </u>	<u> </u>

The source of all profits of the Company is within the United Kingdom.

4 STAFF NUMBERS AND COSTS

The average weekly number of persons (including executive directors) employed by the Company during the year was:

	<u>1994</u> Number	<u>1993</u> Number
	143	126
	<u> </u>	<u> </u>
	<u>1994</u> £'000	<u>1993</u> £'000
The aggregate payroll cost of these persons was:		
Wages and salaries	1,973	1,501
Social security costs	187	144
Other pension costs (note 15)	<u> </u>	<u> </u>
	2,160	1,645
	<u> </u>	<u> </u>

MBS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

5 EMOLUMENTS OF DIRECTORS

Directors' emoluments (including pension contributions) amounted to £114,048 (1993 - £100,347) including £5,790 recharged from fellow subsidiaries in respect of the services of one director. The chairman received no emoluments. The emoluments (excluding pension contributions) of the highest paid director were £72,922 (1993 - £57,630).

The numbers of directors who received emoluments (excluding pension contributions) within the following ranges were:

	<u>1994</u> Number	<u>1993</u> Number
£0 to £5,000	2	2
£35,001 to £40,000	-	-
£40,001 to £45,000	1	1
£55,001 to £60,000	-	1
£70,001 to £75,000	1	-
	<u>==</u>	<u>==</u>

6 NET INTEREST PAYABLE

	<u>1994</u> £'000	<u>1993</u> £'000
Interest payable and similar charges:		
To Group companies	-	(75)
On bank loans and overdrafts	-	(67)
repayable within 5 years, not by instalments	-	(1)
On other loans	-	(143)
	<u>8</u>	<u>-</u>
Interest receivable and similar income	8	(143)
	<u>==</u>	<u>==</u>

MBS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

7 TAXATION ON THE PROFIT FOR THE YEAR

	<u>1994</u> £'000	<u>1993</u> £'000
United Kingdom corporation tax at 33% (1993 : 33%)	357	-
Deferred tax	<u>(35)</u>	<u>52</u>
	<u>322</u>	<u>52</u>

8 TANGIBLE FIXED ASSETS

	<u>Long leasehold land and buildings</u> £'000	<u>Plant and equipment</u> £'000	<u>Total</u> £'000
<u>Cost</u>			
At 1 January	120	1,494	1,614
Additions	-	321	321
Disposals	-	(38)	(38)
Intra Group Transfers	<u>-</u>	<u>65</u>	<u>65</u>
At 31 December	<u>120</u>	<u>1,842</u>	<u>1,962</u>
<u>Depreciation</u>			
At 1 January	7	718	725
Charge for year	1	226	227
Disposals	-	(21)	(21)
Intra Group Transfers	<u>-</u>	<u>51</u>	<u>51</u>
At 31 December	<u>8</u>	<u>974</u>	<u>982</u>
<u>Net book value</u>			
At 31 December 1994	<u>112</u>	<u>868</u>	<u>980</u>
At 1 January 1994	<u>113</u>	<u>776</u>	<u>889</u>

MBS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

9 STOCKS

	<u>1994</u> £'000	<u>1993</u> £'000
Finished goods and goods for resale	2,972	2,125
	<u> </u>	<u> </u>

10 DEBTORS

	<u>1994</u> £'000	<u>1993</u> £'000
Trade debtors	4,001	2,549
Amounts owed by the Company's holding Company and fellow subsidiaries	19	18
Other debtors	2	6
Prepayments and accrued income	<u>180</u>	<u>148</u>
	4,202	2,721
	<u> </u>	<u> </u>

11 CREDITORS (amounts falling due within one year)

	<u>1994</u> £'000	<u>1993</u> £'000
Bank loans and overdrafts	-	1,004
Trade creditors	3,298	1,862
Amounts owed to the ultimate holding Company	15	-
Amounts owed to fellow subsidiary undertakings	18	1,228
Other taxation and social security costs	254	178
Accruals and deferred income	323	155
Corporation tax	<u>357</u>	<u>-</u>
	4,265	4,427
	<u> </u>	<u> </u>

MBS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

12 CREDITORS (amounts falling due after more than one year)

	<u>1994</u> £'000	<u>1993</u> £'000
Amount owned to ultimate holding company	2,360	-
	<u> </u>	<u> </u>

The above amount is interest free with no specific term of repayment.

13 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation provided in the accounts, and the full potential liability including the amounts for which provision has been made, are as follows:

	<u>Amount provided</u>		<u>Full potential liability</u>	
	<u>1994</u> £'000	<u>1993</u> £'000	<u>1994</u> £'000	<u>1993</u> £'000
Tax effect of timing differences due to:				
Excess of capital allowances over depreciation	17	52	51	52
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

14 SHARE CAPITAL

	<u>1994</u> £'000	<u>1993</u> £'000
Authorised		
8,300,000 ordinary shares of 25p each	2,075	2,075
	<u> </u>	<u> </u>
Allotted, issued up and fully paid		
8,300,000 ordinary shares of 25p each	2,075	2,075
	<u> </u>	<u> </u>

15 RESERVES

	<u>Share premium</u> £'000	<u>Profit and loss account</u> £'000
Balance at 1 January 1994	413	(1,229)
Retained profit	-	704
Balance at 31 December 1994	413	(525)
	<u> </u>	<u> </u>

MBS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

16 PENSIONS

The Caradon Group operates a number of defined benefit pension schemes based on final pensionable pay. The assets of these schemes are held in separate trustee administered funds. The Company participates in one or more of these schemes. Contributions are based on pension costs across the Group as a whole. A summary of the result of the last actuarial valuations of the group schemes is contained in the financial statements of Caradon plc. No pension contributions are currently required to be made by the Company.

17 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 1994 for which no provision had been made in these financial statements (1993 : £Nil).

18 FINANCIAL COMMITMENTS

At 31 December the Company had annual commitments under non-cancellable operating leases as follows:

	<u>Land and buildings</u>		<u>Plant and equipment</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
	£'000	£'000	£'000	£'000
Leases expiring:				
Next year	-	-	32	20
Second to fifth year	-	-	132	184
Thereafter	<u>336</u>	<u>335</u>	<u>-</u>	<u>-</u>
	336	335	164	204
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

19 CONTINGENT LIABILITIES

Under an unlimited multilateral guarantee the Company, in common with certain other Group companies, has jointly and severally guaranteed the obligations falling due under one of the Group's overdraft facilities.

At 31 December 1994 the Company had contingent liabilities arising in the ordinary course of business of £95,194 (1993: £30,000).

MBS DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (CONTINUED)

20 CASH FLOW STATEMENT

A consolidated cash flow statement has been included in the accounts of the parent Company which include the accounts of MBS Distribution Limited.

Accordingly, as permitted by FRS1, no cash flow statement is presented with these accounts.

21 ULTIMATE PARENT COMPANY

The ultimate parent undertaking is Caradon plc, a Company registered in England. The Caradon Group is the largest and smallest group of which the Company is a member and for which group accounts are prepared. Copies of these group financial statements can be obtained from Caradon plc, Caradon House, 24 Queens Road, Weybridge, Surrey, KT13 9UX.