

PILLAR ENGINEERING LIMITED

REPORT OF THE DIRECTORS

AND THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1990



PILLAR ENGINEERING LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and the audited accounts for the year ended 31st December 1990.

Profits and Appropriation

The profit of the Company and the appropriation thereof is set out in the Profit and Loss Account on page 4.

Dividends

An interim dividend of £1,150,000 in respect of the year ended 31st December 1990 was paid in November 1990.

The Directors recommend a final dividend for the year of £1,650,000 payable in April 1991.

Principal Activities and Review of the Company's Business

Pillar Engineering Limited continues to act as a holding company of companies providing products and services to aviation, automotive and general engineering markets.

The results of the Company during the year are considered satisfactory.

Future Developments

On 1st January 1991 the Company's administrative business and assets used in its head office activities were transferred at book value to the Company's parent company, RTZ Pillar Limited. The Company continues to hold the investments in its subsidiary companies.

Directors

Mr. G.H. Sage (Chairman), Mr. J.R.D. Willans (Chief Executive), Mr. W.R.V. Archer and Mr. D. Edwards all served throughout the year.

Mr. D.E. Davey was appointed to the Board on the 2nd January 1990. Mr. D. Brown was appointed to the Board on the 5th September 1990.

Mr. M.M. Freeman resigned from the Board on the 5th September, 1990.

The Company is not required to disclose details of the interest of Messrs Sage, Willans, Edwards, Davey, and Brown in shares, share options, loan stock or debentures of The RTZ Corporation PLC ("RTZ") or any of its subsidiaries as they are directors of a company of which the Company is a wholly-owned subsidiary. The other director had the following shareholdings of RTZ 10p Ordinary Shares:

	1990 31st December	1st January
Mr. W.R.V. Archer - beneficial interest	1,855	-
- non-beneficial interest as trustee	3,333	3,333

During the year Mr. W.R.V. Archer exercised 1,855 options to purchase RTZ 10p Ordinary Shares and was granted 1,633 of such options.

Tangible Fixed Assets

The movements in the Company's tangible fixed assets during the year are set out in note 7 to the accounts.

Auditors

A resolution to re-appoint Coopers & Lybrand Deloitte as the Company's auditors will be proposed at the Annual General Meeting.

By Order of the Board



W.R.V. Archer

(Secretary)

25th February, 1991.

PILLAR ENGINEERING LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the accounts on pages 4 to 12 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31 December 1990 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte

COOPERS & LYBRAND DELOITTE
Chartered Accountants

LONDON, 25th February, 1991.

PILLAR ENGINEERING LIMITED

**PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1990**

	Notes	1990	1989
		£'000	£'000
Income from investments in subsidiary companies		3,639	6,653
Other operating income		3,100	3,175
		<hr/>	<hr/>
		6,739	9,828
Administrative expenses		3,171	3,111
		<hr/>	<hr/>
Operating Profit	2	3,568	6,717
Interest receivable/(payable)	4	269	(1,726)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		3,837	4,991
Tax (charge)/credit on profit on ordinary activities	5	(154)	607
		<hr/>	<hr/>
Profit for the financial year		3,683	5,598
Dividends	6	2,800	5,000
		<hr/>	<hr/>
Retained profit for the year		883	598
Retained profit at beginning of year		5,840	5,242
		<hr/>	<hr/>
Retained profit at end of year		6,723	5,840
		<hr/>	<hr/>

The notes on pages 7 to 12 form part of these accounts.

Auditors' report is on page 3.

PILLAR ENGINEERING LIMITED

BALANCE SHEET 31 DECEMBER 1990

	Notes	1990 £'000	1989 £'000
FIXED ASSETS			
Tangible assets	7	149	216
Investments in subsidiary companies	8	57,900	48,202
		<hr/> 58,049	<hr/> 48,418
CURRENT ASSETS			
Debtors	9	36,300	45,726
Cash at bank and in hand		4,101	4,818
		<hr/> 40,401	<hr/> 50,544
CURRENT LIABILITIES			
Amounts falling due within one year:			
Creditors	10	20,223	20,304
Loan from parent company	10	18,100	18,100
Dividends payable		1,650	2,950
		<hr/> 39,973	<hr/> 41,354
NET CURRENT ASSETS		<hr/> 428	<hr/> 9,190
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 58,477	<hr/> 57,608
Deferred taxation	11	(10)	(24)
		<hr/> 58,467	<hr/> 57,584
CAPITAL AND RESERVES			
Called up share capital	12	50,000	50,000
Revaluation reserve		1,744	1,744
Profit and loss account		6,723	5,840
		<hr/> 58,467	<hr/> 57,584

J R D Willans

W R V Archer

(Directors)

25th February 1991

The notes on pages 7 to 12 form part of the accounts.
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PILLAR ENGINEERING LIMITED

**SOURCE AND APPLICATION OF FUNDS STATEMENT
YEAR ENDED 31 DECEMBER 1990**

	1990 £'000	1989 £'000
FUNDS GENERATED FROM OPERATIONS		
Profit on ordinary activities before taxation	3,837	4,991
Item not involving the movement of funds: Depreciation	73	99
	<u>3,910</u>	<u>5,090</u>
OTHER FUNDS GENERATED		
Sale of tangible fixed assets	9	-
Taxation received	1,059	102
	<u>4,978</u>	<u>5,192</u>
FUNDS APPLIED		
(Decrease)/Increase in working capital		
Debtors	(8,370)	(676)
Creditors	252	(14,665)
	<u>(8,118)</u>	<u>(15,341)</u>
Additions to tangible fixed assets	15	146
Investment in subsidiaries	9,698	3,332
Dividends paid	4,100	10,100
	<u>5,695</u>	<u>(1,763)</u>
(DEFICIT)/EXCESS OF FUNDS GENERATED OVER FUNDS APPLIED	<u>(717)</u>	<u>6,955</u>
(REDUCTION)/INCREASE IN NET LIQUID FUNDS		
Cash balances	<u>(717)</u>	<u>6,955</u>

Auditors' report is on page 3.

PILLAR ENGINEERING LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The Accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

a) Depreciation

Depreciation of tangible fixed assets is provided on a straight line basis by reference to the expected useful lives of the assets concerned which range from four to ten years.

b) Deferred Taxation

Deferred tax is provided using the liability method in respect of all timing differences to the extent that these are expected to reverse in the foreseeable future.

c) Investments in Subsidiaries

Investments in subsidiaries are stated at cost, except for investments owned in 1968 which are stated at Directors' valuation at that date.

2 OPERATING PROFIT

	1990 £'000	1989 £'000
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	73	99
Directors' emoluments for management, including pension contributions (see Note 3)	182	186
Auditors' remuneration	32	13

PILLAR ENGINEERING LIMITED

NOTES TO THE ACCOUNTS

3 DIRECTORS' EMOLUMENTS

	1990 £'000	1989 £'000
Directors' emoluments, excluding pension contributions:		
Emoluments of the Chairman	-	-
Emoluments of the highest paid director	81	84
The other directors received emoluments within the following ranges:	Nos.	Nos.
Nil - £5,000	4	2
£65,001 - £70,000	1	1

4 INTEREST

	1990 £'000	1989 £'000
Interest payable on:		
Sums wholly repayable within five years	(248)	
Bank overdraft	(4,452)	
Group loans	(4,484)	
	(4,484)	(4,700)
Interest receivable:		
Bank deposit	459	
Group deposits	4,294	2,974
	4,753	2,974
	269	(1,726)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1990 £'000	1989 £'000
Taxation (charge)/credit based on the taxable profit/(loss) of the year:		
United Kingdom Corporation Tax at 35%	(85)	-
Group relief receivable at 35%	-	641
Transfer from/(to) deferred taxation at 35% (1989 - 35%)	14	(22)
Underprovided in previous years	(83)	(12)
	(154)	607

PILLAR ENGINEERING LIMITED

NOTES TO THE ACCOUNTS

6 DIVIDENDS

	1990 £'000	1989 £'000
Interim paid	1,150	2,050
Final proposed	1,650	2,950
	<u>2,800</u>	<u>5,000</u>

7 TANGIBLE FIXED ASSETS

	Plant and Equipment £'000
Cost	
At beginning of year	405
Additions	15
Disposals	(94)
	<u>326</u>
At end of year	
Depreciation	
At beginning of year	189
Depreciation for the year	73
Disposals	(85)
	<u>177</u>
At end of year	
Net book value at end of year	149
	<u>216</u>
Net book value at beginning of year	

8 INVESTMENTS

Investment in subsidiaries	£'000
At beginning of year	48,202
Additions	9,698
	<u>57,900</u>
At end of year	

Investment in subsidiaries that were owned in 1968 are stated at the Directors' valuation at that date, with subsequent additions stated at cost as follows:

PILLAR ENGINEERING LIMITED

NOTES TO THE ACCOUNTS

8 INVESTMENTS (continued)

	£'000
Valuation in 1968	2,012
Cost	55,888
	<hr/>
Cost or valuation at end of year	57,900
	<hr/>

If these revaluations had not taken place, the comparable value of the investment in subsidiaries would have been £56,156,000.

Information relating to the principal subsidiaries is set out on page 12.

9 DEBTORS

	1990 £'000	1989 £'000
Amounts owed by subsidiary companies	35,600	43,668
Other debtors	646	885
Prepayments and accrued income	54	117
Group relief receivable	-	1,056
	<hr/>	<hr/>
	36,300	45,726
	<hr/>	<hr/>

Amounts owed to the company by subsidiary companies include dividends receivable of £3,639,000 (1989 £6,983,000) and loans bearing interest at market rates.

10 CREDITORS

	1990 £'000	1989 £'000
Amounts owed to the company's subsidiaries	16,336	15,515
Amounts owed to the company's holding company and fellow subsidiaries	3,176	4,111
Other creditors including social security	485	488
Accruals	55	190
Taxation payable	171	-
	<hr/>	<hr/>
	20,223	20,304
	<hr/>	<hr/>
Loan from parent company	18,100	18,100
	<hr/>	<hr/>

Amounts owed by the company to subsidiary companies comprise interest free and interest bearing loans at market rates of interest.

The loan from parent company bears interest at market rates.

PILLAR ENGINEERING LIMITED

NOTES TO THE ACCOUNTS

11 DEFERRED TAXATION

The movement on the provision for deferred taxation during the year was as follows:

	£'000
Provision at beginning of year	24
Transfer to current taxation	(14)
	<hr/>
Provision at end of year	10
	<hr/>

12 SHARE CAPITAL

	1990 £'000	1989 £'000
Authorised, allotted, called up and fully paid: 500,000,000 Ordinary shares of 10p each	50,000	50,000
	<hr/>	<hr/>

13 CONTINGENT LIABILITY

Under a group banking arrangement bank balances of £4,101,000 form part of offset arrangements, which could be used to settle the overdrafts of other companies within the group.

14 GROUP ACCOUNTS

The Company is itself a wholly owned subsidiary of another company incorporated in England and group accounts have not been prepared.

15 ULTIMATE HOLDING COMPANY

The RTZ Corporation PLC, incorporated in England, was the Company's ultimate holding company at 31st December 1990.

PILLAR ENGINEERING LIMITED

PRINCIPAL SUBSIDIARY COMPANIES AT 31ST DECEMBER 1990

Attewell-Mycroshims Limited	Manufacture of metal laminates and shims
Aviation Engineering & Maintenance Limited	Overhaul and repair of aircraft components
Eilay Enfield Tubes Limited	Non-ferrous tube manufacturing
Frank Parker & Co. Limited	Distribution of contractors' tools, protective clothing, and equipment
H+S Aviation Limited	Overhaul and repair of aero engines and components
John Lee (Sacks) Limited	Manufacture and merchanting of sacks and bags
MBS Distribution Limited	Distribution of industrial fastenings
Peak Engineering Company Limited	General precision engineering
Pillar Engineering Supplies Limited	Distribution of engineers' tools and equipment
Pneumatic Components Limited	Manufacture of garage equipment and motor accessories
Pressweld Limited	Manufacture of aluminium trim components
Protofram Limited	Distribution of engineers' hand tools
RTZ Metal Stockholders Limited	Metal stockholding
The Skipper Group Limited	Car and commercial vehicle distribution
Stedall (Vehicle Fittings) Limited	Distribution of commercial vehicle body fittings
A.G. Strachan & Co. Limited	Distribution of contractors' and engineer's tools, equipment and fastenings

These companies are all registered in England and wholly-owned.