

PILLAR ENGINEERING LIMITED
(Registered Number 228520)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1995



PILLAR ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

The Directors present their annual report together with the audited financial statements for the year ended 31 December 1995.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity is as a Holding Company. Its principal subsidiary companies and their activities are shown in note 3 to the accounts.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £1,828,000 (Year ended 31 December 1994, £Nil) which has been deducted from reserves. The Directors are unable to recommend payment of a final dividend, (1994, £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:

P J Hewett
S A Smith
S C Wheeler

None of the Directors held any beneficial interests in shares in the Company during the year.

The interests of the Directors in the issued Ordinary shares, Preference shares and Loan notes of Caradon plc, the ultimate parent undertaking, are as follows:

	<u>31 December, 1995</u>				<u>1 January, 1995</u>			
	Ordinary Shares	Options Over Ordinary Shares	Preference Shares	Loan Notes	Ordinary Shares	Options Over Ordinary Shares	Preference Shares	Loan Notes
	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>£</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>£</u>
S A Smith	-	57,459	-	-	-	23,460	-	-
S C Wheeler	104,563	154,322	150,939	5,534	100,149	94,107	150,939	12,534

The corresponding interests of P J Hewett who is also a director of Caradon plc, are disclosed in the financial statements of that company, being the ultimate parent undertaking, and are therefore not shown above.

PILLAR ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995 (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)
S C Wheeler	60,215	-
S A Smith	33,999	-

The options reported above have been granted under the rules of Caradon plc's Savings Related and Executive Share Option Schemes.

No Director was or is interested in any transaction, arrangement or agreement with the Company which was material during or at the end of the year.

The Company has continued to provide liability insurance for its Directors and officers as permitted by the Companies Act 1985.

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



K D RICHARDSON
SECRETARY

10 June 1996

PILLAR ENGINEERING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 1985 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 statements 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.

PILLAR ENGINEERING LIMITED

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
PILLAR ENGINEERING LIMITED**

We have audited the financial statements on pages 5 to 9 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 7.

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 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants and
Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

10 JUN 1996

PILLAR ENGINEERING LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995**

	Notes	1995 £'000	1994 £'000
Loss on disposal of business	2	(1,828)	—
OPERATING LOSS		(1,828)	-
Income from shares in subsidiary undertakings		2,576	-
Amounts written off investments	3	(2,576)	—
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,828)	-
Taxation on loss on ordinary activities		—	—
RETAINED LOSS FOR THE YEAR	7	<u>(1,828)</u>	<u>—</u>

The Company has no recognised gains or losses other than those passing through the profit and loss account. Furthermore, the historical cost loss is not materially different from the reported loss.

The notes on pages 7 to 9 form part of these financial statements.

PILLAR ENGINEERING LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1995

		1995		1994	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Investments	3		29,791		35,525
CURRENT ASSETS					
Debtors (amounts falling due within one year)	4	1,487		-	
Debtors (amounts falling due after more than one year)	4	20,901		22,130	
Cash at bank and in hand		—		—	2
NET CURRENT ASSETS			<u>22,388</u>		<u>22,132</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			52,179		57,657
CREDITORS (amounts falling due after more than one year)	5		(1,473)		(5,123)
			<u>50,706</u>		<u>52,534</u>
CAPITAL AND RESERVES					
Called up share capital	6		50,000		50,000
Revaluation reserve	7		1,744		1,744
Profit and loss account	7		(1,038)		790
SHAREHOLDERS' FUNDS	8		<u>50,706</u>		<u>52,534</u>

The notes on pages 7 to 9 form part of these financial statements.

These financial statements were approved by the Board of Directors on 10 June 1996.



S A SMITH
DIRECTOR

PILLAR ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

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

Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and in accordance with applicable accounting standards.

2. EXCEPTIONAL ITEM

During the year the Company sold its interest in the shares of AEM Limited for a net consideration of £1,486,000 incurring disposal costs of £157,000. This resulted in a loss on disposal of £1,828,000.

3. FIXED ASSET INVESTMENTS

Investments in subsidiaries

	£'000
Balance at 1 January 1995	35,525
Provision for reduction in carrying value of subsidiaries	(2,576)
Disposals	<u>(3,158)</u>
Balance at 31 December 1995	<u>29,791</u>

The interests in subsidiary companies that were owned at 31 October 1967 are stated at the directors' valuation as at that date, with subsequent additions at cost. If they had not been revalued, investments in subsidiaries would be £1,744,000 (1994 - £1,744,000) less than stated above.

Principal subsidiary undertakings are as follows:

Name of Company	Principal Activity
Attewell Ltd	Shims and gaskets
Caradon Ellay Enfield Ltd	Welded tube for radiators and heat exchangers
H&S Aviation Ltd	Overhaul of aero-engines
John Lee (Sacks) Ltd	Packaging materials
Caradon Peak Ltd	Precision machined components
Caradon PCL Ltd	Pneumatic equipment and motor accessories
Caradon Pressweld Ltd	Bright aluminium trim components
Pillar Merchanting Ltd	Holding Company

These companies are all registered in England and Wales and their ordinary shares are wholly owned with 100% voting rights.

PILLAR ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FIXED ASSET INVESTMENTS (CONTINUED)

In the opinion of the Directors the aggregate value of the Company's investment in and advances to its subsidiary undertakings is not less than the aggregate amount at which they are stated in the balance sheet.

The Company is a wholly owned subsidiary of Caradon Pillar Limited, a company registered in England and Wales, thus under Section 228 of the Companies Act 1985 is exempt from producing group financial statements.

4. DEBTORS

	1995	1994
	£'000	£'000
Amounts owed by ultimate parent undertaking and fellow subsidiary undertakings	20,901	22,130
Other debtors	<u>1,487</u>	<u>-</u>
	<u>22,388</u>	<u>22,130</u>

Amounts owed by group undertakings are repayable after more than one year.

5. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1995	1994
	£'000	£'000
Amounts owed to ultimate parent undertaking and fellow subsidiary undertakings	<u>1,473</u>	<u>5,123</u>

Amounts owed are interest free with no specific terms of repayment.

6. SHARE CAPITAL

	1995	1994
	£'000	£'000
Authorised: 500,000,000 Ordinary Shares of 10p each	<u>50,000</u>	<u>50,000</u>
Allotted, issued and fully paid: 500,000,000 Ordinary Shares of 10p each	<u>50,000</u>	<u>50,000</u>

PILLAR ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. RESERVES

	Revaluation Reserve	Profit & Loss Account
	£'000	£'000
Balance at 1 January 1995	1,744	790
Loss for the year	—	(1,828)
Balance at 31 December	<u>1,744</u>	<u>(1,038)</u>

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995	1994
	£'000	£'000
Loss for the Financial year	(1,828)	—
Net reduction in shareholders' funds	(1,828)	—
Opening shareholders' funds	<u>52,534</u>	<u>52,534</u>
Closing shareholders' funds	<u>50,706</u>	<u>52,534</u>

9. CASH FLOW STATEMENT

A consolidated cash flow statement has been included in the financial statements of the parent company which include the accounts of Pillar Engineering Limited.

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

10. 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 Groups' overdraft facilities.

11. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Caradon plc a company registered in England and Wales. 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 The Secretary, Caradon plc, Caradon House, 24 Queens Road, Weybridge, Surrey, KT13 9UX.