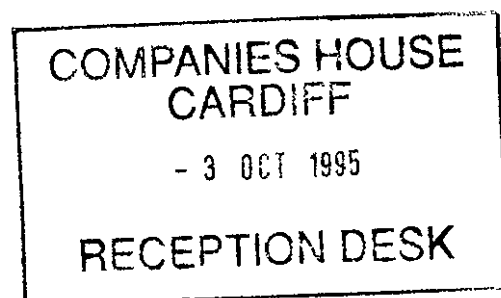
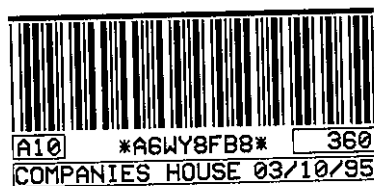


PILLAR MERCHANTING LIMITED
(Registered Number 656739)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1994



PILLAR MERCHANTING LIMITED

DIRECTORS' REPORT 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 is as a Holding Company. The Company's principal subsidiary companies are shown in note 6 to the accounts.

During the year the Company sold its investment in Pillar Engineering Supplies Ltd and Alban Factors Ltd for a total consideration of £2,600,000, disposal costs of £61,000 were incurred. The net loss arising on these disposals was £1,215,000.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £679,000 (Year ended 31 December 1993, profit: £4,962,000). It is recommended that this amount be dealt with as follows:

	1994	1993
	£'000	£'000
Ordinary dividends - interim paid	-	8,188
Retained Loss deducted from reserves	<u>(679)</u>	<u>(3,226)</u>
	<u>(679)</u>	<u>4,962</u>

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 Jansen	(Resigned 29.12.94)
D C Cohen	(Resigned 29.12.94)
P J Hewett	
S A Smith	
S C Wheeler	(Appointed 29.12.94)

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 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			
	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	-	23,460	-	-	-	-	-	-
S C Wheeler	100,137	94,107	150,939	12,534	97,175	57,450	150,939	19,534

PILLAR MERCHANTING LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND DIRECTORS' INTERESTS (CONTINUED)

The interests of P J Hewett in the issued share capital Preference shares and loan notes of Caradon plc are disclosed in the financial statements of Caradon plc, the ultimate parent undertaking.

The corresponding interests of P J Hewett who is 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.

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> <u>(No of shares)</u>	<u>Options Exercised</u> <u>(No of shares)</u>
S A Smith	23,460	-
S C Wheeler	36,657	-

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

Options under the Savings Related Share Option Schemes are normally exercisable between 1994 and 2001 at prices ranging between 148p and 290p per share.

Options under the Executive Share Option Schemes are normally exercisable between three and ten years from the date of grant at prices ranging between 79p and 341p per share.

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

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

28 April 1995

PILLAR MERCHANTING 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 MERCHANTING LIMITED

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

We have audited the financial statements on pages 5 to 10 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 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

28 April 1995

PILLAR MERCHANTING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

	<u>Notes</u>	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
Administrative expenses		—	(326)
Operating loss	2	-	(326)
Income from shares in subsidiary undertaking		536	5,288
Loss on disposal of business	4	(1,215)	—
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(679)	4,962
Tax on profit on ordinary activities		—	—
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(679)	4,962
Dividends	5	—	(8,188)
RETAINED LOSS FOR THE YEAR	10	(679)	(3,226)

Movement on reserves is disclosed in note 10.

The notes on pages 7 to 10 form part of these financial statements.

The Company has had no recognised gains or losses other than those passing through the profit and loss account.

PILLAR MERCHANTING LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1994

		<u>1994</u>	<u>1993</u>
	<u>Notes</u>	<u>£'000</u>	<u>£'000</u>
FIXED ASSETS			
Investments	6	7,988	11,742
CURRENT ASSETS			
Cash at bank and in hand		-	1
Debtors	7	2,600	-
CREDITORS (amounts falling due within one year)	8	<u>(4,688)</u>	<u>(5,164)</u>
NET CURRENT LIABILITIES		<u>(2,088)</u>	<u>(5,163)</u>
		<u>5,900</u>	<u>6,579</u>
CAPITAL AND RESERVES			
Called up share capital	9	6,800	6,800
Profit and loss account	10	<u>(900)</u>	<u>(221)</u>
		<u>5,900</u>	<u>6,579</u>

The notes on pages 7 to 10 form part of these financial statements.

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



S A SMITH
DIRECTOR

PILLAR MERCHANTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The accounts 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:

Basis of Accounting

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

2. OPERATING LOSS

Operating loss is stated after charging:

	<u>1994</u> <u>£'000</u>	<u>1993</u> <u>£'000</u>
Amounts written off investments	<u>—</u>	<u>327</u>

3. DIRECTORS' EMOLUMENTS

Directors' emoluments (including pension contributions) amounted to £Nil (1993: £Nil).

4. EXCEPTIONAL ITEM

During the year the company sold its investment in Pillar Engineering Supplies Ltd and Alban Factors Ltd making losses of £679,000 and £536,000 respectively.

5. DIVIDENDS PAID AND PAYABLE

	<u>Year ended</u> <u>31 December 1994</u> <u>£'000</u>	<u>Year ended</u> <u>31 December 1993</u> <u>£'000</u>
Interim dividend paid	<u>—</u>	<u>8,188</u>

6. FIXED ASSET INVESTMENTS

	Investments in subsidiaries £'000
1 January 1994	11,742
Sold during the year	<u>(3,754)</u>
31 December 1994	<u>7,988</u>

PILLAR MERCHANTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FIXED ASSET INVESTMENTS (CONTINUED)

Details of the principal subsidiary undertakings in which the company holds investments are as follows:

Name	Country of registration	Description of shares held	Proportion of voting rights %
Frank Parker & Co Limited	England and Wales	Ordinary	100
MBS Distribution Limited	England and Wales	Ordinary	100
Pillar Socket Screws Limited	England and Wales	Ordinary	100
Protofram Limited	England and Wales	Ordinary	100
Stedall (Vehicle Fittings) Limited	England and Wales	Ordinary	100
Strachan & Co Limited (AG)	England and Wales	Ordinary	100

During the year the Company sold its investments in Pillar Engineering Supplies and Alban Factors Ltd for a total consideration of £2,600,000, disposal costs of £61,000 were incurred. The net loss arising on these disposals was £1,215,000.

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 Pillar Engineering Limited, a company registered in England & Wales, thus under Section 228 of the Companies Act 1985 is exempt from producing group financial statements.

7. DEBTORS

	<u>31 December 1994</u>	<u>31 December 1993</u>
	<u>£'000</u>	<u>£'000</u>
Amounts owed by ultimate parent undertaking and fellow subsidiary undertakings	<u>2,600</u>	<u>—</u>
	<u>2,600</u>	<u>—</u>

PILLAR MERCHANTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 December 1994</u>	<u>31 December 1993</u>
	<u>£'000</u>	<u>£'000</u>
Amounts owed to subsidiary undertakings	-	1,134
Amounts owed to ultimate parent undertaking and fellow subsidiary undertakings	4,683	4,030
Other	<u>5</u>	<u>-</u>
	<u>4,688</u>	<u>5,164</u>

9. SHARE CAPITAL

	<u>31 December 1994</u>	<u>31 December 1993</u>
	<u>£'000</u>	<u>£'000</u>
Authorised: 6,800,000 Ordinary Shares of £1 each	<u>6,800</u>	<u>6,800</u>
Allotted, issued and fully paid: 6,800,000 Ordinary Shares of £1 each	<u>6,800</u>	<u>6,800</u>

10. RESERVES

	<u>Profit & Loss Account</u>
	<u>£'000</u>
Balance at 1 January 1994	(221)
Retained loss for the year	(679)
Balance at 31 December 1994	<u>(900)</u>

PILLAR MERCHANTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1994</u>	<u>1993</u>
	<u>£'000</u>	<u>£'000</u>
(Loss)/Profit for the financial year	(679)	4,962
Dividends	—	<u>(8,188)</u>
Net reduction in shareholder's funds	(679)	(3,226)
Opening shareholders' funds	<u>6,579</u>	<u>9,805</u>
Closing shareholder's funds	<u>5,900</u>	<u>6,579</u>

12. CASH FLOW STATEMENT

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

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

13. 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.

14. ULTIMATE PARENT UNDERTAKING

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