

DIRECTORS' REPORT AND ACCOUNTS

VECTOR MERCHANTING LIMITED

(Registered Number 656739)

31 December 1997



VECTOR MERCHANTING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The Directors present their annual report together with the audited accounts for the year ended 31 December 1997.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity is that of a holding company. The Company's principal subsidiary undertakings are shown in note 3 to the accounts.

RESULTS AND DIVIDENDS

The Company made neither a profit or loss during the year (1996: £80,598,000 profit). The directors do not propose the payment of a dividend (1996: £31,073,000).

DIRECTORS AND DIRECTORS' INTERESTS

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

A Fischer
I Fisher
A Fletcher
SA Smith

All Directors are also directors of the ultimate parent undertaking, Vector Industries Limited, and their interests in the share capital of that company are shown in the accounts of Vector Industries Limited.

VECTOR MERCHANTING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

DIRECTORS' RESPONSIBILITY STATEMENT

The Companies Act 1985 requires the Directors to prepare accounts 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 accounts, 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 accounts;
- prepare the accounts 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 accounts 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



SA Smith
DIRECTOR

15 April 1998

Registered Office

2B Sidings Court
Doncaster
DN4 5NU

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF VECTOR MERCHANTING LIMITED

We have audited the accounts on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 December 1997 and of its result 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

15 April 1998

VECTOR MERCHANTING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	£'000	<u>1996</u> <u>£'000</u>
Profit on disposal of subsidiaries	2	—	<u>64,604</u>
OPERATING PROFIT		-	64,604
Income from shares in subsidiary undertakings		—	<u>15,994</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	80,598
Taxation on profit on ordinary activities		—	—
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-	80,598
Dividend paid		—	<u>(31,073)</u>
RETAINED PROFIT FOR THE YEAR		-	<u>49,525</u>

The Company has no recognised gains or losses other than those shown in the profit and loss account.

VECTOR MERCHANTING LIMITED

BALANCE SHEET - 31 DECEMBER 1997

	<u>Notes</u>	£'000	<u>1996</u> <u>£'000</u>
FIXED ASSETS			
Investments	3	50,158	50,158
CURRENT ASSETS			
Debtors	4	<u>5,252</u>	<u>5,252</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		55,410	55,410
		<u>=====</u>	<u>=====</u>
CAPITAL AND RESERVES			
Called up share capital	5	6,800	6,800
Profit and loss account	6	<u>48,610</u>	<u>48,610</u>
SHAREHOLDERS' FUNDS	7	55,410	55,410
		<u>=====</u>	<u>=====</u>


 SA Smith
 DIRECTOR

APPROVED BY THE BOARD
 ON 15 APRIL 1998

VECTOR MERCHANTING LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

1 PRINCIPAL ACCOUNTING POLICIES

(1) Basis of accounting

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

(2) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provisions where in the opinion of the Directors there has been a permanent diminution in value.

2 PROFIT ON DISPOSAL OF SUBSIDIARIES

In 1996 the Company sold its investments in Caradon Parker Limited, AG Strachan Limited, MBS Distribution Limited, Pillar Socket Screws Limited, Protofram Limited and Steel Alloy Fastenings Limited, making a total profit of £64,604,000.

3 INVESTMENTS

Investment in
subsidiaries
£'000

Cost at 1 January 1997 and 31 December 1997

50,158

Details of the principal subsidiary undertakings in which the Company holds an indirect investment are as follows:

<u>Name</u>	<u>Country of registration</u>	<u>Activity</u>	<u>Type of shares held</u>	<u>Proportion of voting rights %</u>
Parker Merchanting Limited	England & Wales	Distribution	Ordinary	100
Stedall (Vehicle Fittings) Limited	England & Wales	Distribution	Ordinary	100

In the opinion of the Directors, the aggregate value of the Company's investment in 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 Vector Engineering & Aviation Limited, a company registered in England and Wales, and thus under Section 228 of the Companies Act 1985, is exempt from producing group accounts.

VECTOR MERCHANTING LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

4 DEBTORS

	<u>1997</u> £'000	<u>1996</u> £'000
Amounts owed by group undertakings	<u>5,252</u>	<u>5,252</u>

5 CALLED UP SHARE CAPITAL

	<u>1997</u> £'000	<u>1996</u> £'000
Authorised: 6,800,000 ordinary shares of £1 each	<u>6,800</u>	<u>6,800</u>
Allotted, called up and fully paid: 6,800,000 ordinary shares of £1 each	<u>6,800</u>	<u>6,800</u>

6 PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 1997 and 31 December 1997	<u>48,610</u>

7 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> £'000	<u>1996</u> £'000
Profit on ordinary activities after taxation	-	80,598
Dividends paid	-	(31,073)
Net increase in shareholders' funds	-	49,525
Opening shareholders' funds	<u>55,410</u>	<u>5,885</u>
Closing shareholders' funds	<u>55,410</u>	<u>55,410</u>

8 CONTINGENT LAIBILITIES

The Company has entered into an unlimited cross guarantee arrangement in respect of the borrowings of all companies in the Vector Industries Limited group. At 31 December 1997 the net borrowings of the group amounted to approximately £77 million (1996: £99 million)

The bank holds a debenture in respect of the Company incorporating a fixed and floating charge over all assets.

VECTOR MERCHANTING LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

9 ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The ultimate parent undertaking and controlling party is Vector Industries Limited, a company registered in England. The Vector Industries group is both the smallest and the largest group into which the Company's accounts are consolidated. Copies of the group accounts for the ultimate parent undertaking may be obtained from the following address:

The Secretary
Vector Industries Limited
2B Sidings Court
Doncaster
South Yorkshire
DN4 5NU

Transactions with other companies within the group are not disclosed as the Company has taken advantage of the exemption available under Financial Reporting Standard Number 8 "Related Party Disclosures", as the consolidated accounts of Vector Industries Limited in which the Company is included are available at the address noted above.