

DIRECTORS' REPORT AND ACCOUNTS

VECTOR MERCHANTING LIMITED
(formerly Pillar Merchanting Limited)
(Registered Number 656739)

31 December 1996



VECTOR MERCHANTING LIMITED
(formerly Pillar Merchanting Limited)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996

The Directors present their annual report together with the audited financial statements for the year ended 31 December 1996.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

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

On 19 December 1996, the Company changed its name from Pillar Merchanting Limited to Vector Merchanting Limited.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £80,598,000 (1995, loss: £15,000). During the year a dividend of £31,073,000 was paid.

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 Fletcher	(Appointed 6 December 1996)
A Fischer	(Appointed 6 December 1996)
I Fisher	(Appointed 6 December 1996)
PJ Hewett	(Resigned 6 December 1996)
SC Wheeler	(Resigned 6 December 1996)
SA Smith	

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

A Fletcher, A Fischer, I Fisher and SA Smith 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.

No other director had any interest in the share capital of Vector Industries Limited throughout the year.

VECTOR MERCHANTING LIMITED
(formerly Pillar Merchanting Limited)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996
(CONTINUED)

DIRECTORS' STATEMENT OF RESPONSIBILITY

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.

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

10 April 1997

Registered Office

Carr Hill
Doncaster
DN4 8DQ

Price Waterhouse



**AUDITORS' REPORT TO THE SHAREHOLDERS OF
VECTOR MERCHANTING LIMITED
(formerly Pillar Merchanting Limited)**

We have audited the accounts on pages 4 to 9 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 1996 and of its profit 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

10 April 1997

9 Bond Court
Leeds
LS1 2SN

VECTOR MERCHANTING LIMITED
(formerly Pillar Merchanting Limited)

**PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31 DECEMBER 1996**

	<u>Notes</u>	<u>£'000</u>	<u>1995</u> <u>£'000</u>
Profit on disposal of subsidiaries	2	64,604	-
Other operating costs		—	(15)
OPERATING PROFIT/(LOSS)		64,604	(15)
Income from shares in subsidiary undertakings		<u>15,994</u>	—
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		80,598	(15)
Taxation on profit/(loss) on ordinary activities		—	—
PROFIT/LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		80,598	(15)
Dividend paid		<u>(31,073)</u>	—
RETAINED PROFIT/(LOSS) FOR THE YEAR	8	<u>49,525</u>	<u>(15)</u>

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

VECTOR MERCHANTING LIMITED
(formerly Pillar Merchanting Limited)

BALANCE SHEET - 31 DECEMBER 1996

	<u>Notes</u>	£'000	£'000	<u>1995</u> £'000
FIXED ASSETS				
Investments	3		50,158	7,483
CURRENT ASSETS				
Debtors	4	5,252		2,600
CREDITORS (amounts falling due within one year)	5	-		(60)
NET CURRENT ASSETS			<u>5,252</u>	<u>2,540</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			55,410	10,023
CREDITORS (amounts falling due after more than one year)	6		-	(4,138)
			<u>55,410</u>	<u>5,885</u>
CAPITAL AND RESERVES				
Called up share capital	7		6,800	6,800
Profit and loss account	8		<u>48,610</u>	<u>(915)</u>
SHAREHOLDERS' FUNDS	9		<u>55,410</u>	<u>5,885</u>



SA Smith
DIRECTOR

APPROVED BY THE BOARD
ON 10 APRIL 1997

VECTOR MERCHANTING LIMITED
(formerly Pillar Merchanting Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996

1 PRINCIPAL ACCOUNTING POLICIES

(1) Basis of accounting

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

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 FIXED ASSET INVESTMENTS

	<u>Investment in subsidiaries</u> £'000
Balance at 1 January 1996	7,483
Disposals during the year	(7,325)
Additions during the year	<u>50,000</u>
Balance at 31 December 1996	<u>50,158</u>

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

<u>Name</u>	<u>Country of registration</u>	<u>Activities</u>	<u>Description 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. Thus, under Section 228 of the Companies Act 1985, is exempt from producing group financial statements.

VECTOR MERCHANTING LIMITED
(formerly Pillar Merchanting Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996

4 DEBTORS

	<u>1996</u> £'000	<u>1995</u> £'000
Amounts owed by ultimate parent undertaking	2,634	-
Amounts owed by fellow subsidiary undertakings	<u>2,619</u>	<u>2,600</u>
	5,253	2,600
	<u> </u>	<u> </u>

5 CREDITORS (amounts falling due within one year)

	<u>1996</u> £'000	<u>1995</u> £'000
Amounts owed to ultimate parent undertaking	<u>Nil</u>	<u>60</u>

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

	<u>1996</u> £'000	<u>1995</u> £'000
Amounts owed to ultimate parent undertaking and fellow subsidiary undertakings	-	4,045
Amounts owed to subsidiary undertakings	<u>-</u>	<u>93</u>
	-	4,138
	<u> </u>	<u> </u>

7 SHARE CAPITAL

	<u>1996</u> £'000	<u>1995</u> £'000
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>

VECTOR MERCHANTING LIMITED
(formerly Pillar Merchanting Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996

8 RESERVES

	Profit & <u>loss account</u> £'000
Balance at 1 January 1996	(915)
Retained profit for the year	<u>49,525</u>
Balance at 31 December 1996	<u>48,610</u>

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUND

	<u>1996</u> £'000	<u>1995</u> £'000
Profit/(loss) for the financial year	80,598	(15)
Dividends	<u>(31,073)</u>	<u>-</u>
Net increase/(reduction) in shareholders' funds	49,525	(15)
Opening shareholders' funds	<u>5,885</u>	<u>5,900</u>
Closing shareholders' funds	<u>55,410</u>	<u>5,885</u>

10 CASHFLOW STATEMENT

A consolidated cash flow statement has been included in the financial statements of the parent company which include the accounts of Vector Merchanting Limited (formerly Pillar Merchanting Limited).

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

11 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 1996 the net borrowings of the group amounted to approximately £99 million.

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

VECTOR MERCHANTING LIMITED
(formerly Pillar Merchanting Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996

12 ULTIMATE PARENT UNDERTAKING

On 10 December 1996, the ultimate parent undertaking became 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.