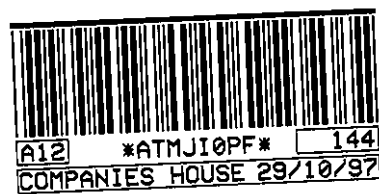


DIRECTORS' REPORT AND ACCOUNTS

VECTOR BUILDING PRODUCTS LIMITED
(formerly Pillar Building Products Limited)
(Registered Number 758609)

31 December 1996



VECTOR BUILDING PRODUCTS LIMITED
(formerly Pillar Building Products 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 subsidiaries are shown in note 6 to the financial statements.

On 18 December 1996, the Company changed its' name from Pillar Building Products Limited to Vector Building Products Limited.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £110,648,000 (1995: profit: £491,000). A dividend of £108,126,000 was paid during the year, with £2,522,000 being added to reserves.

DIRECTORS AND DIRECTORS' INTERESTS

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

CK Bhowmik	(Resigned 6 December 1996)
D Burningham	(Resigned 6 December 1996)
A Fletcher	(Appointed 6 December 1996)
A Fischer	(Appointed 6 December 1996)
I Fisher	(Appointed 6 December 1996)
AE Holland	(Resigned 6 December 1996)
S Smith	(Appointed 11 April 1997)

A Fletcher, A Fischer, I Fisher and S 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 BUILDING PRODUCTS LIMITED
(formerly Pillar Building Products Limited)

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 1985 requires the Directors to prepare financial statements for each financial year which give 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:

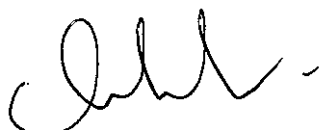
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare 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



A Fischer
DIRECTOR

10 April 1997

Registered Office
Carr Hill
Doncaster
DN4 8DQ

Price Waterhouse



**AUDITORS' REPORT TO THE SHAREHOLDERS OF
VECTOR BUILDING PRODUCTS LIMITED
(formerly Pillar Building Products Limited)**

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with 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 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 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

VECTOR BUILDING PRODUCTS LIMITED
(formerly Pillar Building Products Limited)

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

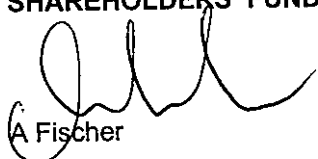
	<u>Notes</u>	<u>£'000</u>	<u>1995</u> <u>£'000</u>
Administrative expenses		(18)	-
Profit on disposal of subsidiaries	2	<u>101,272</u>	<u>-</u>
OPERATING PROFIT		101,254	-
Income from shares in subsidiary undertakings	3	<u>9,394</u>	<u>488</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		110,648	488
Taxation on profit on ordinary activities		<u>-</u>	<u>3</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		110,648	491
Dividends	5	<u>(108,126)</u>	<u>-</u>
RETAINED PROFIT FOR THE YEAR	12	<u>2,522</u>	<u>491</u>

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

VECTOR BUILDING PRODUCTS LIMITED
(formerly Pillar Building Products Limited)

BALANCE SHEET - 31 DECEMBER 1996

	<u>Notes</u>	£'000	£'000	<u>1995</u> £'000
FIXED ASSETS				
Investments	6		2,960	24,052
CURRENT ASSETS				
Debtors (amounts falling due within one year)	7	-		100
Debtors (amounts falling due after more than one year)	7	44,276		20,795
Cash at bank		<u>250</u>		<u>-</u>
		44,526		20,895
CREDITORS (amounts falling due after less than one year)	8	<u>(2,750)</u>		<u>(2,733)</u>
NET CURRENT ASSETS			<u>41,776</u>	<u>18,162</u>
			44,736	42,214
CAPITAL AND RESERVES				
Called up share capital	9		39,000	39,000
Share premium account	10		478	478
Revaluation reserve	10		238	238
Profit and loss account	10		<u>5,020</u>	<u>2,498</u>
SHAREHOLDERS' FUNDS	11		<u>44,736</u>	<u>42,214</u>


A Fischer

DIRECTOR

APPROVED BY THE BOARD
ON 10 APRIL 1997

VECTOR BUILDING PRODUCTS LIMITED
(formerly Pillar Building Products Limited)

NOTES TO THE ACCOUNTS - 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

During the year, the company disposed of its' interests in Duraflex Limited, Acorn Estalink, Leyland Joinery Limited, Metals South Limited, Catnic Limited, Holstran Limited and Pillar Wedge Limited, at a combined profit of £101 million.

3 DIRECTORS' EMOLUMENTS

Directors' emoluments (including pension contributions) amounted to £Nil (1995 £Nil).

4 TAXATION

	<u>1996</u> £'000	<u>1995</u> £'000
UK Corporation Tax at 33% (1995 33%)		
- Over provision in prior year	-	(3)
	=	=

VECTOR BUILDING PRODUCTS LIMITED
(formerly Pillar Building Products Limited)

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

5 DIVIDENDS

	<u>1996</u> £'000	<u>1995</u> £'000
Final dividend paid	<u>108,126</u>	<u>Nil</u>

6 FIXED ASSET INVESTMENTS

Shares in subsidiary undertakings:

	£'000
At 1 January 1996	24,052
Disposals	<u>(21,092)</u>
At 31 December 1996	<u>2,960</u>

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 subsidiary companies primarily manufacture products for the residential, commercial and industrial building materials markets.

Details of the principal trading subsidiary undertakings, which are held via intermediate holding companies, are as follows:

<u>Name</u>	<u>Country of registration</u>	<u>Description of shares held</u>	<u>Proportion of voting shares</u> %
Air Diffusion Limited	England	Ordinary	100
Grada International Holdings NV	Belgium	Ordinary	100

VECTOR BUILDING PRODUCTS LIMITED
(formerly Pillar Building Products Limited)

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

7 DEBTORS

	<u>1996</u> £'000	<u>1995</u> £'000
Amounts owed by the ultimate parent undertaking	42,577	17,346
Amounts owed by fellow subsidiary undertakings	1,699	2,949
Other debtors	<u>-</u>	<u>100</u>
	<u>44,276</u>	<u>20,895</u>

The amounts owed by the ultimate parent undertaking and fellow subsidiary undertakings are due after more than one year.

8 CREDITORS (amounts falling due within one year)

	<u>1996</u> £'000	<u>1995</u> £'000
Amounts owed to immediate parent undertaking	132	-
Amounts owed to subsidiary undertakings	<u>2,618</u>	<u>2,733</u>
	<u>2,750</u>	<u>2,733</u>

The amounts owed are interest free with no specific terms of repayment.

VECTOR BUILDING PRODUCTS LIMITED
(formerly Pillar Building Products Limited)

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

9 SHARE CAPITAL

	<u>1996</u> £'000	<u>1995</u> £'000
Authorised:		
39,000,000 Ordinary shares of £1 each	<u>39,000</u>	<u>39,000</u>
Allotted, issued and fully paid:		
39,000,000 Ordinary shares of £1 each	<u>39,000</u>	<u>39,000</u>

10 RESERVES

	<u>Share premium account</u> £'000	<u>Revaluation reserve</u> £'000	<u>Profit and loss account</u> £'000
Balance at 1 January 1996	478	238	2,498
Retained profit for the year	—	—	<u>2,522</u>
Balance at 31 December 1996	<u>478</u>	<u>238</u>	<u>5,020</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1996</u> £'000	<u>1995</u> £'000
Profit for the financial year	110,648	491
Dividends	<u>(108,126)</u>	—
Net addition to shareholders' funds	2,522	491
Opening shareholders' funds	<u>42,214</u>	<u>41,723</u>
Closing shareholders' funds	<u>44,736</u>	<u>42,214</u>

12 CASH FLOW STATEMENT

A consolidated cash flow statement has been included in the financial statements of the parent company which include the financial statements of Vector Building Products Limited.

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

VECTOR BUILDING PRODUCTS LIMITED
(formerly Pillar Building Products Limited)

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (CONTINUED)

13 CONTINGENT LIABILITIES

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.

14 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.