

CARADON PILLAR EUROPE LIMITED
(Registered Number 814030)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1996



CARADON PILLAR EUROPE 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 Company did not trade during the year.

RESULTS AND DIVIDENDS

The profit for the year amounted to £17,282,000 (1995, £Nil). The Directors do not recommend payment of a final dividend (1995, £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:

C K Bhowmik

D Burningham (appointed 15 February 1996)

A E Holland (appointed 15 February 1996)

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

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

	<u>31 December 1996</u>				<u>1 January 1996 or date of appointment</u>			
	Ordinary Shares Number	Options over Ordinary Shares Number	Preference Shares Number	Loan Notes £	Ordinary Shares Number	Options over Ordinary Shares Number	Preference Shares Number	Loan Notes £
D Burningham	-	35,632	-	-	-	13,004	-	-
C K Bhowmik	2,801	52,401	-	-	615	37,235	-	-
A E Holland	15,778	85,382	-	-	14,481	50,534	-	-

CARADON PILLAR EUROPE LIMITED

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

The following options over the 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)
CK Bhowmik	17,348	2,182
D Burningham	22,628	-
A E Holland	35,720	872

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



C K BHOWMIK
SECRETARY

1 May 1997

CARADON PILLAR EUROPE 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.

CARADON PILLAR EUROPE LIMITED

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
CARADON PILLAR EUROPE LIMITED**

We have audited the financial statements on pages 5 to 8 which have been prepared under the historical cost convention 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 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
Southwark Towers
32 London Bridge Street
London SE1 9SY

1 May 1997

CARADON PILLAR EUROPE LIMITED

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

	1996	1995
Notes	£'000	£'000
Write back of long term intercompany creditor	<u>17,282</u>	<u>-</u>
Retained profit for the financial year	<u>17,282</u>	<u>-</u>

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

The notes on pages 7 and 8 form part of these financial statements.

CARADON PILLAR EUROPE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1996

		1996	1995
	Notes	£'000	£'000
DEBTORS (amounts falling due after more than one year)	2	13	13
CREDITORS (amounts falling due after more than one year)	3	—	(17,282)
NET ASSETS/(LIABILITIES)		<u>13</u>	<u>(17,269)</u>
CAPITAL AND RESERVES			
Called up share capital	4	-	-
Profit and loss account	5	<u>13</u>	<u>(17,269)</u>
SHAREHOLDERS' FUNDS	6	<u>13</u>	<u>(17,269)</u>

The notes on pages 7 and 8 form part of these financial statements.

These financial statements were approved by the Board of Directors on 1 May 1997.



C K BHOWMIK
DIRECTOR

CARADON PILLAR EUROPE 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:

a. Basis of Accounting

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

2. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996	1995
	£'000	£'000
Amounts owed by parent undertaking	<u>13</u>	<u>13</u>

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

	1996	1995
	£'000	£'000
Amounts owed to immediate parent undertaking	<u>-</u>	<u>17,282</u>

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

CARADON PILLAR EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SHARE CAPITAL

	1996	1995
	£	£
Authorised:		
100,000 Ordinary Shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid:		
2 Ordinary Shares of £1 each	<u>2</u>	<u>2</u>

5. RESERVES

	Profit & Loss Account
	£'000
Balance at 1 January 1996	(17,269)
Retained profit for the year	<u>17,282</u>
Balance at 31 December 1996	<u>13</u>

6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996	1995
	£	£
Profit for the financial year	17,282	-
Opening shareholders funds	<u>(17,269)</u>	<u>(17,269)</u>
Closing shareholders funds	<u>13</u>	<u>(17,269)</u>

7. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption provided by FRS8 not to disclose transactions with other Caradon Group Companies that qualify as related parties.

8. 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 The Secretary, Caradon plc, Caradon House, 24 Queens Road, Weybridge, Surrey, KT13 9UX.