

CARADON PILLAR LIMITED
(Formerly RTZ Pillar Limited)
(Registered Number 994043)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1993



CARADON PILLAR LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1993

The Directors present their annual report together with the audited financial statements for the year ended 31 December 1993.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

Caradon Pillar Limited is a wholly-owned subsidiary of Caradon plc and is a holding company for a diversified industrial group, serving markets which include construction, automotive and general engineering, aviation and defence.

The Group's operations are co-ordinated through the following operating groups.

The Pillar Building Products group comprises businesses supplying non-electrical products primarily to the construction markets in the United Kingdom and mainland Europe. Its activities include the fabrication and surface finishing of aluminium and steel and the manufacture and supply of aluminium, steel and plastic components for the construction industry, including the building and home improvement markets.

The Pillar Engineering group comprises the aviation support, automotive, general engineering and distribution interests in the United Kingdom. Activities include aero-engine and aircraft component overhaul, manufacture of products and precision components for aerospace, automotive and general industrial applications, motor vehicle distribution and distribution of products to the engineering and construction industries.

During the year the Company sold its investment in Pillar Electrical Holdings Ltd to Caradon plc.

CHANGE OF ULTIMATE PARENT UNDERTAKING

Consequent to the acquisition of RTZ Pillar Limited by Caradon plc (previously known as MB-Caradon plc), on 20 October 1993, the ultimate parent undertaking of the Company is Caradon plc with effect from that date.

CARADON PILLAR LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1993 (continued)

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £155.9m (Year ended 31 December 1992, profit: £9.3m). It is recommended that this amount be dealt with as follows:

	<u>1993</u> £'000	<u>1992</u> £'000
Ordinary dividends		
- interim paid	265,000	2,600
Retained (loss)/profit (deducted from)/		
transferred to reserves	(109,100)	6,700
	<u>155,900</u>	<u>9,300</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:

D C Cohen	(Appointed 20.10.93)	
P J Hewett	(Appointed 20.10.93)	
P J Jansen	(Appointed 20.10.93)	
I C Strachan	(Resigned 20.10.93)	
J W Ray	(Resigned 20.10.93)	
R Adams	(Resigned 20.10.93)	
D Brown	(Resigned 20.10.93)	
C R H Bull	(Resigned 20.10.93)	
J A Cooke	(Resigned 30.06.93)	
A K Davidson	(Appointed 01.04.93)	(Resigned 20.10.93)
M J Dowsett	(Appointed 01.04.93)	(Resigned 20.10.93)
E Race	(Appointed 01.04.93)	(Resigned 20.10.93)
G H Sage	(Resigned 31.03.93)	
B C Turner	(Resigned 20.10.93)	
J R D Willans	(Resigned 20.10.93)	
D Wolstenholme	(Resigned 20.10.93)	

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

None of the other Directors held any beneficial interests in shares in the Company or any other group company during the year.

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.

CARADON PILLAR LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1993 (continued)

The Company has continued to provide liability insurance for its Directors and officers as permitted by the Companies Act 1985.

FIXED ASSETS

Information relating to the tangible fixed assets of the Company is given in note 9.

AUDITORS

During the year, Coopers & Lybrand resigned as auditors and the Directors appointed Price Waterhouse to replace them. 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

31 May 1994

CARADON PILLAR 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 presume that the Company will continue in business.

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 LIMITED

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

We have audited the financial statements on pages 6 to 17 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 pages 9 and 10.

Respective Responsibilities of Directors and Auditors

As described on page 4 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 1993 and of its profit and cash flows 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

31 May 1994

CARADON PILLAR LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1993**

	Notes	1993 £'m	1992 £'m
TURNOVER			
Continuing activities		<u>-</u>	<u>11.1</u>
Administrative expenses		(6.9)	(15.9)
Other operating income		<u>12.0</u>	<u>-</u>
OPERATING PROFIT/(LOSS)			
Continuing activities	3	5.1	(4.8)
Income from shares in subsidiary undertakings		151.2	14.2
Net interest	6	<u>1.7</u>	<u>0.5</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		158.0	9.9
Taxation on profit on ordinary activities	7	<u>(2.1)</u>	<u>(0.6)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		155.9	9.3
Dividends	8	<u>(265.0)</u>	<u>(2.6)</u>
RETAINED (LOSS)/PROFIT FOR THE YEAR	14	<u>(109.1)</u>	<u>6.7</u>

Movement on reserves is disclosed in note 14.

The notes on pages 9 to 17 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.

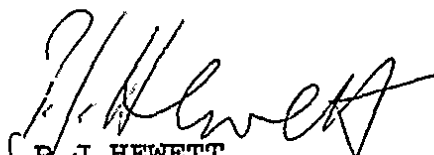
CARADON PILLAR LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1993

			<u>1993</u>		<u>1992</u>
	<u>Notes</u>	£'m	£'m	£'m	£'m
FIXED ASSETS					
Tangible assets	9	0.3		1.0	
Investments	10	<u>133.4</u>	133.7	<u>398.7</u>	399.7
CURRENT ASSETS					
Debtors	11	291.5		171.1	
Cash at bank and in hand		<u>5.1</u>		-	
		296.6		<u>171.1</u>	
CREDITORS (amounts falling due within one year)	12	<u>(103.3)</u>		<u>(134.6)</u>	
NET CURRENT ASSETS			<u>193.4</u>		<u>36.5</u>
			<u>327.1</u>		<u>436.2</u>
CAPITAL AND RESERVES					
Called up share capital	13		320.0		320.0
Profit and loss account	14		<u>7.1</u>		<u>116.2</u>
			<u>327.1</u>		<u>436.2</u>

The notes on pages 9 to 17 form part of these financial statements.

These financial statements were approved by the Board of Directors on 31 May 1994.


P. J. HEWETT
DIRECTOR

CARADON PILLAR LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1993

	<u>1993</u>	<u>1992</u>
	£'m	£'m
Net cash outflow from operating activities (Note 18)	(135.9)	(7.3)
Returns on investments and servicing of finance		
Interest received	1.7	0.5
Dividends received	151.2	14.2
Dividends paid	<u>(265.0)</u>	<u>(2.6)</u>
Net cash (outflow)/inflow from returns on investments and servicing of finance	(112.1)	12.1
Taxation		
Corporation tax paid	(1.8)	(0.2)
Investing activities		
Purchase of tangible fixed assets	(0.3)	(0.2)
Sale of tangible fixed assets	0.5	0.2
Divestment of subsidiary undertakings	<u>265.3</u>	<u>-</u>
Net cash inflow from investing activities	<u>265.5</u>	<u>-</u>
Increase in cash and cash equivalents (Note 18)	<u>15.7</u>	<u>4.6</u>

The notes to the cash flow statement are shown in note 18 of the notes to the financial statements.

CARADON PILLAR 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:

(a) Basis of Accounting

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

(b) Turnover

Turnover represents the invoiced value of sales made to third parties, net of Value Added Tax, and in 1992 included recharges to group companies.

(c) Depreciation and Amortisation

Tangible fixed assets are stated at cost. Short leasehold properties are amortised over the life of the lease.

For all other assets, depreciation is provided to write off the book amount of those assets over their expected useful lives at the following rates per annum:

Leasehold improvements	over the life of the lease
Plant, machinery and tools	15-25%

(d) Leases and Hire Purchase Contracts

Rentals under operating leases are charged to the profit and loss account, as incurred, over the term of the lease.

CARADON PILLAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(e) Foreign Currencies

Trading items are translated into sterling at average rates of exchange for the relevant accounting period. Balance sheet items in foreign currencies are translated into sterling at mid-market rates of exchange at the balance sheet date. All foreign currency gains and losses are taken to the profit and loss account.

(f) Pensions

The retirement benefit obligations of the Company are financed by contributions to separate funds, which are subject to actuarial valuations every three years.

Pension costs in respect of employees who are members of the Caradon Group's Pension Schemes are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the Schemes.

2. TURNOVER

The source of all turnover of the Company is within the United Kingdom and is derived from the Company's principal activities.

CARADON PILLAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. OPERATING PROFIT

Operating profit is stated after the following:

	Year ended 31 December 1993 £'000	Year ended 31 December 1992 £'000
Auditors remuneration:		
- audit	154	131
- other services	222	301
Depreciation charge for the year		
- tangible fixed assets	426	549
Rentals payable under operating leases:		
- land and buildings	819	987
- plant and machinery	72	30
(Profit)/loss on sale of fixed assets	(11)	27
Exceptional items		
- continuing operations	-	5,476

The exceptional charge, 1993 (£Nil) 1992 (£5,476,000), comprised provisions against investments in and loans to subsidiaries.

4. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (including Directors) during the year was 51 (1992:72).

The aggregate payroll cost of these persons was:

	£'000	£'000
Wages and salaries	3,749	3,123
Social security costs	-	334
Other pension costs (Note 16)	103	350
	<u>3,852</u>	<u>3,807</u>

CARADON PILLAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. EMOLUMENTS OF DIRECTORS

- (a) The aggregate remuneration (including pension contributions) of the Directors paid by the Company was:

	Year ended 31 December 1993 £'000	Year ended 31 December 1992 £'000
Remuneration	725	876
Compensation for loss of office	<u>528</u>	<u>-</u>
	<u>1,253</u>	<u>876</u>

- (b) Emoluments (excluding pension contributions) of the Directors were:

	Number	Number
i. Chairman	-	-
ii. The highest paid Director	164	183
£ 0 - £ 5,000	9	4
£ 40,001 - £ 45,000	1	1
£ 55,001 - £ 60,000	2	1
£100,001 - £105,000	1	1
£120,001 - £125,000	1	1
£140,001 - £145,000	1	-
£160,001 - £165,000	1	-

6. NET INTEREST

	Year ended 31 December 1993 £'m	Year ended 31 December 1992 £'m
Intercompany interest (receivable)/ payable on long term loans	(1.2)	3.6
Interest (receivable)/payable on loans repayable within 5 years	(0.5)	1.1
Interest receivable	<u>-</u>	<u>(5.2)</u>
	<u>(1.7)</u>	<u>(0.5)</u>

7. TAXATION

	Year ended 31 December 1993 £'m	Year ended 31 December 1992 £'m
Taxation on the profit for the year		
United Kingdom Corporation Tax: at 33.0% (1992:33.0%)	<u>2.1</u>	<u>0.6</u>
	<u>2.1</u>	<u>0.6</u>

CARADON PILLAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. DIVIDENDS PAID AND PAYABLE

	Year ended 31 December 1993 £'m	Year ended 31 December 1992 £'m
Interim dividend paid	<u>265.0</u>	<u>2.6</u>

9. TANGIBLE FIXED ASSETS

	Short leasehold £'m	Plant, machinery and tools £'m	Total £'m
Cost			
At 1 January 1993	0.9	1.6	2.5
Additions	-	0.3	0.3
Disposals	(0.9)	(0.9)	(1.8)
At 31 December 1993	<u>-</u>	<u>1.0</u>	<u>1.0</u>
Depreciation:			
At 1 January 1993	0.6	0.9	1.5
Charge for the year	0.2	0.3	0.5
Disposals	(0.8)	(0.5)	(1.3)
At 31 December 1993	<u>-</u>	<u>0.7</u>	<u>0.7</u>
Net book value:			
At 31 December 1993	<u>-</u>	<u>0.3</u>	<u>0.3</u>
At 31 December 1992	<u>0.3</u>	<u>0.7</u>	<u>1.0</u>

10. FIXED ASSET INVESTMENTS

	£'000
1 January 1993	
Cost/valuation less amounts written-off	398,674
Acquisitions	10
Disposals	(265,282)
31 December 1993	<u>133,402</u>

CARADON PILLAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FIXED ASSET INVESTMENTS (CONTINUED)

Principal subsidiary undertakings are as follows:

Name	Activity
<u>Caradon Industries Limited</u>	Holding company
Caradon Pillar Europe Limited	Investment holding company
Rallip Properties Limited	Property leasing
<u>Pillar Building Products Limited</u>	Holding company
Air Diffusion Devices Limited	Ventilation terminal equipment
Architectural Seals Limited	Draught exclusion products
Catnic Limited	Steel lintels and domestic garage doors
Duraflex Limited	UPVC and aluminium window, door and roofing systems
Estabelecimentos Manuel Ferreira Lda, (Portugal)	Aluminium systems and finishing
Frederick Jones & Son (Oswestry) Limited	Steel lintels and covers for non-residential construction market
Grada International Holding NV (Belgium)	Air terminal devices
Pillar Naco Industries (Europe) Srl (Italy)	Louvre window products and sunbreakers
Pillar Portuguesa (Aluminio) Portalex, SA (Portugal)	Aluminium extrusions
Pillar-Wedge Group Limited	Hot zinc galvanising
Samson Lintels Limited	Steel lintels
Streamline Building Products Ltd	Glass fibre reinforced gypsum panels
Tecnilaca-Lacagem de Metais, Lda (Portugal)	Aluminium finishing
<u>Pillar Engineering Limited</u>	Holding company
AEM Limited	Overhaul of aircraft components
Attewell Limited	Shims and gaskets
EET Limited	Welded tube for radiators and heat exchangers
Frank Parker & Co Limited	Distribution of contractors' supplies
H&S Aviation Limited	Overhaul of aero-engines
John Lee (Sacks) Limited	Packaging materials
MBS Distribution Limited	Distribution of fasteners
Peak Engineering Company Limited	Precision machined components
Pillar Engineering Supplies Ltd	Distribution of engineers' supplies
Pneumatic Components Limited	Pneumatic equipment and motor accessories
Pressweld Limited	Bright aluminium trim components
Protofram Limited	Distribution of high quality hand tools
Stedall (Vehicle Fittings) Ltd	Distribution of commercial vehicle fittings
AC Strachan & Company Limited	Distribution of contractors' and engineers' supplies

Disposal of Pillar Electrical Holdings Limited

Pillar Electrical Holdings Limited was sold during the year. There was no profit or loss attributable to the sale.

CARADON PILLAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Caradon Industries, Pillar Building Products Limited and Pillar Engineering Limited are immediate subsidiaries of the Company. The other companies are subsidiaries of one of these companies, as shown.

Except where otherwise indicated, subsidiaries are registered in England and Wales and wholly owned with corresponding voting rights. The existence of more than one class of share capital is indicated by an asterix.

The Company is a wholly owned subsidiary of Caradon plc, a company incorporated in Great Britain thus under Section 228 of the Companies Act 1985 is exempt from producing group financial statements.

11. DEBTORS

	<u>31 December 1993</u> £'m	<u>31 December 1992</u> £'m
Amounts owed by parent undertaking and fellow subsidiary undertakings	291.0	170.1
Other debtors	<u>0.5</u>	<u>1.0</u>
	<u>291.5</u>	<u>171.1</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 December 1993</u> £'m	<u>31 December 1992</u> £'m
Bank overdraft	0.2	10.8
Amounts owed to and fellow subsidiary undertakings	99.0	120.3
Other creditors	0.5	2.9
Corporation Tax	0.9	0.6
Social security and other taxes	1.9	-
Accruals and deferred income	<u>0.7</u>	<u>-</u>
	<u>103.3</u>	<u>134.6</u>

13. SHARE CAPITAL

	<u>31 December 1993</u> £'m	<u>31 December 1992</u> £'m
Authorised: 320,000,000 Ordinary shares of £1 each	<u>320</u>	<u>320</u>
Allotted, issued and fully paid: 320,000,000 Ordinary shares of £1 each	<u>320</u>	<u>320</u>

CARADON PILLAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. RESERVES

	Profit & Loss Account £'m
Balance at 1 January 1993	116.2
Retained loss deducted for the year	(109.1)
Balance at 31 December 1993	<u>7.1</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	31 December 1993 £'m	31 December 1992 £'m
Profit for the financial year	155.9	9.3
Dividends	(265.0)	(2.6)
Net (reduction)/addition to shareholders	<u>(109.1)</u>	<u>6.7</u>
Opening of shareholders' funds	436.2	429.5
Closing of shareholders' funds	<u>327.1</u>	<u>436.2</u>

16. PENSIONS

The Caradon Group operates a number of defined benefit pension schemes based on final pensionable pay. The assets of these schemes are held in separate trustee administered funds. The Company participates in one or more of these schemes. Contributions are based on pension costs across the Group as a whole. A summary of the results of the last actuarial valuations of the group schemes is contained in the financial statements of Caradon plc.

17. COMMITMENTS

The annual commitment under non-cancellable operating leases was as follows:

	As at 31 December 1993	As at 31 December 1992
	Land & Buildings	Land & Buildings
	£'000	£'000
Leases expiring:		
within one year	-	35
within two to five years	-	887
later than five years	-	48
	<u>-</u>	<u>935</u>
	<u>-</u>	<u>41</u>

CARADON PILLAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. CASH FLOW STATEMENT

	<u>1993</u> £'m	<u>1992</u> £'m
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	5.1	(4.8)
Depreciation charged	0.5	0.5
(Increase)/decrease in debtors	(120.4)	18.9
Decrease in creditors	(21.1)	(23.0)
Items not involving the movement of funds	-	1.1
Net cash inflow/(outflow) from continuing operating activities	<u>(135.9)</u>	<u>(7.3)</u>
(b) Analysis of changes in cash and cash equivalents during the year		
Balance at beginning of year	(10.8)	(15.4)
Net cash inflow	<u>15.7</u>	<u>4.6</u>
Balance at end of year	<u>4.9</u>	<u>(10.8)</u>
(c) Analysis of the balance of cash equivalents as reflected in the balance sheet		
	<u>Change</u> <u>in year</u>	<u>1993</u> £'m
Cash at bank and in hand	5.1	5.1
Unsecured bank overdrafts	10.6	(0.2)
	<u>15.7</u>	<u>(10.8)</u>

19. CONTINGENT LIABILITIES

Under unlimited multilateral guarantees the Company, in common with certain other Group companies, has jointly and severally guaranteed the obligations falling due under the Group's overdraft facilities.

20. 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.