

Peat Marwick McLintock

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CARADON plc
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT AND ACCOUNTS

20TH MARCH, 1987

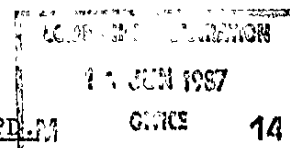
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CARADON plc
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT AND ACCOUNTS

29TH MARCH, 1987

PEAT MARWICK McLINTOCK
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CARADON plc
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

The directors present their report and the audited accounts of the Company and the Group for the 52 weeks ended 29th March, 1987.

The Company was re-registered as a public limited company on 19th May, 1987.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the co-ordination of the business of its subsidiaries.

The Caradon Group is a United Kingdom manufacturer of branded products for the building industry. Its principal brands are Twyfords (baths and sanitary ware), Mira (showers), Terrain (plastic soil, waste and rainwater systems) and Celuform (plastic timber replacement systems).

Caradon Twyfords, Caradon Mira, Caradon Terrain and Caradon Celuform are all among the market leaders in their respective activities. These businesses primarily serve the repair, maintenance and improvement sector of the building industry, principally in the United Kingdom.

Caradon's business also includes the manufacture of plastic mouldings for a wide range of applications. It is one of the largest plastic trade moulding operations in the United Kingdom.

BUSINESS REVIEW

The Group remains in its existing markets and continues to build on the established positions which its major businesses enjoy in their respective sectors of the building materials and plastics industries.

On 19th September, 1986 Fieldhurst Southern Limited, Starit Limited and the two dormant subsidiary companies of Fieldhurst Southern Limited were sold. Caradon Gilflex Limited and its two dormant subsidiary companies were sold on 9th February, 1987. The directors considered that these Companies did not form part of the Group's core businesses as they specialised in the domestic window replacement market and in the production of metal and plastic enclosures for electrical installation.

On 27th March, 1987 Caradon (UK) Limited exercised an option to acquire the outstanding minority interest in the issued share capital of Trisave Boilers Limited under the terms of a subscription agreement dated 17th January, 1985.

FUTURE DEVELOPMENTS

It is the intention of the directors to seek a listing of the Company's shares on The Stock Exchange, during the forthcoming year, as part of the continuing development of the Group.

FIXED ASSETS

Movements in tangible fixed assets for the period are shown in note 11.

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SHARE CAPITAL

By special resolution of the Company passed on 16th May, 1986, 126,860 Convertible Cumulative Participating Preferred Ordinary shares of £1 each ("CCPPO shares ") were converted into 'B' Ordinary shares of £1 each ("B' Ordinary shares"), broadly in the ratio of 1 'B' Ordinary share for every 32 CCPPO shares. The same resolution also converted each of the 125,000 unissued Ordinary shares of £1 each into one 'B' Ordinary share.

In June and July 1986 a total of 78,570 'B' Ordinary shares were issued at £1.40 per share.

On 10th July, 1986, share options on 34,589 'B' Ordinary shares were issued with an exercise price of £1.40 per share of which options in respect of 1,214 'B' Ordinary shares have since lapsed.

On 4th December, 1986, a further 11,700 'B' Ordinary shares were issued at £2.20 per share.

PROPOSED DIVIDEND

Dividends payable to the holders of the 9% Cumulative Redeemable Preference shares of the Company amounted to £449,000 (1986: £196,000), and dividends payable to the holders of the CCPPO shares amounted to £525,000 (1986: £180,000). The directors do not recommend payment of a dividend on the Ordinary shares, or the 'B' Ordinary shares.

TRANSFER TO RESERVES

The consolidated profit after taxation for the period is £6,855,000 (1986: £1,966,000). The remaining profit after providing for extraordinary items of £862,000 and dividends of £974,000 has been transferred to reserves.

RESEARCH AND DEVELOPMENT

The Group's businesses commit sufficient resources to research and development so as to ensure that they maintain their competitive positions in their chosen markets.

EMPLOYEE PARTICIPATION

The Group is fully committed to employee participation and encourages the development of cooperation with employees.

CARADON plc
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

DISABLED PERSONS

It is the policy of the Group to employ disabled persons, wherever possible, in jobs suited to their individual circumstances and to give them full and fair consideration at all times in recruitment and career development.

POLITICAL AND CHARITABLE CONTRIBUTIONS

It is Group policy to make no contributions to any political party or for any political purpose. Charitable donations made during the period totalled £9,799 (1986: £1,510).

DIRECTORS AND DIRECTORS' INTERESTS

The composition of the board of directors and their interests in the share capital of the Company during the period was as follows:

	Ordinary shares of £1 each		'B' Ordinary shares of £1 each
	<u>29.3.87</u>	<u>30.3.86</u>	<u>29.3.87</u>
Mr. A.P. Hichens (Chairman)	35,715	35,714	-
Mr. P.J. Jansen	107,142	107,143	35,714
Mr. D.C. Cohen (appointed 22nd May, 1986)	-	-	36,348
Mr. D.C. Arbon (appointed 1st April, 1987)	35,714	35,714	-
*Mr. S.W. Curran	-	-	-
Mr. A.D. Heeks	53,572	53,572	-
*Mr. C.M. Thompson (appointed 26th June, 1986)	-	-	3,571
*Mr. R.A. Wheeler (appointed 26th June, 1986)	-	-	3,571
*Mr. M.K. Collins (resigned 23rd October, 1986)	71,429	71,429	-

*denotes non-executive

There have been no changes in the above holdings since 29th March, 1987.

Mr. A.P. Hichens had a beneficial interest in a further 35,715 Ordinary shares at 29th March, 1987 and at 30th March, 1986. Mr. D.C. Cohen also owned 19,658 CCPPO shares at 29th March, 1987 and 20,292 CCEPO shares at 30th March, 1986.

Mr. P.J. Jansen is a Dutch National.

No director was or is materially interested in any contract subsisting during or at the end of the period which was significant in relation to the Group's business.

CARADON plc
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DIRECTORS' REPORT

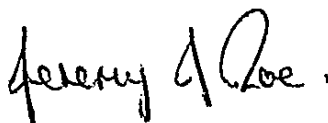
CLOSE COMPANY

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1970.

AUDITORS

At the Company's last annual general meeting, Peat, Marwick, Mitchell & Co. were reappointed as auditors of the Company. They are now practising under the name of Peat Marwick McLintock and accordingly they have signed the audit report in their new name. In accordance with Section 384(1) of the Companies Act 1985, a resolution concerning their reappointment as auditors will be proposed at the forthcoming annual general meeting.

By order of the board,



Secretary

28th May, 1987.

REPORT OF THE AUDITORS TO THE MEMBERS OF
CARADON plc

We have audited the accounts set out on pages 6 to 25 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on pages 11 and 12, give a true and fair view of the state of affairs of the Company and of the Group at 29th March, 1987 and of the profit and source and application of funds for the period to that date and have been properly prepared in accordance with the Companies Act 1985.

LONDON

28th May, 1987.

Robert MacLennan

Chartered Accountants

CARADON plc
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 29TH MARCH, 1987

	<u>Note</u>	52 weeks ended 29th March, 1987 £000	22 weeks ended 30th March, 1986 £000
TURNOVER	2	148,714	61,623
Change in finished goods and work in progress		(300)	1,481
Own work capitalised		13	52
Raw materials and consumables		(55,127)	(23,615)
Other charges		(31,406)	(13,538)
Staff costs	4	(40,851)	(18,057)
Depreciation		(4,823)	(1,925)
PROFIT BEFORE TAX AND INTEREST		16,220	6,021
Net interest payable	6	(5,705)	(2,935)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	10,515	3,086
Taxation on profit on ordinary activities	7	(3,660)	(1,120)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	8	6,855	1,966
Extraordinary items	9	(862)	-
		5,993	1,966
Proposed dividends	10	(974)	(376)
RETAINED PROFIT FOR THE PERIOD	20	5,019	1,590

The notes on pages 11 to 25 form part of these accounts.

CARADON plc
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CONSOLIDATED BALANCE SHEET AT 29TH MARCH, 1987

	Note	1987 £000	1986 £000
FIXED ASSETS			
Tangible assets	11	33,176	36,445
CURRENT ASSETS			
Stocks	13	22,833	24,921
Debtors	14	28,454	27,121
Cash at bank and in hand		<u>3,635</u>	<u>13,944</u>
		54,922	65,986
CREDITORS FALLING DUE WITHIN ONE YEAR	15	<u>36,301</u>	<u>34,569</u>
NET CURRENT ASSETS		18,621	31,417
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>51,797</u>	<u>67,862</u>
CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR	16	(34,213)	(55,304)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(752)	(908)
NET ASSETS		<u>16,832</u>	<u>11,650</u>
CAPITAL AND RESERVES			
Called up share capital	18	9,578	9,488
Share premium account	19	1,056	1,012
Profit and loss account	20	6,198	1,150
		<u>16,832</u>	<u>11,650</u>

These accounts were approved by the board of directors on 28th May, 1987.

)
) Directors
)

The notes on pages 11 to 25 form part of these accounts.

CARADON plcBALANCE SHEET AT 29TH MARCH, 1987

	<u>Note</u>	<u>1987</u>	<u>1986</u>
		£000	£000
FIXED ASSETS			
Investments	12	54,881	60,991
CURRENT ASSETS			
Debtors	14	491	5,803
Cash at bank and in hand		<u>491</u>	<u>1,510</u>
CREDITORS FALLING DUE WITHIN ONE YEAR	15	<u>8,562</u>	<u>2,462</u>
NET CURRENT (LIABILITIES)/ASSETS		(8,071)	4,851
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>46,810</u>	<u>65,842</u>
CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR	16	(34,000)	(55,000)
NET ASSETS		<u>12,810</u>	<u>10,842</u>
CAPITAL AND RESERVES			
Called up share capital	18	9,578	9,488
Share premium account	19	1,056	1,012
Profit and loss account	20	2,176	342
		<u>12,810</u>	<u>10,842</u>

These accounts were approved by the board of directors on 28th May, 1987.

Stephen H. H. H.
R. J. F.
) Directors

The notes on pages 11 to 25 form part of these accounts.

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE PERIOD ENDED 29TH MARCH, 1987

	52 weeks ended 29th March, 1987 £000	22 weeks ended 30th March, 1986 £000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	10,515	3,086
Profit on sale of subsidiaries	112	-
Adjustments for items not involving the movement of funds:		
Depreciation and amortisation	4,823	1,925
Net exchange movements	24	(6)
(Profit)/loss on sale of fixed assets	(120)	62
FUNDS GENERATED FROM OPERATIONS	<u>15,354</u>	<u>5,067</u>
FUNDS FROM OTHER SOURCES		
Sale of fixed assets*	1,833	-
Loans taken over*	-	60,990
Issue of Ordinary shares	-	600
Issue of 'B' Ordinary shares	135	-
Issue of Preferred Ordinary shares	-	10,001
Long term loans	-	55,304
Deferred tax and pensions taken over*	<u>-</u>	<u>1,062</u>
	1,968	127,957
	<u>17,322</u>	<u>133,024</u>
APPLICATION OF FUNDS		
Purchase of subsidiary company*	-	60,991
Expenses of share issue	1	101
Dividends paid	750	-
Purchase of fixed assets*	3,262	38,426
Goodwill	-	440
Advance corporation tax paid	225	-
Corporation tax paid	2,334	-
Early loan repayment costs	<u>1,040</u>	<u>-</u>
	(7,612)	(99,958)
	<u>9,710</u>	<u>33,066</u>
WORKING CAPITAL TAKEN OVER AND SUBSEQUENT MOVEMENT		
Decrease/(increase) in stocks*	2,088	(24,921)
(Increase) in debtors*	(1,333)	(27,121)
(Decrease)/increase in creditors	<u>(1,937)</u>	<u>31,795</u>
	(1,182)	(20,247)
NET SOURCE OF FUNDS	<u><u>8,528</u></u>	<u><u>12,819</u></u>

CARADON plc
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CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE PERIOD ENDED 29TH MARCH, 1987
(continued)

	52 weeks ended 29th March, 1987 £000	22 weeks ended 30th March, 1986 £000
Representing:		
Repayment of loans	7,000	-
Reduction in medium term loans	14,000	-
(Decrease)/increase in net cash balances	(12,472)	12,819
	<u>8,528</u>	<u>12,819</u>

* Included within the above are the following items relating to the acquisition and disposal of subsidiary companies:

	1987 £'000		1986 £'000
Net assets disposed of:		Net assets acquired:	
Tangible fixed assets	1,372	Tangible fixed assets	36,193
Stock	1,283	Stock	23,851
Debtors	1,703	Debtors	31,509
Creditors	(2,120)	Creditors	(27,364)
Profit on disposal	112	Overdrafts	(939)
		Taxation	(1,637)
		Deferred tax and pensions	(1,062)
		Goodwill	440
	<u>2,350</u>		<u>60,991</u>
Consideration:		Discharged by:	
Cash received	<u>2,350</u>	Cash paid	<u>60,991</u>

CARADON plc
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NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's accounts:

(a) Basis of accounting

The accounts have been prepared under the historical cost convention, as modified for the revaluation of freehold land and buildings.

(b) Basis of consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiaries at 29th March, 1987. The results of subsidiaries are accounted for in the profit and loss account as from the date of acquisition, or up to the effective date of disposal.

(c) Depreciation and amortisation

Tangible fixed assets are stated at cost with the exception of land and buildings which are stated at valuation.

No depreciation is provided on land. The revalued amounts of buildings are being written off over their estimated useful lives on a straight line basis. Short leasehold properties are depreciated over the period to the next rent review. 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:

Freehold buildings	3%-5%
Plant, machinery and tools	3%-20%
Fixtures and fittings	5%-50%
Motor vehicles	25%-33%

(d) Stock and work in progress

Stock and work in progress is stated at the lower of cost, including production overheads, and net realisable value.

(e) Research and development

All expenditure on research and development is written off in the period in which it is incurred.

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NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Pensions

The Group's contributions are charged against profits in the period in which contributions are made.

(g) Deferred taxation

Deferred tax is provided on the liability method in respect of short term timing differences between profits computed for tax purposes and profits as stated in the accounts. Provision is not made for other timing differences where a liability is not expected to arise in the foreseeable future.

(h) Goodwill

Goodwill arising on the acquisition of subsidiaries is written off in the period of acquisition.

(i) Leases and hire purchase contracts

Assets held under finance leases are included as tangible assets at their purchase price and depreciated over the asset life. The obligations relating to finance leases are included as appropriate under creditors due within or after one year. The rentals under operating leases are charged to profit, as incurred, over the term of the lease.

(j) Grants

The cost of buildings and plant is stated after deduction of grants receivable.

(k) Translation of foreign currencies

Trading items are translated at average exchange rates. Assets and liabilities are translated at the rate ruling on the balance sheet date. All trading foreign currency gains and losses are taken to the profit and loss account. Differences arising on the re-translation of the net assets of overseas subsidiaries are treated as a reserve movement.

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NOTES TO THE ACCOUNTS

2. TURNOVER

Turnover represents the invoiced value of sales made to third parties, net of value added tax.

Set out below is an analysis of turnover by division:

	52 weeks ended 29th March, 1987	22 weeks ended 30th March, 1986
	£000	£000
Caradon Twyfords	45,949	19,924
Caradon Mira	29,041	12,012
Caradon Plastic Building Products	42,624	16,892
Caradon Plastics	<u>31,100</u>	<u>12,795</u>
	<u>148,714</u>	<u>61,623</u>

Set out below is an analysis of Group turnover by geographical area:

	1987	1986
	£000	£000
U.K.	130,114	52,843
Europe	8,360	3,680
North America	1,319	612
Other	<u>8,921</u>	<u>4,488</u>
	<u>148,714</u>	<u>61,623</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Set out below is an analysis of profit on ordinary activities before taxation by division:

	1987	1986
	£000	£000
Caradon Twyfords	3,995	2,377
Caradon Mira	4,516	1,987
Caradon Plastic Building Products	5,558	1,343
Caradon Plastics	<u>2,151</u>	<u>314</u>
	16,220	6,021
Less net interest payable	<u>(5,705)</u>	<u>(2,935)</u>
	<u>10,515</u>	<u>3,086</u>

Profit on ordinary activities before taxation is stated after charging the following:

	1987	1986
	£000	£000
Auditors' remuneration and expenses (including the Company: £4,000 (1986: £5,000))	145	101
Research and development expenditure	477	307
Rentals payable under operating leases	111	60
Hire of plant and machinery	1,916	739
Depreciation of assets owned by the Group	4,765	1,902
Depreciation of assets held under finance leases	<u>58</u>	<u>23</u>

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NOTES TO THE ACCOUNTS

4. STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including directors) during the period, analysed by division, was as follows:

	<u>1987</u>	<u>1986</u>
	No	No
Caradon Twyfords	1,435	1,612
Caradon Mira	814	807
Caradon Plastic Building Products	741	912
Caradon Plastics	760	791
Central administration	7	17
	<u>3,757</u>	<u>4,139</u>

The aggregate payroll costs of these persons were as follows:

	<u>1987</u>	<u>1986</u>
	£000	£000
Wages and salaries:	35,158	15,391
- U.K.	801	303
- Overseas	2,855	1,249
Social security costs	2,037	1,114
Pension costs	<u>40,851</u>	<u>18,057</u>

Excluding pension contributions, one employee of the Company received emoluments in the range £45,001 - £50,000.

5. EMOLUMENTS OF DIRECTORS

The aggregate remuneration (including pension contributions) of the directors was:

	<u>1987</u>	<u>1986</u>
	£000	£000
Fees	50	19
Management remuneration	391	87
Ex gratia payment	25	-
	<u>466</u>	<u>106</u>

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NOTES TO THE ACCOUNTS

5. EMOLUMENTS OF DIRECTORS (continued)

Excluding pension contributions, the emoluments of the chairman were £25,002 (1986: £10,994) and the emoluments of the highest paid director were £135,570 (1986: £70,824). The emoluments of the other directors were within the following ranges:

	<u>1987</u> <u>Number</u>	<u>1986</u> <u>Number</u>
£ 0 - £ 5,000	-	3
£ 5,001 - £10,000	3	-
£15,001 - £20,000	-	1
£45,001 - £50,000	1	-
£70,001 - £75,000	1	-
£75,001 - £80,000	1	-
	<u>6</u>	<u>4</u>

6. NET INTEREST PAYABLE

	<u>1987</u> <u>£000</u>	<u>1986</u> <u>£000</u>
12% subordinated unsecured loan stock	634	316
Bank loans	3,163	2,114
Other loan	2,002	980
Overdrafts	173	40
	<u>5,972</u>	<u>3,450</u>
	(267)	(515)
Less interest receivable	<u>5,705</u>	<u>2,935</u>

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7. TAXATION

	<u>1987</u> £000	<u>1986</u> £000
Taxation based on the profit for the period:		
United Kingdom corporation tax at 35% (1986:40%)	3,667	1,098
Deferred tax release	(13)	-
Overseas taxation	6	22
	<u>3,660</u>	<u>1,120</u>

8. PROFIT AFTER TAXATION

Profits of £3,848,000 (1986: £2,382,000) have been dealt with in the accounts of the Company.

9. EXTRAORDINARY ITEMS

	<u>1987</u> £000	<u>1986</u> £000
Costs incurred in early repayment of £7 million of Group borrowings and change in banking arrangements	(1,040)	-
Net profit on sale of discontinued businesses	112	-
	<u>(928)</u>	<u>-</u>
Attributable taxation	66	-
	<u>(862)</u>	<u>-</u>

10. PROPOSED DIVIDENDS

	<u>1987</u> £000	<u>1986</u> £000
9% Cumulative Redeemable Preference Shares	449	196
Convertible Cumulative Participating Preferred Ordinary Shares	525	180
	<u>974</u>	<u>376</u>

The dividend payable on the CCPPO shares is the greater of 5% of the consolidated Group profit before tax and extraordinary items or 7.2258% per annum on the paid up value of the shares.

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NOTES TO THE ACCOUNTS

11. TANGIBLE FIXED ASSETS

	<u>Land and buildings</u>						
	<u>Freehold</u>						
	<u>At valuation</u>	<u>At cost</u>	<u>Short leasehold</u>	<u>Motor vehicles</u>	<u>Fixtures and fittings</u>	<u>Plant machinery and tools</u>	<u>Group total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost:							
At 30th March, 1986	7,151	1,198	188	2,823	3,048	47,957	62,365
Additions	-	4	-	945	238	2,075	3,262
Disposals	(195)	(20)	-	(777)	(244)	(3,803)	(5,039)
Exchange differences	-	-	-	26	9	-	35
At 29th March, 1987	6,956	1,182	188	3,017	3,051	46,229	60,623
Depreciation:							
At 30th March, 1986	140	133	116	1,658	1,908	21,965	25,920
Charged in the period	165	44	5	526	241	3,842	4,823
Disposals	(6)	(20)	-	(656)	(227)	(2,417)	(3,326)
Exchange differences	-	-	-	24	6	-	30
At 29th March, 1987	299	157	121	1,552	1,928	23,390	27,447
Net book value:							
At 29th March, 1987	6,657	1,025	67	1,465	1,123	22,839	33,176
At 30th March, 1986	7,011	1,065	72	1,165	1,140	25,992	36,445

Assets with a net book value of £126,000 (1986:£145,000) were held under finance leases.

Valuation of land and buildings

The freehold properties were valued as at 31st March, 1985 on the basis of open market values for their existing use by professionally qualified surveyors of the previous owner of the subsidiaries.

Freehold land and buildings included at a valuation would have been included on an historical cost basis at a net book value of £5,148,000:

CARADON plc
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NOTES TO THE ACCOUNTS

12. INVESTMENTS (HELD AS FIXED ASSETS)

	<u>Company</u>	
	<u>1987</u>	<u>1986</u>
	<u>£000</u>	<u>£000</u>
Loan to subsidiary	54,880	60,990
Shares in subsidiary	1	1
	<u>54,881</u>	<u>60,991</u>

13. STOCKS

	<u>Group</u>	
	<u>1987</u>	<u>1986</u>
	<u>£000</u>	<u>£000</u>
Raw materials and consumables	4,607	5,649
Work in progress	4,510	5,100
Finished goods and goods for resale	12,537	12,897
Maintenance stock	1,179	1,275
	<u>22,833</u>	<u>24,921</u>

The estimated replacement cost of stocks does not materially exceed the balance sheet amounts.

14. DEBTORS

	<u>1987</u>		<u>1986</u>	
	<u>Company</u>	<u>Group</u>	<u>Company</u>	<u>Group</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Trade debtors	-	27,303	-	25,553
Amounts owed by subsidiary companies	-	-	5,481	-
Other debtors	-	764	168	945
Prepayments and accrued income	44	387	-	623
Advance corporation tax recoverable	447	-	154	-
	<u>491</u>	<u>28,454</u>	<u>5,803</u>	<u>27,121</u>

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NOTES TO THE ACCOUNTS

15. CREDITORS FALLING DUE WITHIN ONE YEAR

	<u>1987</u>		<u>1986</u>	
	<u>Company</u> £000	<u>Group</u> £000	<u>Company</u> £000	<u>Group</u> £000
Bank loans and overdrafts	-	3,288	227	1,125
Trade creditors	-	14,572	-	14,959
Amounts owed to subsidiary company	6,983	-	126	-
Other creditors:				
Corporation tax	-	3,805	95	2,757
Social security and other taxes	69	3,759	-	2,972
Other	3	5,346	1,484	4,603
Accruals	685	4,640	-	7,567
Proposed dividends	600	600	376	376
Advance corporation tax	222	222	154	154
Obligations under finance leases and hire purchase contracts	-	69	-	56
	<u>8,562</u>	<u>36,301</u>	<u>2,462</u>	<u>34,569</u>

16. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1987</u>		<u>1986</u>	
	<u>Company</u> £000	<u>Group</u> £000	<u>Company</u> £000	<u>Group</u> £000
12% subordinated unsecured loan stock	4,000	4,000	6,000	6,000
Bank loans (secured)	20,000	20,000	34,000	34,000
Other loan (secured)	10,000	10,000	15,000	15,000
Debenture loan due 1997	-	191	-	206
Obligations under finance leases	-	22	-	83
Other debenture due 1987-1988	-	-	-	15
	<u>34,000</u>	<u>34,213</u>	<u>55,000</u>	<u>55,304</u>

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16. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The repayment profiles of the above loan stock and loans are as follows:

	<u>Date of instalment</u>	<u>1987</u> <u>£000</u>	<u>1986</u> <u>£000</u>
12% subordinated unsecured loan stock	31.3.93	1,200	1,200
	31.3.94	1,200	1,200
	31.3.95	1,200	1,200
	31.3.96	400	1,200
	31.3.97	-	1,200
		<u>4,000</u>	<u>6,000</u>
Bank loans	23.10.87	-	14,000
	23.10.88	-	2,000
	23.10.89	-	3,000
	23.10.90	-	3,000
	23.10.91	-	3,000
	24.11.91	20,000	-
	23.10.92	-	9,000
		<u>20,000</u>	<u>34,000</u>
Other loan	23.10.92	3,750	3,750
	23.10.93	3,750	3,750
	23.10.94	2,500	3,750
	23.10.95	-	3,750
		<u>10,000</u>	<u>15,000</u>

The interest payable on bank loans is charged at varying rates, linked to the London Inter-Bank Offer Rate. The interest payable on the other loan is 15% per annum.

The bank loans and other loan are secured by a composite guarantee and debenture over the assets of certain group companies, by a fixed charge on all tangible fixed assets, investments, debtors and claims and the benefit of all patents, trademarks, designs, copyrights and licences, and by a floating charge on all other assets.

NOTES TO THE ACCOUNTS

16. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Finance leases

The Group has entered into leasing arrangements in respect of plant and machinery, the maximum rentals for which extend over the next 3 years. The leases provide that the Group will be responsible for all insurance, maintenance and repairs.

The minimum annual rentals under the leases are:

	<u>1987</u> <u>£000</u>
1987/88	72
1988/89	24
	<u>96</u>
Total rentals due	96
Less: Finance charges therein	(5)
	<u>91</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Pensions</u> <u>£000</u>	<u>Deferred</u> <u>taxation</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Balance at 30th March, 1986	75	833	908
Reduction for the period	(75)	(13)	(88)
Increase in advance corporation tax recoverable	<u>-</u>	<u>(68)</u>	<u>(68)</u>
Balance at 29th March, 1987	<u>-</u>	<u>752</u>	<u>752</u>

The amounts provided for deferred taxation and the amounts unprovided are set out below:

	<u>Company</u>		<u>Group</u>	
	<u>Provided</u> <u>£000</u>	<u>Unprovided</u> <u>£000</u>	<u>Provided</u> <u>£000</u>	<u>Unprovided</u> <u>£000</u>
Accelerated capital allowances	-	-	1,459	6,085
Short term timing differences	-	(194)	(485)	-
	<u>-</u>	<u>(194)</u>	<u>974</u>	<u>6,085</u>
Advance corporation tax recoverable	-	-	(222)	-
	<u>-</u>	<u>(194)</u>	<u>752</u>	<u>6,085</u>

Due to the absence of a deferred tax provision in the Company, advance corporation tax of £222,000 (1986: £154,000) on proposed dividends is included in debtors of the Company.

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18. SHARE CAPITAL

	<u>Number</u>		<u>1987</u>	<u>1986</u>
	<u>1987</u>	<u>1986</u>	<u>£000</u>	<u>£000</u>
Authorised:				
9% Cumulative Redeemable Preference shares of £1 each	5,000,000	5,000,000	5,000	5,000
Convertible Cumulative Participating Preferred Ordinary shares of £1 each	3,932,660	4,059,520	3,932	4,059
Ordinary shares of £1 each	428,571	553,571	429	554
'B' Ordinary shares of £1 each	251,860	-	252	-
			<u>9,613</u>	<u>9,613</u>
Allotted, called up and fully paid:				
9% Cumulative Redeemable Preference shares of £1 each	5,000,000	5,000,000	5,000	5,000
Convertible Cumulative Participating Preferred Ordinary shares of £1 each	3,932,660	4,059,520	3,932	4,059
Ordinary shares of £1 each	428,571	428,571	429	429
'B' Ordinary shares of £1 each	217,130	-	217	-
			<u>9,578</u>	<u>9,488</u>

On 16th May, 1986 126,860 CCPPO shares were converted to 'B' Ordinary shares broadly in the ratio of one 'B' Ordinary share for every 32 CCPPO shares.

During the period from June to December, 1986 90,270 'B' Ordinary shares were issued. The amount received for these shares was £135,738.

On 10th July, 1986 options were issued for the purchase of 34,589 'B' Ordinary shares under the Caradon Share Option Scheme, of which options in respect of 1,214 'B' Ordinary shares have since lapsed. Options may normally only be exercised between the third and tenth anniversaries of the date of grant. No options had been exercised at 29th March, 1987.

NOTES TO THE ACCOUNTS

19. SHARE PREMIUM

	<u>1987</u> £000	<u>1986</u> £000
Balance brought forward	1,012	-
Premium arising on shares issued during the period	45	1,113
Less expenses of issue	(1)	(101)
	<u>1,056</u>	<u>1,012</u>

20. PROFIT AND LOSS ACCOUNT

	<u>1987</u>		<u>1986</u>
	<u>Company</u> £000	<u>Group</u> £000	<u>Company</u> £000
			<u>Group</u> £000
Retained profits brought forward	342	1,150	-
Retained profits for the period	1,834	5,019	342
Less: Goodwill arising on acquisition of Reed Building Products Limited	-	-	(440)
Exchange movements	-	29	-
Retained profits carried forward	<u>2,176</u>	<u>6,198</u>	<u>342</u>
			<u>1,150</u>

21. COMMITMENTS

- (a) Capital commitments at 29th March, 1987, for which no provision has been made in these accounts, were as follows:

	<u>1987</u>		<u>1986</u>
	<u>Company</u> £000	<u>Group</u> £000	<u>Company</u> £000
			<u>Group</u> £000
Contracted	-	559	-
Authorised but not contracted	-	636	248
	<u>-</u>	<u>636</u>	<u>-</u>
			<u>248</u>

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

	<u>1987</u>		<u>1986</u>
	<u>Company</u> £000	<u>Group</u> £000	<u>Company</u> £000
			<u>Group</u> £000
Leases expiring:			
within one year	-	59	-
within two to five years	-	114	-
	<u>-</u>	<u>173</u>	<u>-</u>
			<u>207</u>

CARADON plc
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22. CONTINGENT LIABILITIES

At 29th March, 1987 the Group had the following contingent liabilities.

	<u>£'000</u>
(a) Duty deferment bonds to HM Customs and Excise	211
(b) Performance bonds	104

23. PENSIONS

The Group operates a contributory, defined benefit, final salary pension scheme covering the majority of its employees. The scheme's funds are administered independently by trustees.

As from 6th October, 1986 certain senior executives of the Group became members of the Caradon Executive Pension Scheme which is also a contributory, defined benefit, final salary pension scheme with contributions assessed in an identical manner as those for the basic scheme.

Both schemes have received provisional approval from the Inland Revenue. Caradon plc has been advised by its independent actuarial advisers that its pension schemes are adequately funded having regard to the current levels of contribution.

NOTES TO THE ACCOUNTS

24. SUBSIDIARY COMPANIES

The major subsidiary companies, all of which are wholly owned by Caradon plc either directly or indirectly through Caradon (UK) Limited, are noted below:

Caradon (UK) Limited
Twyfords Holdings Limited
 - Caradon Twyfords Limited
 - Twyfords Bathrooms Inc.
Caradon Curran Limited
Caradon Storm Doors Limited
Caradon Mira Limited
 - Rada SA
 - Rada Armaturen GmbH
Trisave Boilers Limited
Caradon Terrain Limited
Caradon Celuform Limited
Caradon Rolinx Limited
Caradon L&P Limited
Caradon Elliott Limited
 - Caradon British Optical Limited
Caradon Westwood Limited

All the above companies are incorporated in Great Britain except the subsidiaries of Caradon Mira Limited which are incorporated in France and Germany respectively, and Twyfords Bathrooms Inc. U.S.A. a US corporation.

On 27th March, 1987 Caradon (UK) Limited exercised an option to acquire the outstanding minority interest in the issued share capital of Trisave Boilers Limited under the terms of a subscription agreement dated 17th January, 1985.