

MK ELECTRIC LIMITED
(formerly Caradon MK Electric Limited)
(Registered Number 189291)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2000



MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is the manufacture of electric and electronic connection, control and circuit protection equipment and advanced systems for cable management. The directors believe that the financial statements are a fair review of the development of the Company's business during the year and of its position at the end of the year and future prospects remain encouraging.

CHANGE OF NAME

On 29 December 2000 the Company changed its name to MK Electric Limited.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £13,091,000 (year ended 31 December 1999, £6,282,000). It is recommended that this amount be dealt with as follows:

	<u>2000</u>	<u>1999</u>
	<u>£'000</u>	<u>£'000</u>
Ordinary dividends	-	-
Preference dividends	3,033	124
Retained profit transferred to reserves	<u>10,058</u>	<u>6,158</u>
	<u>13,091</u>	<u>6,282</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:

I M Barnes	
J O Clark	(Appointed 1 August 2000)
T N Darkes	(Appointed 1 August 2000)
G P Foster	(Resigned 1 July 2000)
W A Futcher	(Resigned 1 March 2000)
M A Hill	(Appointed 1 August 2000)
N E Siford	
M A Southgate	
C J White	(Appointed 1 July 2000)
P P Woods	

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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

The beneficial interests of the directors in the issued Ordinary shares of Novar plc, the ultimate parent undertaking, are as follows:

Director	31 December 2000		1 January 2000 or date of appointment	
	Ordinary Shares	Options Over Ordinary Shares	Ordinary Shares	Options Over Ordinary Shares
	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>
I M Barnes	27,757	617,911	18,700	487,674
M A Hill	-	85,026	-	85,026
N E Siford	-	18,145	-	-
M A Southgate	-	143,064	-	98,783
C J White	-	27,720	8,000	27,720
P P Woods	-	167,592	-	119,366

None of the directors held any interests in the Preference shares or "B" shares of Novar plc during the year.

The following options over Ordinary shares of Novar plc were granted to the directors during the year:

<u>Director</u>	<u>Options granted</u> (Number of shares)
I M Barnes	130,237
N E Siford	18,145
M A Southgate	53,184
P P Woods	48,226

No director exercised any options over Ordinary shares of Novar plc during the year. Options over 8,903 shares held by Mr M A Southgate lapsed during the year.

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The options reported above have been granted under the rules of Novar plc's Savings Related and Executive Share Option Schemes. The options are exercisable at prices between 99.2p and 341p. The market price of Novar plc Ordinary shares at 29 December 2000 was 201p and the range during the year was 121p to 210p. Full details of the individual directors' shareholdings and share options are contained in the Company's register of directors' interests.

During the year Mr I M Barnes was granted a conditional right to acquire 13,045 Ordinary shares of Novar plc for nil consideration under that company's Performance Partnership Plan. The right will become exercisable in March 2003.

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.

RESEARCH AND DEVELOPMENT

The Company commits sufficient resources to research and development so as to ensure that it maintains its competitive position in the market.

EMPLOYEE INVOLVEMENT

The Company is committed to employee involvement and encourages the development of co-operation with employees. To this end, the Company's policy is to ensure that employees are kept fully informed on matters which affect them, through direct communication and established procedures for joint consultation. Employees are eligible to participate in the Novar Group's Savings Related Share Option scheme, which provides them with the opportunity to own shares in Novar plc.

Disabled persons - The Company has continued to examine ways and means of providing employment for disabled employees, under normal terms and conditions, with opportunities for training, career development and promotion as appropriate. The Company's policy on the employment of disabled persons has been applied as sympathetically as possible.

POLICY ON PAYMENT OF CREDITORS

The Company is responsible for agreeing terms and conditions under which business transactions with suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions. The average number of days that the Company takes to settle supplier invoices is 73 days (1999: 71 days).

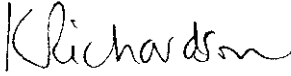
MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

AUDITORS

In accordance with Section 386 of the Companies Act 1985, the Company has passed an elective resolution to dispense with the obligation to appoint auditors annually.

By order of the Board



----- K D Richardson
Secretary

6 March 2001

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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;
- 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.

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE MEMBERS OF MK ELECTRIC LIMITED (FORMERLY CARADON MK ELECTRIC LIMITED)

We have audited the financial statements on pages 7 to 23, which have been prepared under the accounting policies, set out on page 10 and 11.

Respective responsibilities of directors and auditors

As described on page 5, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR

5 June 2001

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £'000	1999 £'000
Turnover			
Continuing operations	2	105,594	103,919
Change in stocks of finished goods and work in progress		1,017	473
Own work capitalised		223	246
Other operating income		30	213
Raw materials and consumables		(41,966)	(36,779)
Other external charges		(20,600)	(18,606)
Staff costs	4,5	(26,143)	(28,094)
Depreciation	9	(6,122)	(7,742)
Income from participating interests	10	1,225	490
		<hr/>	<hr/>
Operating profit	2	13,258	14,120
Profit on disposal of fixed assets	2	2,267	-
Net interest	6	(585)	(2,307)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	14,940	11,813
Tax on profit on ordinary activities	7	(1,849)	(5,531)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		13,091	6,282
Dividends	8	(3,033)	(124)
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR	19	10,058	6,158
		<hr/>	<hr/>

The Company has no recognised gains or losses for the current or preceding year other than the profit for the year disclosed in the profit and loss account.

The notes on pages 10 to 23 form part of these financial statements.

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2000

	Notes	<u>2000</u>		<u>1999</u>	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	9	34,391		44,400	
Investments	10	18,009		18,009	
		<hr/>	52,400	<hr/>	62,409
CURRENT ASSETS					
Stocks	11	9,091		7,984	
Debtors (amounts falling due within one year)	12	23,263		23,190	
Debtors (amounts falling due after more than one year)	13	411		5,265	
Cash at bank and in hand		45,620		19,859	
		<hr/>		<hr/>	
		78,385		56,298	
CREDITORS (amounts falling due within one year)	14	(15,504)		(17,763)	
		<hr/>		<hr/>	
NET CURRENT ASSETS			62,881		38,535
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			115,281		100,944
CREDITORS (amounts falling due after more than one year)	15		(26,662)		(20,491)
PROVISIONS FOR LIABILITIES AND CHARGES	16		(7,351)		(9,243)
			<hr/>		<hr/>
NET ASSETS			81,268		71,210
			<hr/>		<hr/>
CAPITAL AND RESERVES (including non equity interests)					
Called up share capital	18		41,542		41,542
Share premium account	19		19,800		19,800
Revaluation reserve	19		1,976		3,160
Profit and loss account	19		17,950		6,708
			<hr/>		<hr/>
SHAREHOLDERS' FUNDS			81,268		71,210
			<hr/>		<hr/>
Attributable to equity shareholders			40,827		30,769
Attributable to non-equity shareholders			40,441		40,441

These financial statements were approved by the Board of Directors on 6 March 2001.


C J White
Director

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTE OF HISTORICAL COST PROFITS AND LOSSES
YEAR ENDED 31 DECEMBER 2000

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Profit on ordinary activities before taxation	14,940	11,813
Realisation of property revaluation gains of previous years	1,184	-
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	16,124	11,813
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation and dividends	11,242	6,158
	<hr/>	<hr/>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
YEAR ENDED 31 DECEMBER 2000

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Profit on ordinary activities after taxation	13,091	6,282
Dividends	(3,033)	(124)
Preference shares issued	-	40,441
	<hr/>	<hr/>
Net movement in Shareholders' funds	10,058	46,599
	<hr/>	<hr/>
Shareholders' funds at 1 January	71,210	24,611
	<hr/>	<hr/>
Shareholders' funds at 31 December	81,268	71,210
	<hr/>	<hr/>

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements 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, as modified by the revaluation of certain assets.

(b) Turnover

Turnover represents the invoiced value of sales made to third parties, net of Value Added Tax.

(c) Depreciation

Tangible fixed assets are stated at cost with the exception of certain freehold and long lease properties, which are stated at valuation. These assets are written off using the straight line method. The transitional rules of FRS 15 have been adopted and accordingly those assets previously held at valuation have not been revalued since 1997.

No depreciation is provided on land. Long leasehold properties are amortised over 50 years. 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:

Freehold buildings	-	2%
Plant, machinery and tools	-	7 - 33%
Fixtures and fittings	-	10%
Motor vehicles	-	20 - 25%

(d) Research and development

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

(e) Stocks

Stocks and work in progress are stated at the lower of cost and estimated net realisable value. The cost of work in progress and finished goods comprises materials, labour and attributable overheads.

(f) Leases

Assets acquired under finance leases are included under the relevant category of tangible fixed assets and depreciated accordingly. The capital element of finance lease rentals is included as appropriate under creditors due within or after one year. The interest element of lease rentals is charged to the profit and loss account.

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

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) 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.

(h) Deferred taxation

Deferred taxation is provided on the liability method at current rates of taxation in respect of short term timing differences between profits computed for taxation purposes and profits as stated in the financial statements. Provision is made for other timing differences where a liability is expected to arise in the foreseeable future.

(i) 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 Novar 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 AND OPERATING PROFIT

Turnover and operating profit derive mainly from activities carried on in the United Kingdom. There have been no discontinued operations or acquisitions in the year.

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging / (crediting) the following:

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
Amounts charged by the Company's auditors		
- Audit fees and expenses	35	30
- Tax and consultancy fees	5	5
Rentals payable under operating leases:		
- Plant and machinery	131	220
- Other	1,129	848
Research and development expenditure	2,136	1,628
Restructuring and reorganisation costs (Note 16)	1,775	515
Depreciation on owned tangible fixed assets	5,945	7,650
Depreciation - finance leased assets	177	92
Grants received	-	(136)
Profit on sale of fixed assets	(2,267)	(187)
Exchange losses	75	175

4. EMPLOYEES

The average number of people employed by the Company (including directors) during the year was:

	Year ended 31 December 2000	Year ended 31 December 1999
	Number	Number
Manufacturing	647	753
Selling and distribution	186	187
Administration	170	188
	<hr/>	<hr/>
	1,003	1,128
	<hr/>	<hr/>

The aggregate payroll cost of these persons was:

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
Wages and salaries	23,272	24,707
Social security costs	1,680	1,804
Other pension costs (Note 20)	1,191	1,583
	<hr/>	<hr/>
	26,143	28,094
	<hr/>	<hr/>

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. EMOLUMENTS OF DIRECTORS

(a) The aggregate emoluments of the directors were:

	<u>Year ended</u> <u>31 December 2000</u>	<u>Year ended</u> <u>31 December 1999</u>
	£'000	£'000
Aggregate emoluments	643	952
Compensation for loss of office	95	116
	<hr/>	<hr/>
	738	1,068
	<hr/>	<hr/>

All directors of the Company have benefits accruing to them under defined benefit pension schemes.

(b) Highest Paid Director

Emoluments of the highest paid director were:

	<u>Year ended</u> <u>31 December 2000</u>	<u>Year ended</u> <u>31 December 1999</u>
	£'000	£'000
Aggregate emoluments	155	249
	<hr/>	<hr/>

At the year end the highest paid director's accrued pension was £11,000 (1999: £8,000).

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. NET INTEREST

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
Interest due on loans repayable within five years	595	2,314
Finance lease interest	-	1
Interest receivable	(10)	(8)
	<hr/> 585	<hr/> 2,307
	<hr/>	<hr/>

7. TAXATION CHARGE

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
Taxation on the profit for the year		
United Kingdom Corporation Tax at 30% (1999:30.25%)	4,211	2,220
Overseas tax relief	(7)	(21)
Group Relief surrendered for nil Consideration	(4,204)	-
Under provision in prior years	50	78
Overseas taxation	1,379	1,145
Deferred tax charge	420	2,109
	<hr/> 1,849	<hr/> 5,531
	<hr/>	<hr/>

The tax charge of the Company is disproportionately low because the profits of the Company subject to UK corporation tax have been group relieved for no payment. The charge for the year is mainly due to the fact that the Company accounts for the tax which is due on the profits of the German limited partnership, Novar Electric GmbH & Co KG, referred to in note 10. The profits of the partnership are accounted for by the Company when distributed and no profits have been distributed in 2001.

8. DIVIDENDS PAYABLE

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
<u>Non-Equity Shares</u>		
Final preference dividend payable	3,033	-
Preference dividend accrued	-	124
	<hr/> 3,033	<hr/> 124
	<hr/>	<hr/>

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE FIXED ASSETS

	Land and Buildings			Motor vehicles £'000	Fixtures and fittings £'000	Plant, machinery and tools £'000	Total £'000
	Freehold £'000	Long leasehold £'000	Short leasehold £'000				
Cost or Valuation:							
At 1 January 2000	10,070	6,535	275	3,143	1,739	87,798	109,560
Additions	158	7	-	-	144	2,782	3,091
Disposals	(6,104)	(515)	-	(1,738)	(23)	(6,999)	(15,379)
At 31 December 2000	4,124	6,027	275	1,405	1,860	83,581	97,272
Depreciation:							
At 1 January 2000	300	1,186	258	2,334	1,323	59,759	65,160
Charge for the year	83	177	-	356	94	5,412	6,122
Disposals	(190)	(434)	-	(1,478)	(31)	(6,268)	(8,401)
At 31 December 2000	193	929	258	1,212	1,386	58,903	62,881
Net book value:							
At 31 December 2000	3,931	5,098	17	193	474	24,678	34,391
At 31 December 1999	9,770	5,349	17	809	416	28,039	44,400

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE FIXED ASSETS (CONTINUED)

Freehold land and buildings were valued as at 31 December 1997 by Healey & Baker, International Surveyors & Valuers, on the basis of open market values for existing use. The transitional rules of FRS15 have been followed and the valuations of previously revalued freehold land and buildings have accordingly not been updated.

If freehold land and buildings had not been revalued they would have been included on a historical cost basis at the following amounts:

	<u>31 December 2000</u>	<u>31 December 1999</u>
	£'000	£'000
Net book amount	2,539	6,935
Depreciation in year	145	293

Freehold land and buildings includes freehold land not subject to depreciation amounting to £2,033,000 (31 December 1999 - £3,553,000).

Assets held under finance leases are as follows:

	<u>31 December 2000</u>	<u>31 December 1999</u>
<u>Plant, machinery and tools</u>	£'000	£'000
Cost	58	542
Accumulated depreciation	(58)	(420)
	<hr/>	<hr/>
Net Book Value	-	122
	<hr/>	<hr/>

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FIXED ASSET INVESTMENTS

	Investment in limited partnership	Investment in subsidiary undertaking	Investment in participating interests	Total
	£'000	Shares £'000	Shares £'000	£'000
At 1 January and 31 December 2000	16,827	692	490	18,009

Investment in limited partnership

The investment comprises the interest of the Company in a German limited partnership, Novar Electric GmbH & Co.KG. The other partner is another Group company. Under the partnership agreement, the Company is entitled to receive substantially all of the profits of the partnership. The profits of the partnership are retained in the partnership and are accounted for by the Company when distributed. No profits have been distributed to the Company during the year (1999: £Nil).

The Deutschmark cost of the investment in the limited partnership is translated into sterling at the historic rate.

The principal subsidiary of the limited partnership is Novar Esser GmbH, which is incorporated in Germany. Novar Esser GmbH manufactures fire detection and intruder security products.

Investment in subsidiary undertakings

Details of the participating interests of the Company in its principal subsidiary undertaking is as follows:

<u>Name</u>	<u>Country of Incorporation</u>	<u>Description of shares held</u>	<u>Proportion of shares held %</u>
MK Electric (India) Limited	India	869,100 equity shares of RPs10 each	86.91

The principal activity of MK Electric (India) Limited is the manufacture and sale of wiring devices in the Indian market.

In the opinion of the directors the aggregate value of the Company's investment in and advances to its subsidiary undertaking is not less than the aggregate amount at which they are stated in the balance sheet.

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FIXED ASSET INVESTMENTS (CONTINUED)

Investments in participating interests

Details of the investments of the Company in participating interests are as follows:

Name	Country of incorporation	Description of shares held	Proportion of shares held %
Hawa-MK Electrical Accessories Limited	Saudi Arabia	2,440 shares of SR 1,000 each	40.0
Ajax Electrical Limited	Great Britain	490,000 ordinary shares of £1 each	49.0

11. STOCKS

	<u>31 December 2000</u>	<u>31 December 1999</u>
	£'000	£'000
Raw materials and consumables	1,918	1,828
Work in progress	2,009	1,652
Finished goods and goods for resale	5,164	4,504
	<u>9,091</u>	<u>7,984</u>

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 December 2000</u>	<u>31 December 1999</u>
	£'000	£'000
Trade debtors	16,715	13,053
Amounts owed by group undertakings	1,892	6,451
Amounts owed by participating interests	371	233
Other debtors	542	495
Prepayments and accrued income	1,468	997
Corporation tax recoverable	734	-
Advance corporation tax recoverable	123	123
Deferred tax asset (Note 17)	1,418	1,838
	<u>23,263</u>	<u>23,190</u>

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. DEBTORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR

	<u>31 December 2000</u>	<u>31 December 1999</u>
	£'000	£'000
Amounts owed by parent undertaking	-	4,854
Amounts owed by participating interests	358	358
Other debtors	53	53
	<hr/>	<hr/>
	411	5,265
	<hr/>	<hr/>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 December 2000</u>	<u>31 December 1999</u>
	£'000	£'000
Trade creditors	11,562	11,166
Amounts owed to group undertakings	1,101	1,201
Amounts owed to participating interests	318	333
Other creditors	379	1,142
Corporation tax	-	1,998
Social security and other taxes	2,020	1,799
Preference dividend accrued	124	124
	<hr/>	<hr/>
	15,504	17,763
	<hr/>	<hr/>

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

	<u>31 December 2000</u>	<u>31 December 1999</u>
	£'000	£'000
Amounts owed to group undertakings	26,662	20,491
	<hr/>	<hr/>

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Retirement benefits</u>	<u>Restructuring</u>	<u>Total</u>
	£'000	£'000	£'000
At 1 January 2000	5,635	3,608	9,243
Provided in the year	711	1,755	2,466
Utilised in the year	-	(4,358)	(4,358)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2000	6,346	1,005	7,351
	<u> </u>	<u> </u>	<u> </u>

The restructuring provision relates to property and restructuring liabilities arising from Supply Chain reorganisation projects.

17. DEFERRED TAXATION

The amounts provided and not provided in respect of deferred taxation are set out below:

	<u>2000 Amount provided</u>	<u>2000 Amount not Provided</u>	<u>1999 Amount provided</u>	<u>1999 Amount not provided</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	593	870	775	1,257
Finance lease creditors	-	-	36	-
Other timing differences	(2,011)	(221)	(2,649)	(139)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(1,418)	649	(1,838)	1,118
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. CALLED UP SHARE CAPITAL

	<u>31 December 2000</u>	<u>31 December 1999</u>
	£'000	£'000
Authorised:		
1,500,000 Ordinary shares of £1 each	1,500	1,500
45,000,000 Preference shares of £1 each	45,000	45,000
	<u>46,500</u>	<u>46,500</u>
Called up, allotted and fully paid:		
1,100,605 Ordinary shares of £1 each	1,101	1,101
40,440,536 Preference shares of £1 each	40,441	40,441
	<u>41,542</u>	<u>41,542</u>

During 1999 the Company issued 40,440,536 Redeemable Cumulative Preference Shares of £1 each for cash. The holders of the shares have the right to be paid a fixed cumulative preference dividend at the rate of 7.5% per annum payable annually in arrears.

The Company shall, subject to the requirements of the Companies Act, be entitled to redeem all or part of the Preference Shares in issue at any time after 1 January 2005 and the amount payable shall be £1 per share, together with any arrears of dividend.

19. RESERVES

	<u>Share premium account</u>	<u>Revaluation reserve</u>	<u>Profit and loss account</u>
	£'000	£'000	£'000
Balance at 1 January 2000	19,800	3,160	6,708
Retained profit for the year	-	-	10,058
Transfer of realised profits	-	(1,184)	1,184
	<u>19,800</u>	<u>1,976</u>	<u>17,950</u>
Balance at 31 December 2000	19,800	1,976	17,950

20. PENSIONS

The Novar 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 valuation of the Group schemes is contained in the financial statements of Novar plc.

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. COMMITMENTS

- (a) Capital commitments at 31 December 2000 for which no provision has been made in these financial statements were as follows:

	<u>31 December 2000</u>	<u>31 December 1999</u>
	£'000	£'000
Contracted but not provided for	712	941
	<u> </u>	<u> </u>

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

Operating leases:	<u>As at</u> <u>31 December 2000</u>		<u>As at</u> <u>31 December 1999</u>	
	<u>Land and</u> <u>Buildings</u>	<u>Other</u>	<u>Land and</u> <u>buildings</u>	<u>Other</u>
	£'000	£'000	£'000	£'000
Leases expiring:				
Within one year	5	14	2	5
Between one and five years	161	425	95	195
After more than five years	447	-	552	-
	<u>613</u>	<u>439</u>	<u>649</u>	<u>200</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

22. CONTINGENT LIABILITIES

Under an unlimited multilateral guarantee, the Company, in common with certain other Novar Group Companies, has jointly and severally guaranteed the obligations falling due under one of the Novar Group's net overdraft facilities.

At 31 December 2000 the Company has no other contingent liabilities arising in the ordinary course of business (1999: £Nil).

MK ELECTRIC LIMITED (formerly CARADON MK ELECTRIC LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. CASH FLOW STATEMENT

A consolidated cash flow statement has been included in the accounts of the ultimate parent undertaking which include the accounts of MK Electric Limited.

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

24. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party is Novar plc (formerly Caradon plc), a company registered in England and Wales. The Novar Group is the largest group of which the Company is a member and the largest and smallest for which group accounts are prepared. Copies of these group financial statements can be obtained from The Secretary, Novar plc, Novar House, 24 Queens Road, Weybridge, Surrey, KT13 9UX.

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

25. RELATED PARTY DISCLOSURES

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