

CARADON MK ELECTRIC LIMITED  
(Registered Number 189291)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1999



# 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 1999.

### 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.

### RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £6,282,000 (year ended 31 December 1998, £Nil). It is recommended that this amount be dealt with as follows:

	<u>1999</u>	<u>1998</u>
	<u>£'000</u>	<u>£'000</u>
Ordinary dividends - proposed final	-	490
Preference dividends	124	-
Retained profit/(loss) transferred to/(deducted from) reserves	<u>6,158</u>	<u>(490)</u>
	<u>6,282</u>	<u>-</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:

S L Amphlett	(Resigned 12 June 1999)
I M Barnes	
B R Edwards	(Resigned 30 December 1999)
G P Foster	
W A Fitcher	(Resigned 1 March 2000)
C R E Kitching	(Resigned 31 October 1999)
A D Seddon	(Resigned 25 June 1999)
N E Siford	(Appointed 25 June 1999)
M A Southgate	
P P Woods	

**CARADON MK ELECTRIC LIMITED**

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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 Caradon plc, the ultimate parent undertaking, are as follows:

Director	31 December 1999		1 January 1999 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	18,700	487,674	8,700	230,975
G P Foster	-	90,923	-	29,825
W A Futcher	4,000	118,481	4,000	76,793
N E Siford	-	-	-	-
M A Southgate	-	98,783	-	56,135
P P Woods	-	119,366	-	76,253

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

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

<u>Director</u>	<u>Options granted</u> (Number of shares)
I M Barnes	256,699
G P Foster	61,098
W A Futcher	48,119
M A Southgate	50,594
P P Woods	43,113

No director exercised any options over Ordinary shares of Caradon plc during the year. Options over 6,431 shares held by Mr W A Futcher and over 7,946 shares held by Mr M A Southgate lapsed during the year.

## CARADON MK ELECTRIC LIMITED

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The options reported above have been granted under the rules of Caradon plc's Savings Related and Executive Share Option Schemes. The options are exercisable at prices between 108.8p and 341p. The market price of Caradon plc Ordinary shares at 30 December 1999 was 156p and the range during the year was 100p to 185.5p. Full details of the individual directors' shareholdings and share options are contained in the Company's register of directors' interests.

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 Caradon Group's Savings Related Share Option scheme, which provides them with the opportunity to own shares in Caradon 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.

#### DONATIONS

Donations to charitable organisations during the year amounted to £1,000 (1998: £2,000). No payments were made during the year for political purposes (1998: £nil).

#### 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 71 days (1998 : 73 days).

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YEAR 2000

Following their full assessment of the Year 2000 impact on the business last year the directors continue to be alert to the potential risks and uncertainties surrounding the Year 2000 issue. As at the date of this report the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however the situation is still being monitored. Due to the nature of the Year 2000 issue, there can be no certainty that the Company's systems, or those of suppliers, customers or any other third party, are Year 2000 compliant and consequently that the Company will not be materially affected. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

SUBSEQUENT EVENTS

On 8 February 2000, a freehold property was sold on an open market valuation basis to another Group company for a consideration of £7.3 million generating an exceptional profit on disposal of £1.4 million before tax.

On 10 March 2000, the Company announced the closure of one of its manufacturing facilities. The redundancy and other costs associated with the closure will total approximately £2 million and are expected to be incurred during 2000.

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

10 March 2000

## CARADON MK ELECTRIC LIMITED

### 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.

CARADON MK ELECTRIC LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**Auditors' Report to the Shareholders of 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 pages 10 to 11.

Respective responsibilities of directors and auditors

As described on page 5, 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 UK 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 1999 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

*26 June 2000*

CARADON MK ELECTRIC LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	<u>1999</u> £'000	<u>1998</u> £'000
Turnover			
Continuing operations	2	103,919	104,730
Change in stocks of finished goods and work in progress		473	(1,781)
Own work capitalised		246	547
Raw materials and consumables		(36,779)	(37,028)
Other external charges		(18,606)	(24,687)
Staff costs	4,5	(28,094)	(37,144)
Depreciation	9	(7,742)	(8,315)
Other operating income		213	737
Income from associate companies	10	490	931
		<hr/>	<hr/>
Operating profit / (loss)	2	14,120	(2,010)
Net interest	6	(2,307)	(552)
		<hr/>	<hr/>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	11,813	(2,562)
Taxation (charge) / credit on profit / (loss) on ordinary activities	7	(5,531)	2,562
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,282	-
Dividends	8	(124)	(490)
		<hr/>	<hr/>
RETAINED PROFIT / (LOSS) FOR THE YEAR	19	6,158	(490)
		<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.



CARADON MK ELECTRIC LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 1999

	Notes	1999	1998 (as restated)
		£'000	£'000
<b>FIXED ASSETS</b>			
Tangible assets	9	44,400	52,041
Investments	10	18,009	18,009
		<hr/>	<hr/>
		62,409	70,050
<b>CURRENT ASSETS</b>			
Stocks	11	7,984	8,207
Debtors (amounts falling due within one year)	12	23,190	26,467
Debtors (amounts falling due after more than one year)	13	5,265	3,217
Cash at bank and in hand		19,859	19,060
		<hr/>	<hr/>
		56,298	56,951
<b>CREDITORS (amounts falling due within one year)</b>	14	(17,763)	(29,250)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		38,535	27,701
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/>	<hr/>
		100,944	97,751
<b>CREDITORS (amounts falling due after more than one year)</b>	15	(20,491)	(57,945)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(9,243)	(15,195)
		<hr/>	<hr/>
<b>NET ASSETS</b>		71,210	24,611
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b> (including non equity interests)			
Called up share capital	18	41,542	1,101
Share premium account	19	19,800	19,800
Revaluation reserve	19	3,160	3,160
Profit and loss account	19	6,708	550
		<hr/>	<hr/>
<b>SHAREHOLDERS' FUNDS</b>		71,210	24,611
		<hr/>	<hr/>
Attributable to equity shareholders		30,769	24,611
Attributable to non-equity shareholders		40,441	-

These financial statements were approved by the Board of Directors on 10 March 2000.



I M Barnes  
Director

CARADON MK ELECTRIC LIMITED  
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NOTE OF HISTORICAL COST PROFITS AND LOSSES  
YEAR ENDED 31 DECEMBER 1999

There is no material difference between the reported profits for 1999 and 1998 and the profits/(losses) for those years restated on an historical cost basis.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS  
YEAR ENDED 31 DECEMBER 1999

	<u>1999</u>	<u>1998</u>
	£'000	£'000
Profit on ordinary activities after taxation	6,282	-
Dividends	(124)	(490)
Preference shares issued	40,441	-
	<hr/>	<hr/>
Net movement in Shareholders' funds	46,599	(490)
Shareholders' funds at 1 January	24,611	25,101
	<hr/>	<hr/>
Shareholders' funds at 31 December	71,210	24,611
	<hr/>	<hr/>

# 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, except where such policies have been changed in order to ensure consistency with the new accounting standard FRS12, which has resulted in the restatement of comparative figures.

##### (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.*

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.

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 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 AND OPERATING PROFIT / (LOSS)

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

CARADON MK ELECTRIC LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Year ended 31 December 1999	Year ended 31 December 1998
	£'000	£'000
Amounts charged by the Company's auditors		
- Audit fees and expenses	30	35
- Tax and consultancy fees	5	3
Rentals payable under operating leases:		
- Plant and machinery	220	116
- Other	848	850
Research and development expenditure	1,628	2,308
Restructuring and reorganisation costs (Note 16)	515	13,034
Depreciation on owned tangible fixed assets	7,650	8,129
Depreciation - finance leased assets	92	186
Grants received	(136)	(130)
(Profit) / Loss on sale of fixed assets	(187)	584
Exchange losses / (gains)	175	(93)

4. EMPLOYEES

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

	Year ended 31 December 1999	Year ended 31 December 1998
	Number	Number
Manufacturing	753	966
Selling and distribution	187	204
Administration	188	181
	<hr/> 1,128	<hr/> 1,351
	<hr/>	<hr/>

The aggregate payroll cost of these persons was:

	Year ended 31 December 1999	Year ended 31 December 1998
	£'000	£'000
Wages and salaries	24,707	33,527
Social security costs	1,804	2,162
Other pension costs (Note 20)	1,583	1,455
	<hr/> 28,094	<hr/> 37,144
	<hr/>	<hr/>

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. EMOLUMENTS OF DIRECTORS

(a) The aggregate emoluments of the directors was:

	<u>Year ended</u> <u>31 December 1999</u>	<u>Year ended</u> <u>31 December 1998</u>
	£'000	£'000
Aggregate emoluments	952	813
Compensation for loss of office	116	215
	<hr/>	<hr/>
	1,068	1,028
	<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 1999</u>	<u>Year ended</u> <u>31 December 1998</u>
	£'000	£'000
Aggregate emoluments	249	355
	<hr/>	<hr/>

At the year end the highest paid director's accrued pension was £8,000.

CARADON MK ELECTRIC LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. NET INTEREST

	Year ended 31 December 1999	Year ended 31 December 1998
	£'000	£'000
Interest due on loans repayable within five years	2,314	574
Finance lease interest	1	5
Interest receivable	(8)	(27)
	<hr/> 2,307	<hr/> 552
	<hr/>	<hr/>

7. TAXATION CHARGE / (CREDIT)

	Year ended 31 December 1999	Year ended 31 December 1998
	£'000	£'000
Taxation on the profit / (loss) for the year		
United Kingdom Corporation Tax at 30.25% (1998:31%)	2,220	4,673
Less : Group relief surrendered for nil consideration	-	(4,672)
Double tax relief	(21)	(1)
Under / (Over) provision in prior years	78	(801)
Overseas taxation	1,145	1,863
Deferred tax charge / (credit)	2,109	(3,624)
	<hr/> 5,531	<hr/> (2,562)
	<hr/>	<hr/>

The tax charge of the Company is disproportionately high mainly due to the fact that the Company accounts for the tax which is due on the profits of the German limited partnership, Caradon 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 1999.

8. DIVIDENDS PAYABLE

	Year ended 31 December 1999	Year ended 31 December 1998
	£'000	£'000
<u>Equity Shares</u>		
Final ordinary dividend paid / proposed	-	490
<u>Non-Equity Shares</u>		
Preference dividend accrued	124	-
	<hr/> 124	<hr/> 490
	<hr/>	<hr/>

CARADON MK ELECTRIC LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE FIXED ASSETS

Cost or Valuation:	Land and Buildings		Motor vehicles £'000	Fixtures and fittings £'000	Plant, machinery and tools £'000	Total £'000
	Freehold £'000	Long leasehold £'000				
At 1 January 1999	9,927	6,836	4,773	1,764	96,850	120,425
Additions	143	13	-	94	3,506	3,756
Disposals	-	(314)	(1,630)	(119)	(12,558)	(14,621)
<b>At 31 December 1999</b>	<b>10,070</b>	<b>6,535</b>	<b>3,143</b>	<b>1,739</b>	<b>87,798</b>	<b>109,560</b>
Depreciation:						
At 1 January 1999	142	1,110	2,870	1,321	62,683	68,384
Charge for the year	158	178	677	96	6,633	7,742
Disposals	-	(102)	(1,213)	(94)	(9,557)	(10,966)
<b>At 31 December 1999</b>	<b>300</b>	<b>1,186</b>	<b>2,334</b>	<b>1,323</b>	<b>59,759</b>	<b>65,160</b>
Net book value:						
<b>At 31 December 1999</b>	<b>9,770</b>	<b>5,349</b>	<b>809</b>	<b>416</b>	<b>28,039</b>	<b>44,400</b>
<b>At 31 December 1998</b>	<b>9,785</b>	<b>5,726</b>	<b>1,903</b>	<b>443</b>	<b>34,167</b>	<b>52,041</b>



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.

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

	<u>31 December 1999</u>	<u>31 December 1998</u>
	£'000	£'000
Net book amount	6,935	7,085
Depreciation in year	293	284

Freehold land and buildings includes freehold land not subject to depreciation amounting to £3,553,000 (31 December 1998- £3,553,000).

Assets held under finance leases are as follows:

	<u>31 December 1999</u>	<u>31 December 1998</u>
<u>Plant, machinery and tools</u>	£'000	£'000
Cost	542	542
Accumulated depreciation	(420)	(328)
	<hr/>	<hr/>
Net Book Value	122	214
	<hr/>	<hr/>

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 associated undertakings	Total
	£'000	Shares £'000	Shares £'000	£'000
At 1 January and 31 December 1999	16,827	692	490	18,009

Investment in limited partnership

The investment comprises the interest of the Company in a German limited partnership, Caradon 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 (1998-£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 Caradon Esser GmbH, which is incorporated in Germany. Caradon 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 undertakings 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.

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. FIXED ASSET INVESTMENTS (CONTINUED)

Investments in associated undertakings

Details of the participating interests of the Company in associated undertakings 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 1999</u>	<u>31 December 1998</u>
	£'000	£'000
Raw materials and consumables	1,828	2,524
Work in progress	1,652	2,362
Finished goods and goods for resale	4,504	3,321
	<u>7,984</u>	<u>8,207</u>

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 December 1999</u>	<u>31 December 1998</u>
	£'000	£'000
Trade debtors	13,053	16,394
Amounts owed by fellow subsidiary undertakings	6,451	6,700
Amounts owed by associated undertakings	233	239
Other debtors	495	505
Prepayments and accrued income	997	1,358
Advance corporation tax recoverable	123	123
Deferred tax asset ( Note 17)	1,838	1,148
	<u>23,190</u>	<u>26,467</u>

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	<u>31 December 1999</u>	<u>31 December 1998</u>
	£'000	£'000
Amounts owed by parent undertaking	4,854	-
Amounts owed by associated undertakings	358	358
Other debtors	53	60
Deferred tax asset (Note 17)	-	2,799
	<hr/>	<hr/>
	5,265	3,217
	<hr/>	<hr/>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 December 1999</u>	<u>31 December 1998</u>
	£'000	<u>(as restated)</u> £'000
Bank loans and overdrafts	-	14,615
Trade creditors	11,166	10,683
Amounts owed to fellow subsidiary undertakings	1,201	-
Amounts owed to associated undertakings	333	192
Other creditors	1,142	1,275
Corporation tax	1,998	1,049
Social security and other taxes	1,799	1,144
Preference dividend accrued	124	-
Advance corporation tax payable	-	123
Finance lease creditors	-	50
Interest payable	-	119
	<hr/>	<hr/>
	17,763	29,250
	<hr/>	<hr/>

Following adoption of FRS12, the new standard on provisions accounting, the Company has reanalysed the 1998 comparatives and has reclassified £981,000 from trade creditors and £8,445,000 from accruals and deferred income to provisions for liabilities and charges (Note 16).

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

	<u>31 December 1999</u>	<u>31 December 1998</u>
	£'000	<u>(as restated)</u> £'000
Amounts owed to fellow subsidiary undertakings	20,491	57,945
	<hr/>	<hr/>

Following adoption of FRS12, the new standard on provisions accounting, the Company has reanalysed the 1998 comparatives and has reclassified £1,145,000 from accruals and deferred income to provisions for liabilities and charges (Note 16).

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 1999 as previously reported	4,624	-	4,624
Reclassification	-	10,571	10,571
	<hr/>	<hr/>	<hr/>
At 1 January 1999 as restated	4,624	10,571	15,195
Provided in the year	1,011	515	1,526
Utilised in the year	-	(7,478)	(7,478)
	<hr/>	<hr/>	<hr/>
At 31 December 1999	5,635	3,608	9,243
	<hr/>	<hr/>	<hr/>

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>Amount provided</u>	<u>1999 Amount not provided</u>	<u>Amount provided</u>	<u>1998 Amount not provided</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	775	1,257	-	2,133
Finance Lease creditors	36	-	52	-
Other timing differences	(2,649)	(139)	(3,999)	(316)
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,838)	1,118	(3,947)	1,817
	<hr/>	<hr/>	<hr/>	<hr/>

# CARADON MK ELECTRIC LIMITED

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 18. CALLED UP SHARE CAPITAL

	<u>31 December 1999</u>	<u>31 December 1998</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	-
	<u>46,500</u>	<u>1,500</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	-
	<u>41,542</u>	<u>1,101</u>

During the year 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 1999	19,800	3,160	550
Retained profit for the year	-	-	6,158
	<u>-</u>	<u>-</u>	<u>6,158</u>
Balance at 31 December 1999	19,800	3,160	6,708
	<u>19,800</u>	<u>3,160</u>	<u>6,708</u>

#### 20. 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 valuation of the Group schemes is contained in the financial statements of Caradon plc.

CARADON MK ELECTRIC LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. COMMITMENTS

- (a) Capital commitments at 31 December 1999 for which no provision has been made in these financial statements were as follows:

	<u>31 December 1999</u>	<u>31 December 1998</u>
	£'000	£'000
Contracted but not provided for	941	299
	<u>          </u>	<u>          </u>

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

Operating Leases:	<u>As at</u> <u>31 December 1999</u>		<u>As at</u> <u>31 December 1998</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	2	5	-	-
Between one and five years	95	195	42	-
After more than five years	552	-	603	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	649	200	645	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Finance lease obligations expiring:				
		£'000		£'000
Between one and two years		-		51
		<u>          </u>		<u>          </u>

22. CONTINGENT LIABILITIES

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

At 31 December 1999 the Company has no other contingent liabilities arising in the ordinary course of business (1998: £Nil).

# 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 Caradon 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 entity is Caradon plc a company registered in England and 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.

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 Caradon Group Companies and investees of the Caradon Group that qualify as related parties.