

CARADON GENT LIMITED
(Registered Number 264047)

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

31 DECEMBER 1997



CARADON GENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The Directors present their annual report together with the audited financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activities of the Company are the manufacture, sale and maintenance of fire detection equipment, and emergency lighting.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £2,800,729 (year ended 31 December 1996, profit : £2,308,001). The directors recommend payment of a final dividend of £10,500,000 (1996- £nil)

DIRECTORS AND DIRECTORS' INTERESTS

The composition of the Board of Directors during the year, and to the date of this report, was as follows:

M J Davison	
D M Harrington	
A Jones	(Resigned 2 April 1997)
J B Letts	(Resigned 2 April 1997)
M Moran	(Resigned 26 September 1997)
A P S Robinson	
P W R Wingard	(Resigned 21 November 1997)
R Shord	
CJ Miller	(Appointed 28 February 1997)
A Wells	
M Cox	(Appointed 2 February 1998)
A Moss	(Appointed 1 October 1997)

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

The interests of the directors in the issued Ordinary shares, Preference shares and Loan notes of Caradon plc, the ultimate parent undertaking, are as follows:

CARADON GENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (cont)

	31 December 1997		1 January 1997 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>
M Davison	-	219,384	-	147,095
D M Harrington	-	34,132	-	27,108
A P S Robinson	4,756	81,874	5,207	57,303
R Shord		123,464	-	76,440
A Wells	-	27,272	-	19,002
C Miller	-	77,476	-	56,271
A Moss	-	31,131	-	31,131

None of the directors had any interests in the Preference shares or "B" shares of Caradon plc.

Holdings in Ordinary and Preference shares of Caradon plc held at 16 May 1997 were subject to that company's capital reorganisation and 9 for 10 share consolidation effected on that date.

The following options over Ordinary shares of Caradon plc were granted to, or exercised by, the directors during the year.

<u>Director</u>	<u>Options granted</u> (Number of shares)	<u>Options exercised</u> (Number of shares)
M Davison	72,289	-
D M Harrington	7,024	-
A P S Robinson	24,571	-
R Shord	47,024	-
A Wells	8,270	-
C Miller	21,205	-

The options reported above have been granted under the rules of Caradon plc's Savings Related and Executive Share Option Schemes.

No director was or is interested in any transaction, arrangement or agreement with the Company which was material during or at the end of the year.

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

CARADON GENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (cont)

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 PARTICIPATION

The Company is committed to employee participation and encourages the development of co-operation with employees.

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. Creditors at 31 December 1997 represent 79 days purchases.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Price Waterhouse as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



C K Bhowmik
Secretary

22 April 1998

CARADON GENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 1985 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CARADON GENT LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF CARADON GENT LIMITED

We have audited the financial statements on pages 6 to 17 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 to 10.

Respective Responsibilities of Directors and Auditors

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

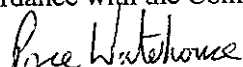
Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants and Registered Auditors
Southgate House
61 Millstone Lane
Leicester
LE1 5QA

22 April 1998

CARADON GENT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £'000	<u>1996</u> £'000
Turnover			
Continuing operations	2	40,082	40,828
Change in stocks of finished goods and work in progress		(273)	(165)
Raw materials and consumables		(13,645)	(13,505)
Other external charges		(6,455)	(8,122)
Staff costs	4,5	(13,961)	(13,646)
Depreciation	7	(1,805)	(1,510)
Other operating income		68	17
OPERATING PROFIT			
Continuing operations	3	4,011	3,897
Net Interest	3	(100)	(153)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,911	3,744
Taxation on profit on ordinary activities	6	(1,111)	(1,436)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,800	2,308
Dividends	7	(10,500)	-
RETAINED (LOSS)/PROFIT FOR THE YEAR	16	(7,700)	2,308
		=====	=====

There were no recognised gains or losses in the year, other than the retained loss for the year as shown above.

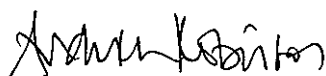
The notes on pages 9 to 17 form part of these financial statements.

CARADON GENT LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

		<u>1997</u>		<u>1996</u>	
	<u>Notes</u>	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8		8,323		7,002
CURRENT ASSETS					
Stocks	9	3,726		3,032	
Debtors	10	10,844		9,866	
Cash at bank and in hand		3,064		2,778	
		17,634		15,676	
CREDITORS (amounts falling due within one year)					
	11	(9,472)		(7,628)	
NET CURRENT ASSETS					
			8,162		8,048
TOTAL ASSETS LESS CURRENT LIABILITIES					
			16,485		15,050
CREDITORS (amounts falling due after more than one year)					
	12		(12,473)		(3,026)
PROVISIONS FOR LIABILITIES AND CHARGES					
	13		(327)		(639)
NET ASSETS					
			3,685		11,385
CAPITAL AND RESERVES					
Called up share capital	15		27		27
Share premium account	16		2,990		2,990
Profit and loss account	16		668		8,368
SHAREHOLDERS' FUNDS (EQUITY INTERESTS)					
			3,685		11,385

These financial statements were approved by the Board of Directors on 22 April, 1998



APS ROBINSON
DIRECTOR

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

CARADON GENT LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Reported profit on ordinary activities before taxation	3,911	3,744
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	(79)	(79)
Historical cost profit on ordinary activities before taxation	<u>3,832</u> =====	<u>3,665</u> =====
Historical cost retained (loss)/profit for the year after taxation and dividends	(7,779) =====	2,229 =====

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Profit on ordinary activities after taxation	2,800	2,308
Dividends	(10,500)	-
Net movement in Shareholders' funds	(7,700)	2,308
Shareholders' funds at 1 January 1996	11,385	9,077
Shareholders' funds at 1 January 1997	<u>3,685</u> =====	<u>11,385</u> =====

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

CARADON GENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, 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 and Amortisation

Tangible fixed assets are stated at cost with the exception of certain land and buildings which are stated at valuation. These assets are written off using the straight line method.

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.

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	- 2½%
Plant, machinery and tools	- 10% - 25%
Fixtures and fittings	- 10%
Motor vehicles	- 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) Warranty Provision

Provision is made for the direct labour and material costs expected to be incurred during the warranty period entered into on the sale of goods.

(g) Leases

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

CARADON GENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) 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.

(i) 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 where a liability is expected to arise in the foreseeable future.

(j) 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

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

	Year ended <u>31 December 1997</u> £'000	Year ended <u>31 December 1996</u> £'000
United Kingdom	31,983	33,006
Continental Europe	1,561	2,368
Other	6,538	5,454
	<u>40,082</u>	<u>40,828</u>

Turnover derives from continuing activities, there having been no discontinued operations or acquisitions in the year.

CARADON GENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Amounts charged by the Company's auditors,		
Audit fees and expenses	20	20
Tax and consultancy fees	9	11
Rentals payable under operating leases:		
- Plant and machinery	438	697
- Land and buildings	163	188
Research and development expenditure	413	519
Loss on sale of fixed assets	18	-
Reorganisation costs	-	421
Exchange loss		
- operating	20	22
- interest and similar charges	100	153
Surplus on revaluation of land and buildings	(87)	-

The surplus on the revaluation of land and buildings partially reverses a previous revaluation deficit which was recognised in the profit and loss account. The source of all profits of the Company is within the United Kingdom.

4. EMPLOYEES

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

	Year ended 31 December 1997 Number	Year ended 31 December 1996 Number
Manufacturing and Service	376	395
Selling and Distribution	131	137
Administration	120	126
	—	—
	627	658
	==	==

The aggregate payroll cost of these persons was:

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Wages and salaries	12,327	12,221
Social security costs	1,093	1,142
Other pension costs (Note 17)	202	188
Redundancy costs	339	95
	—	—
	13,961	13,646
	==	==

CARADON GENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. EMOLUMENTS OF DIRECTORS

a) The aggregate emoluments of the Directors was:

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Aggregate emoluments	337	356
Compensation for loss of office	187	-

Retirement benefits are accruing to four directors under a defined benefit scheme.

(b) Highest Paid Director

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Aggregate emolument	100	92

At the year end the highest paid director's accrued pension was £31,147.

6. TAXATION

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Taxation on the profit for the year:		
United Kingdom Corporation Tax at 31.5% (1996 : 33.0%)	1,113	1,140
(Over)/Under provision in prior years	(2)	8
Deferred tax	-	288
	<u>1,111</u>	<u>1,436</u>

7. DIVIDENDS PAYABLE

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Equity shares:		
Final Ordinary dividend proposed	<u>10,500</u>	<u>-</u>

CARADON GENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Motor Vehicles £000	Fixtures and Fittings £000	Plant machinery and tools £000	Total £000
Cost/Valuation:					
At 1 January 1997	2,500	1,863	4,703	4,986	14,052
Additions	-	843	1,622	688	3,153
Revaluation	(100)	-	-	-	(100)
Disposals	-	(13)	(69)	(480)	(562)
Intragroup transfer	-	35	-	-	35
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At 31 December 1997	2,400	2,728	6,256	5,194	16,578
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 1997	(142)	(442)	(3,214)	(3,252)	(7,050)
Charge for the year	(45)	(570)	(585)	(605)	(1,805)
Revaluation	187	-	-	-	187
Disposals	-	13	27	379	419
Intragroup transfer	-	(6)	-	-	(6)
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At 31 December 1997	0	(1,005)	(3,772)	(3,478)	(8,255)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book value:					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	2,400	1,723	2,484	1,716	8,323
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	2,358	1,421	1,489	1,734	7,002
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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 1997</u> £'000	<u>31 December 1996</u> £'000
Net book amount	5,100	5,224
Depreciation in year	124	124

Freehold land and buildings includes freehold land not subject to depreciation amounting to £830,000 (31 December 1996 - £690,000).

CARADON GENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. STOCKS

	<u>31 December 1997</u> £'000	<u>31 December 1996</u> £'000
Raw materials and consumables	1,600	1,179
Work in progress	1,413	1,149
Finished goods and goods for resale	713	704
	<hr/>	<hr/>
	3,726	3,032
	<hr/>	<hr/>

10. DEBTORS

	<u>31 December 1997</u> £'000	<u>31 December 1996</u> £'000
Trade debtors	7,176	7,238
Amounts owed by immediate parent undertaking and fellow subsidiary undertakings	3,290	2,121
Other debtors	35	79
Prepayments and accrued income	343	428
	<hr/>	<hr/>
	10,844	9,866
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11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 December 1997</u> £'000	<u>31 December 1996</u> £'000
Trade creditors	7,667	5,086
Amounts owed to immediate parent undertaking and fellow subsidiary undertakings	71	479
Other creditors	221	219
Corporation tax	1,164	1,190
Social security and other taxes	236	523
Accruals and deferred income	113	131
	<hr/>	<hr/>
	9,472	7,628
	<hr/>	<hr/>

CARADON GENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	<u>31 December 1997</u> £'000	<u>31 December 1996</u> £'000
Amounts owed to ultimate parent undertaking	12,473	3,026

The amounts owed to group undertakings are interest free with no specific terms of repayment.

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Reorganisation provision</u> £'000	<u>Warranty provision</u> £'000	<u>Total</u> £'000
At 1 January 1997	421	218	639
Utilised in year	(241)	(218)	(459)
Charge for the year	-	147	147
At 31 December 1997	<u>180</u>	<u>147</u>	<u>327</u>

The warranty provision relates to potential claims for rectification or the replacement of defective materials.

14. DEFERRED TAXATION

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

	<u>Amount provided</u> £000	<u>1997</u> <u>Amount not provided</u> £000	<u>Amount provided</u> £000	<u>1996</u> <u>Amount not provided</u> £000
Capital allowances	10	-	-	(23)
Reorganisation provisions	(10)	(46)	-	(139)
Other timing differences	-	-	-	(20)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	(46)	-	(182)

No provision has been made for deferred taxation in respect of future disposals of revalued properties as the directors do not envisage a significant crystallisation of any such liability in the foreseeable future.

CARADON GENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. SHARE CAPITAL

	<u>31 December 1997</u>		<u>31 December 1996</u>	
	Authorised £'000	Allotted issued and fully paid £'000	Authorised £'000	Allotted issued and fully paid £'000
Equity shares				
Ordinary Shares of £1 each	4,985	12	4,985	12
Non equity shares				
Preference shares of £1 each	15	15	15	15
		—		—
		27		27
		==		==

16. RESERVES

	Share Premium Account £'000	Profit Loss Account £'000
Balance at 1 January 1997	2,990	8,368
Retained loss for the year	-	(7,700)
	—	—
Balance at 31 December 1997	2,990	668
	==	==

17. PENSIONS

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

18. COMMITMENTS

- (a) Capital commitments at 31 December 1997 for which no provision has been made in these financial statements were as follows:

	<u>31 December 1997</u> £000	<u>31 December 1996</u> £000
Contracted but not provided for	941	391
	==	==

CARADON GENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. COMMITMENTS (continued)

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

	<u>As at 31 December 1997</u>		<u>As at 31 December 1996</u>	
	<u>Land and</u>	<u>Other</u>	<u>Land and</u>	<u>Other</u>
	<u>Buildings</u>		<u>Buildings</u>	
	£'000	£'000	£'000	£'000
Leases expiring:				
within one year	26	157	-	222
within two to five years	10	18	-	67
later than five years	88	-	165	-
	—	—	—	—
	124	175	165	281
	==	==	==	==

19. 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 1997 the Company had other contingent liabilities arising in the ordinary course of business of £13,127 (1996 : £13,127).

20. CASH FLOW STATEMENT

A consolidated cash flow statement has been included in the accounts of the parent company which include the accounts of Caradon Gent Limited.

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

21. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Caradon plc. 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.

22. RELATED PARTY DISCLOSURES

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