

CARADON EUROPE LIMITED
(Registered Number 557280)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 1995



CARADON EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

The Directors present their annual report together with the audited financial statements for the year ended 31 December 1995.

PRINCIPAL ACTIVITY

The principal activity of the company is that of an investment holding company with overseas subsidiaries engaged in the manufacture and distribution of central heating equipment.

RESULTS AND DIVIDENDS

The retained profit for the year amounted to £1,733,000 (Year ended 31 December 1994, profit: £616,000) which has been transferred to reserves. The Directors do not recommend payment of a final dividend (1994 - £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:

D C Cohen (Resigned 27 November 1995)
J Freund
P J Jansen
T W Llewellyn (Appointed 19 September 1995)
P Riepenhausen
G J M Teeuwen
L Vine-Chatterton (Appointed 19 September 1995, Resigned 31 January 1996)
T Walker

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 share capital, Preference shares and Loan notes of Caradon plc, the ultimate parent undertaking, are as follows:

	31 December 1995				1 January 1995 or date of appointment if later			
	Options Over Ordinary Shares	Ordinary Shares	Preference Shares	Loan Notes	Options Over Ordinary Shares	Ordinary Shares	Preference Shares	Loan Notes
	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>£</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>£</u>
J Freund	-	177,097	-	-	-	115,109	-	-
L Vine-Chatterton	-	40,961	-	-	-	40,961	-	-

The corresponding interests of P J Jansen, T W Llewellyn and T Walker who are also directors of Caradon plc, are disclosed in the financial statements of that company, being the ultimate parent undertaking, and are therefore not shown above.

CARADON EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995 (CONTINUED)

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> (No of shares)	<u>Options Exercised</u> (No of shares)
J Freund	61,988	-
L Vine-Chatterton	24,343	-

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.

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



K D RICHARDSON
SECRETARY

25 June 1996

CARADON EUROPE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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 EUROPE LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF CARADON EUROPE LIMITED

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 3 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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants and
Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

25 JUN 1996

CARADON EUROPE LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995**

		1995	1994
	Notes	£'000	£'000
Interest receivable from subsidiary undertakings		2,544	-
Exchange gains		28	616
OPERATING PROFIT	2	<u>2,572</u>	<u>616</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,572</u>	<u>616</u>
Taxation on profit on ordinary activities	3	(839)	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION RETAINED FOR THE YEAR	9	<u><u>1,733</u></u>	<u><u>616</u></u>

The Company has no recognised gains or losses other than those passing through the profit and loss account.

The notes on pages 7 to 10 form part of these financial statements.

CARADON EUROPE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1995

		1995		1994	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Investments	4		44,061		44,013
CURRENT ASSETS					
Debtors (amounts falling due within one year)	5	2,377		1,067	
Debtors (amounts falling due after more than one year)	5	<u>31,740</u>		<u>-</u>	
		34,117		1,067	
CREDITORS (amounts falling due within one year)	6	<u>(564)</u>		<u>-</u>	
NET CURRENT ASSETS			<u>33,553</u>		<u>1,067</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			77,614		45,080
CREDITORS (amounts falling due after more than one year)	7		<u>(44,522)</u>		<u>(13,721)</u>
			<u>33,092</u>		<u>31,359</u>
CAPITAL AND RESERVES					
Called up share capital	8		8,500		8,500
Share premium account	9		7,500		7,500
Profit and loss account	9		<u>17,092</u>		<u>15,359</u>
SHAREHOLDERS' FUNDS	10		<u>33,092</u>		<u>31,359</u>

The notes on pages 7 to 10 form part of these financial statements.

These financial statements were approved by the Board of Directors on 25 June 1996.


T W LLEWELLYN
DIRECTOR

CARADON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

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 and in accordance with applicable accounting standards.

(b) 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.

(c) 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.

2. DIRECTORS' EMOLUMENTS

The aggregate remuneration (including pension contributions) of the Directors was £nil (1994: £nil).

3. TAXATION

	1995	1994
	£'000	£'000
United Kingdom Corporation Tax at 33% (1994: 33%)	839	-
Double tax relief	<u>(275)</u>	<u>-</u>
	564	-
Overseas tax	<u>275</u>	<u>-</u>
	<u>839</u>	<u>-</u>

CARADON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. FIXED ASSET INVESTMENTS

Investments in subsidiary undertakings:

	Shares £'000
Cost:	
At 1 January 1995	44,793
Addition	<u>48</u>
At 31 December 1995	44,841
Provision for diminution in carrying value:	
At 1 January 1995 and 31 December 1995	<u>(780)</u>
Balance at 31 December 1995	<u>44,061</u>
Balance at 1 January 1995	<u>44,013</u>

The subsidiaries are all wholly owned, and their countries of incorporation and operation are as follows:

Name	Country
Caradon European Building Products BV	Netherlands
Stelrad Radiatoren GmbH*	Austria
Hendrickx Radiatoren NV*	Belgium
Henrad (UK) Limited*	England
Stelrad Ideal NV	Belgium
Stelrad Components Limited*	Eire
Stelrad Ireland Limited*	Eire
Caradon Heating Europe BV	Holland
Stelrad Ideal Heizungsvertriebs GmbH*	Germany
Meltronic BV*	Holland

* Companies held through subsidiaries

The above companies are involved in the manufacture and marketing of central heating products, except for Stelrad Ideal NV and Stelrad Ireland Limited which are dormant.

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

The Company is a wholly owned subsidiary of another company registered in England and Wales and thus under section 228 of the Companies Act 1985 is exempt from producing group financial statements.

CARADON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. DEBTORS

	1995 £'000	1994 £'000
Amounts owed by immediate parent undertaking and fellow subsidiary undertakings	34,117	1,058
Other debtors	<u>—</u>	<u>9</u>
	<u>34,117</u>	<u>1,067</u>

Included within amounts owed by immediate parent undertaking and fellow subsidiary undertakings are amounts totalling £31,740,000 (1994, £Nil) which are repayable after more than one year.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995 £'000	1994 £'000
Corporation tax	<u>564</u>	<u>—</u>

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

	1995 £'000	1994 £'000
Amounts owed to immediate parent undertaking and fellow subsidiary undertakings	<u>44,522</u>	<u>13,721</u>

The loans are interest free and have no specific repayment date.

8. SHARE CAPITAL

	1995 £'000	1994 £'000
Authorised:		
8,500,100 Ordinary shares of £1 each	<u>8,500</u>	<u>8,500</u>
Allotted, issued and fully paid		
8,500,100 Ordinary shares of £1 each	<u>8,500</u>	<u>8,500</u>

CARADON EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. RESERVES

	Share Premium Account £'000	Profit & Loss Account £'000
Balance at 1 January 1995	7,500	15,359
Retained profit for the year	—	1,733
At 31 December 1995	<u>7,500</u>	<u>17,092</u>

10. RECONCILIATION OF MOVEMENTS IN
SHAREHOLDERS' FUNDS

	1995 £'000	1994 £'000
Profit for the financial year	1,733	616
Opening shareholders' funds	<u>31,359</u>	<u>30,743</u>
Closing shareholders' funds	<u>33,092</u>	<u>31,359</u>

11. CONTINGENT LIABILITIES

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

12. CASH FLOW STATEMENT

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

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

13. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking 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 The Secretary, Caradon plc, Caradon House, 24 Queens Road, Weybridge, Surrey, KT13 9UX.