

DIRECTORS' REPORT AND ACCOUNTS

AJAX ELECTRICAL LIMITED

(Registered number 778004)

31 December 1999



AJAX ELECTRICAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

The directors present the report and the accounts of the company for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The company is engaged in the manufacture and sale of electrical devices.

REVIEW OF BUSINESS

The annual turnover for 1999 was below the 1998 level. Whilst output was maintained the reduction was due to volume rebates given to major customers. The output for 2000 is expected to remain stable.

Overhead costs were tightly controlled throughout the year, generating efficiencies. Improved liaison with customers allowed more effective production planning and improved on-time deliveries.

Investments in the site facilities were implemented during the year resulting in improved working conditions.

RESULTS AND DIVIDEND

The results for the year are set out in the profit and loss account on page 5. The directors do not recommend the payment of a final dividend. A dividend of £1,000,000 (1998: £1,900,000) was paid during the year. The retained loss for the year of £397,000 (1998: £1,229,000 loss) has been withdrawn from reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

PB Gardner	Resigned 19 October 1999
R Gringelli	Resigned 19 October 1999
MA Southgate	
PA Dennis	
T McCarthy	Appointed 19 October 1999
P Labas	Appointed 19 October 1999
R Stein	

AJAX ELECTRICAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

DIRECTORS AND THEIR INTERESTS (CONTINUED)

The directors had the following interests in share options of the ultimate parent undertaking, Schneider Electric SA, at the beginning and end of the year:

	Date of grant	At 31 December 1999		At 31 December 1998	
		Number	Price Euro	Number	Price Euro
R Stein	10 June 1997	2,300	44.52	2,300	44.52
	28 January 1998	3,000	50.76	3,000	50.76
	1 April 1999	4,000	50.73		
	1 April 1999	3,500	50.73		
T McCarthy	28 January 1998	2,000	50.76	2,000	50.76
P Labas	1 April 1999	3,000	50.73		
	1 April 1999	1,200	50.73		

These options are all exercisable during a period of five years from the date of grant.

The directors had the following interest in ordinary shares of Schneider Electric SA, at the beginning and end of the year:

	At 31 December 1999 Number	At 31 December 1998 Number
P Gardner	-	-
R Gringelli	11,200	11,200
MA Southgate	-	-
PA Dennis	-	-
T McCarthy	1,800	1,800
P Labas	-	-
R Stein	-	-

YEAR 2000

The company undertook work on the implementation of the changes required to enhance the capability of its management information systems to ensure that all business critical systems would be millennium compliant. No problems have been encountered post 1 January 2000 and the situation will continue to be closely monitored.

AJAX ELECTRICAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law 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 and of the profit or loss of the company for that period. 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 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 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.

AUDITORS

PricewaterhouseCoopers are willing to continue in office and a resolution for their re-appointment as auditors will be proposed at the Annual General Meeting.

By Order of the Board



D VAN RISTELL
Secretary

15 May 2000

Registered Office:

Stafford Park 5
Telford
TF3 3BL

PricewaterhouseCoopers

Benson House
33 Wellington Street
Leeds LS1 4JP
Telephone +44 (0) 113 289 4000
Facsimile +44 (0) 113 289 4460

**AUDITORS' REPORT TO THE MEMBERS OF
AJAX ELECTRICAL LIMITED**

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

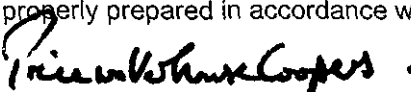
Basis of audit opinion

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 1999 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

15 May 2000

AJAX ELECTRICAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>Notes</u>	<u>1999</u> £'000	<u>1998</u> £'000
TURNOVER	2	7,630	8,125
Cost of sales		<u>(4,799)</u>	<u>(5,041)</u>
GROSS PROFIT		2,831	3,084
Administrative expenses		<u>(1,899)</u>	<u>(2,245)</u>
OPERATING PROFIT		932	839
Interest	3	<u>77</u>	<u>176</u>
PROFIT BEFORE TAXATION	4	1,009	1,015
Taxation	7	<u>(406)</u>	<u>(344)</u>
PROFIT AFTER TAXATION		603	671
Dividend		<u>(1,000)</u>	<u>(1,900)</u>
RETAINED LOSS FOR THE YEAR		<u>(397)</u>	<u>(1,229)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses for the current financial year and preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is given.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

There are no movements in shareholders' funds for the financial year or the preceding financial year other than the total recognised gains and losses. Accordingly, no reconciliation of movement in shareholders' funds is given.

AJAX ELECTRICAL LIMITED

BALANCE SHEET - 31 DECEMBER 1999

	<u>Notes</u>	<u>1999</u> £'000	<u>1998</u> £'000
FIXED ASSETS			
Intangible assets	8	154	197
Tangible assets	9	<u>783</u>	<u>1,164</u>
		<u>937</u>	<u>1,361</u>
CURRENT ASSETS			
Stocks	10	334	344
Debtors	11	2,455	1,960
Cash at bank and in hand		<u>970</u>	<u>1,640</u>
		3,759	3,944
CREDITORS (amounts falling due within one year)	12	<u>(1,905)</u>	<u>(2,117)</u>
NET CURRENT ASSETS		<u>1,854</u>	<u>1,827</u>
		2,791	3,188
		=====	=====
CAPITAL AND RESERVES			
Share capital	14	1,000	1,000
Profit and loss account	15	<u>1,791</u>	<u>2,188</u>
Equity shareholders' funds		2,791	3,188
		=====	=====


R STEIN
DIRECTOR

APPROVED BY THE BOARD
ON 15 MAY 2000

AJAX ELECTRICAL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 £'000	1998 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	13(1)	1,148	2,737
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid	(1)	(1)	
Interest received	78	177	
		77	176
TAXATION		(619)	(1,023)
CAPITAL EXPENDITURE			
Purchase of tangible assets	(274)	(322)	
Proceeds from disposal of tangible assets	-	246	
		(274)	(76)
EQUITY DIVIDENDS PAID		(1,000)	(1,900)
DECREASE IN CASH	13(2)	(668)	(86)
		<u> </u>	<u> </u>

RECONCILIATION OF NET CASH FLOW MOVEMENT IN NET DEBT

	£'000
DECREASE IN CASH IN THE PERIOD AND CHANGE IN NET DEBT	(668)
NET CASH AT 1 JANUARY 1999	<u>1,638</u>
NET CASH AT 31 DECEMBER 1999	<u>970</u>

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999

1 ACCOUNTING POLICIES

(1) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(2) Turnover

Turnover is the amount derived from invoiced sales excluding rebates and VAT.

(3) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost, which comprises prime costs of direct labour and materials together with related overheads, and net realisable value.

(4) Intangible assets

Intangible assets are amortised over 10 years from the time the company commenced manufacture of patented products.

(5) Tangible assets

Depreciation is provided on a straight line basis to write off the cost of fixed assets over their estimated useful lives which are considered to be:

Plant and machinery - 4 to 6 years from acquisition

(6) Deferred taxation

Provision is made for taxation liabilities arising from the allocation of items to different periods for taxation and for accounting purposes. The provision is established at the corporation tax rates anticipated to be in force at the time each deferred liability will ultimately crystallise. Losses available to reduce corporation tax on future profits are deducted from the provision.

(7) Pension costs

The cost of providing pension benefits is charged to the profit and loss account as a consistent percentage of earnings over the period benefiting from the employees' services.

2 TURNOVER

	<u>1999</u> £'000	<u>1998</u> £'000
The turnover attributable to each of the company's geographical markets is:		
United Kingdom	3,653	3,532
Europe	<u>3,977</u>	<u>4,593</u>
	7,630	8,125
	<u> </u>	<u> </u>

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

3 INTEREST

	<u>1999</u>	<u>1998</u>
	£'000	£'000
Payable on bank overdraft	(1)	(1)
Receivable on bank deposits	<u>78</u>	<u>177</u>
	<u>77</u>	<u>176</u>

4 PROFIT BEFORE TAXATION

	<u>1999</u>	<u>1998</u>
	£'000	£'000
Profit before taxation is arrived at after charging:		
Amortisation of intangible assets	43	43
Depreciation of tangible assets	652	912
Auditors' remuneration - audit	12	12
	<u> </u>	<u> </u>

5 EMPLOYEES

	<u>1999</u>	<u>1998</u>
	Number	Number
The average number of persons employed by the company, including executive directors, was	<u>73</u>	<u>80</u>
The costs incurred in respect of these employees were:		
	£'000	£'000
Wages and salaries	1,191	1,212
Social security costs	82	101
Other pension costs	<u>74</u>	<u>79</u>
	<u>1,347</u>	<u>1,392</u>

6 DIRECTORS REMUNERATION

None of the directors received any emoluments in respect of their services to the company during the year.

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

7 TAXATION

	<u>1999</u> £'000	<u>1998</u> £'000
Based on the profit for the year at 30.25% (1998: 31%)		
UK Corporation tax	406	427
Deferred taxation	<u>-</u>	<u>(76)</u>
	406	351
Adjustment in respect of prior year		
- Corporation tax	-	(7)
- Deferred tax	<u>-</u>	<u>-</u>
	406	344
	<u><u>406</u></u>	<u><u>344</u></u>

The current year tax charge is higher than expected due primarily to the non recognition of deferred tax assets.

The unrecognised deferred tax asset at 31 December 1999 is analysed below:

	<u>1999</u> £'000
Accelerated capital allowance	111
Short term timing differences	<u>56</u>
	167
	<u><u>167</u></u>

8 INTANGIBLE FIXED ASSETS

	<u>Licence fee</u> £'000
<u>Cost</u>	
At 1 January 1999 and 31 December 1999	<u><u>429</u></u>
<u>Amortisation</u>	
At 1 January 1999	232
Charge for the year	<u>43</u>
At 31 December 1999	275
<u>Net book amount</u>	<u><u>154</u></u>
At 31 December 1999	<u><u>154</u></u>
At 31 December 1998	<u><u>197</u></u>

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

9 TANGIBLE FIXED ASSETS

	Plant and Machinery £'000
<u>Cost</u>	
At 1 January 1999	5,722
Additions	274
Disposals	<u>(4)</u>
At 31 December 1999	<u>5,992</u>
<u>Depreciation</u>	
At 1 January 1999	4,558
Charge for the year	652
Disposals	<u>(1)</u>
At 31 December 1999	<u>5,209</u>
<u>Net book amount</u>	
At 31 December 1999	<u>783</u>
At 31 December 1998	<u>1,164</u>

10 STOCKS

	<u>1999</u> £'000	<u>1998</u> £'000
Raw materials and consumables	189	174
Work in progress	<u>145</u>	<u>170</u>
	<u>334</u>	<u>344</u>

11 DEBTORS

	<u>1999</u> £'000	<u>1998</u> £'000
Trade debtors	317	226
Amounts owed by group undertakings	2,135	1,734
Other debtors and prepayments	<u>3</u>	<u>-</u>
	<u>2,455</u>	<u>1,960</u>

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

12 CREDITORS (amounts falling due within one year)

	<u>1999</u> £'000	<u>1998</u> £'000
Bank overdraft	-	2
Trade creditors	243	184
Amounts owed to group undertakings	466	821
Other taxation and social security	61	60
Other creditors and accruals	921	623
Corporation tax	<u>214</u>	<u>427</u>
	1,905	2,117
	<u><u>1,905</u></u>	<u><u>2,117</u></u>

13 NOTES TO THE CASH FLOW STATEMENT

(1) Reconciliation of operating profit to net cash inflow from operating activities

	<u>1999</u> £'000	<u>1998</u> £'000
Operating profit	932	839
Depreciation and amortisation	695	955
Decrease in stock	10	215
Decrease/(increase) in debtors	(495)	596
Increase in creditors	3	126
Loss on disposal of tangible fixed assets	<u>3</u>	<u>6</u>
	1,148	2,737
	<u><u>1,148</u></u>	<u><u>2,737</u></u>

(2) Analysis of changes in net debt

	At <u>1 January 1999</u> £'000	<u>Cash flows</u> £'000	At <u>31 December 1999</u> £'000
Cash at bank and in hand	1,640	(670)	970
Debt due within one year	<u>(2)</u>	<u>2</u>	<u>-</u>
	1,638	(668)	970
	<u><u>1,638</u></u>	<u><u>(668)</u></u>	<u><u>970</u></u>

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

14 SHARE CAPITAL

	<u>1999</u> <u>£'000</u>	<u>1998</u> <u>£'000</u>
Ordinary shares of £1 each:		
Authorised	<u>5,000</u>	<u>5,000</u>
Called-up, allotted and fully paid	<u>1,000</u>	<u>1,000</u>

15 RESERVES

	<u>Profit and loss account</u> <u>£'000</u>
Balance at 1 January 1999	2,188
Retained loss for the year	<u>(397)</u>
Balance at 31 December 1999	<u>1,791</u>

16 PENSION COMMITMENTS

The company is a participating member of the Schneider Pension Plan. This scheme is of the defined benefit, final salary type and is open to the majority of the company's employees.

The scheme is funded to cover future pension liabilities (including expected future earnings and pension increases) in respect of service up to the balance sheet date. The assets of the scheme are held under trust and are managed by outside investment managers. It is subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rates of the employer's contributions. These contributions, together with proceeds from the scheme's assets are sufficient to fund the benefits payable under the scheme.

The pension cost in respect of this scheme was £74,000 (1998: £79,000).

There is no material difference between the pension expense incurred by the company over the year and the contributions actually paid.

Further information in relation to the pension scheme is given in the accounts of Schneider Electric (UK) Limited.

17 CAPITAL COMMITMENTS

Amounts authorised, but not contracted at 31 December 1999 amounted to £Nil (1998: £24,700).

AJAX ELECTRICAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

18 ULTIMATE PARENT UNDERTAKING

The largest group in which the accounts of the company are consolidated is that headed by the ultimate parent undertaking and ultimate controlling party, Schneider Electric SA, a company incorporated in France. Copies of the group accounts of Schneider Electric SA can be obtained from:

Schneider Electric SA
43/45 boulevard Franklin Roosevelt
F - 92500 RUEIL MALMAISON
France

The smallest group in which the accounts of the company are consolidated is headed by Schneider Electric (UK) Limited, a company registered in England. Copies of the group accounts of Schneider Electric (UK) Limited can be obtained from:

Schneider Electric (UK) Limited
1 Park Row
Leeds
LS1 5AB

19 RELATED PARTY DISCLOSURE

During the year the company was involved in the following related party transactions:

- Sales of £6,373,000, recharges of £159,000 and purchases of £2,673,000 were made with parties that are part of the Schneider Electric SA group of companies, which owns 51% of the share capital of Ajax Electrical Limited. At the balance sheet date the amount due from these group undertakings is £2,135,000 and amount owed is £466,000.
- Sales of £1,129,000 were made to Caradon MK Electric Limited, which owns 49% of the share capital of Ajax Electrical Limited. At the balance sheet date the amount due from Caradon MK Electric Limited is £325,000.