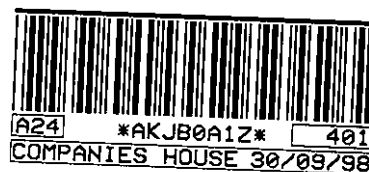


CARADON JONES LIMITED
(Registered Number 1126513)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1997



CARADON JONES 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

During the year the principal activity of the company was the manufacture and distribution of steel lintels, access covers and a range of other drainage and ducting products for the building industry. As noted below the company disposed of its trade subsequent to the year end and accordingly the business was discontinued.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £780,000 (year ended 31 December 1996, loss: £750,000), which has been deducted from reserves. The directors do not recommend payment of a final dividend (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:

B L Buckland
J P W Morgan
H T Rawlinson (Appointed 1 January 1997)
R B Williams

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 of Caradon plc, the ultimate parent undertaking, are shown below. None of the directors held any interests in the Preference Shares or "B" shares of Caradon plc.

	31 December 1997		1 January 1997 or date of appointment	
	Ordinary Shares Number	Options Over Ordinary Shares Number	Ordinary Shares Number	Options Over Ordinary Shares Number
B L Buckland	-	33,207	-	24,934
J P W Morgan	-	170,014	-	127,042
H T Rawlinson	-	50,274	-	26,178
R B Williams	-	40,006	-	31,318

CARADON JONES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

DIRECTORS AND DIRECTORS' INTERESTS (cont)

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

<u>Director</u>	<u>Options granted</u> <u>(Number of shares)</u>
B L Buckland	8,273
J P W Morgan	42,972
HT Rawlinson	24,096
R B Williams	8,688

The options reported above have been granted under the rules of Caradon plc's Savings Related and Executive Share Option Schemes. None of the directors exercised any share options during the year.

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.

DONATIONS

Donations to charitable organisations during the year amounted to £nil (1996: £nil). No payments were made during the year for political purposes (1996: £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 number of days that the Company takes to settle invoices is 51.

POST BALANCE SHEET EVENTS

On 9 February 1998 the company disposed of certain assets and the trade of the business. As a result of the disposal the company made a net loss of £420,000 which has been recognised in the accounts.

CARADON JONES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

AUDITORS

In accordance with Section 385 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.



D Burningham
Secretary

22 April 1998

CARADON JONES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

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 JONES LIMITED

**AUDITORS' REPORT TO THE SHAREHOLDERS
OF CARADON JONES LIMITED**

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants and Registered Auditors
Haywood House
Dumfries Place
CARDIFF
CF1 4BA

22 April 1998

CARADON JONES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

		<u>Discontinued</u> <u>Operations</u>	
	<u>Notes</u>	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Turnover	2	2,714	2,887
Change in stocks of finished goods and work in progress		265	(98)
Raw materials and consumables		(1,162)	(551)
Other external charges		(713)	(766)
Staff costs	4, 5	(1,251)	(1,724)
Depreciation	7	(251)	(366)
		<hr/>	<hr/>
Operating loss		(398)	(618)
Loss on disposal of discontinued operations	3	(420)	---
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(818)	(618)
Tax credit/(charge) on loss on ordinary activities	6	38	(132)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION & RETAINED LOSS FOR THE FINANCIAL YEAR	15	(780)	(750)

The company has no recognised gains and losses other than the loss for the year disclosed on the profit and loss account.

There is no material difference between reported losses and losses on an historical cost basis.

Turnover and operating loss derive from discontinued activities.

The notes on pages 9 to 16 form part of these financial statements.

CARADON JONES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £'000	£'000	<u>1996</u> £'000	£'000
FIXED ASSETS					
Tangible assets	7		1,127		1,920
CURRENT ASSETS					
Stocks	9	145		578	
Debtors	10	249		763	
Cash at bank and in hand		61		576	
		<u>455</u>		<u>1,917</u>	
CREDITORS (amounts falling due within one year)	11	<u>(178)</u>		<u>(1,083)</u>	
NET CURRENT ASSETS			277		834
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,404</u>		<u>2,754</u>
CREDITORS (amounts falling due after more than one year)	12		(1,784)		(2,581)
PROVISIONS FOR LIABILITIES AND CHARGES	13		<u>(419)</u>		<u>(192)</u>
NET LIABILITIES			<u>(799)</u>		<u>(19)</u>
CAPITAL AND RESERVES					
Called up share capital	14		725		725
Share premium account	15		25		25
Profit and loss account	15		(1,549)		(769)
EQUITY SHAREHOLDERS' FUNDS			<u>(799)</u>		<u>(19)</u>

These financial statements were approved by the Board of Directors on 9 April 1998.

H T Rawlinson

H T Rawlinson
Managing Director

The notes on pages 9 to 16 form part of these financial statements.

CARADON JONES LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> £'000	<u>1996</u> £'000
Retained loss for the year	(780)	(750)
Shareholders' funds at 1 January	(19)	731
	<u> </u>	<u> </u>
Shareholders' funds at 31 December	<u>(799)</u>	<u>(19)</u>

Shareholders' funds are entirely attributable to equity shareholders.

The notes on pages 9 to 16 form part of these financial statements.

CARADON JONES 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 fixed 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. These assets are written off using the straight line method.

For all 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% - 10%
Plant and Machinery	10% - 15%
Fixtures and Fittings	20% - 34%
Motor Vehicles	22% - 28%

(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) 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.

CARADON JONES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(g) 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.

(h) Leases and Hire Purchase Contracts

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

2. **TURNOVER AND OPERATING LOSS**

The Company is principally engaged in the business of manufacturing steel lintels, access covers and a range of other drainage and ducting products for the building industry. The business is carried on in the United Kingdom and turnover derives mainly from that source.

3. **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

Loss on ordinary activities before taxation is stated after charging/(crediting) 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	9	9
Rentals payable under operating leases:		
- Plant and machinery	---	2
Profit on sale of fixed assets	16	18
Land and Buildings Revaluation write down	98	---
Loss on disposal of discontinued operations	420	---

On 9 February 1998 the company disposed of certain assets and the trade of the business. As a result of the disposal the company made a net loss of £420,000 which has been recognised in the accounts. This comprised of provisions made for the disposal and related restructuring of £292,000 (see note 13) and writedown against assets of £128,000. The tax effect of the above provisions is estimated at £132,000 and the net impact is £288,000.

CARADON JONES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. EMPLOYEES

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

	Year ended <u>31 December 1997</u> Number	Year ended <u>31 December 1996</u> Number
Manufacturing	56	76
Selling and distribution	11	18
Administration	8	10
	<u>75</u>	<u>104</u>

The aggregate payroll cost of these persons was:

	Year ended <u>31 December 1997</u> £'000	Year ended <u>31 December 1996</u> £'000
Wages and salaries	1,158	1,601
Social security costs	93	123
	<u>1,251</u>	<u>1,724</u>

5. DIRECTORS' EMOLUMENTS

The emoluments of the directors are borne by the immediate parent undertaking and are disclosed in those financial statements.

6. TAXATION

	Year ended <u>31 December 1997</u> £'000	Year ended <u>31 December 1996</u> £'000
Taxation on the loss for the year:-		
United Kingdom Corporation Tax at 31.5% (1996:33.0%)	(63)	(196)
Group relief surrendered for nil consideration	63	196
Deferred tax	(38)	132
	<u>(38)</u>	<u>132</u>

CARADON JONES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TANGIBLE FIXED ASSETS

	Land and Buildings at valuation <u>Freehold</u> £'000	Motor vehicles <u>£'000</u>	Fixtures and <u>Fittings</u> £'000	Plant Machinery and tools <u>£'000</u>	<u>Total</u> £'000
Cost/Valuation:					
At 1 January 1997	1,080	285	646	2,572	4,583
Additions	---	---	21	---	21
Disposals	---	(72)	---	(540)	(612)
Revaluation	<u>(480)</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(480)</u>
At 31 December 1997	<u>600</u>	<u>213</u>	<u>667</u>	<u>2,032</u>	<u>3,512</u>
Depreciation:					
At 1 January 1997	(351)	(244)	(576)	(1,492)	(2,663)
Charge for the year	<u>(31)</u>	<u>(20)</u>	<u>(44)</u>	<u>(156)</u>	<u>(251)</u>
Disposals	---	65	---	82	147
Revaluation	<u>382</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>382</u>
At 31 December 1997	<u>---</u>	<u>(199)</u>	<u>(620)</u>	<u>(1,566)</u>	<u>(2,385)</u>
Net book value:					
At 31 December 1997	<u>600</u>	<u>14</u>	<u>47</u>	<u>466</u>	<u>1,127</u>
At 31 December 1996	<u>729</u>	<u>41</u>	<u>70</u>	<u>1,080</u>	<u>1,920</u>

The Company's freehold land and buildings held at valuation are on the basis of a valuation at Open Market Value carried out as at 31 December 1997. The revaluation was carried out by Healey & Baker, International Surveyors and Valuers.

CARADON JONES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. FIXED ASSET INVESTMENTS

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

	Country of Incorporation	Description of Shares Held	Proportion of Shares Held %
Galvacover Limited	England	Ordinary	100%

Galvacover has not traded during the year. 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.

The Company is a wholly owned subsidiary of another company incorporated in England. Thus under Section 228 of the Companies Act 1985, it is exempt from producing group financial statements.

9. STOCKS

	<u>31 December 1997</u> £'000	<u>31 December 1996</u> £'000
Raw materials and consumables	81	249
Work in progress	54	64
Finished goods and goods for resale	10	265
	<u>145</u>	<u>578</u>

10. DEBTORS

	<u>31 December 1997</u> £'000	<u>31 December 1996</u> £'000
Trade debtors	156	580
Amounts owed by immediate parent undertaking and fellow subsidiary undertakings	49	81
Other debtors	44	102
	<u>249</u>	<u>763</u>

CARADON JONES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 December 1997</u> £'000	<u>31 December 1996</u> £'000
Trade creditors	111	209
Amounts owed to immediate parent undertaking and fellow subsidiary undertakings	—	804
Social security and other taxes	42	18
Accruals and deferred income	25	52
	<u>178</u>	<u>1,083</u>

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

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 immediate parent undertaking and fellow subsidiary undertakings	<u>1,784</u>	<u>2,581</u>

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

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £'000	Provision for restructuring or disposal £'000	Total £'000
At 1 January 1997	165	27	192
Released in year	(38)	(27)	(65)
Charge for the year	—	292	292
At 31 December 1997	<u>127</u> ===	<u>292</u> ===	<u>419</u> ===

CARADON JONES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	<u>31 December 1997</u>		<u>31 December 1996</u>	
	<u>Amount provided</u> £'000	<u>Amount not provided</u> £'000	<u>Amount provided</u> £'000	<u>Amount not provided</u> £'000
Accelerated capital allowances	127	---	165	---
	===	===	===	===

14. SHARE CAPITAL

	<u>31 December 1997</u>		<u>31 December 1996</u>	
	<u>Authorised</u> £'000	<u>Allotted, Issued & Fully Paid</u> £'000	<u>Authorised</u> £'000	<u>Allotted, Issued & Fully Paid</u> £'000
Equity shares				
2,900,000 Ordinary Shares of 25p each	725	725	725	725
	===	===	===	===

15. RESERVES

	<u>Share Premium Account</u> £'000	<u>Profit and Loss Account</u> £'000
Balance at 1 January 1997	25	(769)
Retained loss for the year	---	(780)
Balance at 31 December 1997	<u>25</u>	<u>(1,549)</u>

16. 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.

CARADON JONES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. 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.

18. CASH FLOW STATEMENT

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

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

19. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Caradon plc a company registered in England. 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 Queen's Road, Weybridge, Surrey, KT13 9UX.

20. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under FRS8 "Related Party Disclosures" not to disclose related party transactions with members of the group or associate and joint ventures of other group members as it is a 100% subsidiary of a company for which accounts are publicly available.