

CARADON HOLDINGS LIMITED
(Registered Number 1891545)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1999



CARADON HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

The Directors present their annual report together with the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITY

The principal activity is that of a holding company. The directors do not anticipate a change in the Company's activities.

RESULTS AND DIVIDENDS

The result for the year after taxation amounted to £Nil (Year ended 31 December 1998, profit: £74,026,000). The directors do not recommend payment of a dividend (1998: £2,240,000)

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 Clark	(Resigned 29 February 2000)
B J Hintz	
PR Mainwaring	(Appointed 29 February 2000)

None of the Directors held any beneficial interests in shares in the Company, or in any other group company other than Caradon plc, during the year.

The interests of B J Hintz and M Clark, who were also Directors of Caradon plc at 31 December 1999, in the issued Ordinary shares of Caradon plc, are disclosed in the financial statements of that company being the ultimate parent undertaking and are therefore not shown above.

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 HOLDINGS LIMITED

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

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



C K Bhowmik
Secretary

6 March 2000

CARADON HOLDINGS 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 HOLDINGS LIMITED

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the Directors are responsible for preparing the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 result 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 4TR

25 October 2000

CARADON HOLDINGS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999**

	Notes	1999 £'000	1998 £'000
Net profit on disposal of subsidiary undertakings		-	71,786
Income from shares in group undertakings	3	-	2,800
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	74,586
Taxation on profit on ordinary activities	4	-	(560)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-	74,026
Dividends paid and proposed		-	(2,240)
RETAINED PROFIT FOR THE FINANCIAL YEAR		-	71,786

The Company has no recognised gains or losses other than those passing through the profit and loss account. Accordingly, a statement of recognised gains and losses has not been prepared.

All of the Company's activities are continuing activities.

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

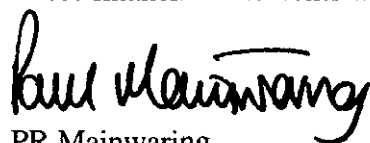
CARADON HOLDINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1999

		1999		1998	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Investments	5		360,814		360,814
CURRENT ASSETS					
Debtors (amounts falling due within one year)	6	320		320	
Debtors (amounts falling due after more than one year)	6	<u>266,111</u>		<u>266,111</u>	
NET CURRENT ASSETS			<u>266,431</u>		<u>266,431</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			627,245		627,245
CREDITORS (amounts falling due after more than one year)	7		<u>(452,895)</u>		<u>(452,895)</u>
NET ASSETS			<u>174,350</u>		<u>174,350</u>
CAPITAL AND RESERVES					
Called up share capital	8		3,852		3,852
Share premium account	9		95,956		95,956
Capital redemption reserve	9		2,560		2,560
Profit and loss account	9		<u>71,982</u>		<u>71,982</u>
EQUITY SHAREHOLDERS' FUNDS	10		<u>174,350</u>		<u>174,350</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 6 March 2000.



PR Mainwaring
Director

CARADON HOLDINGS 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) Investments in Subsidiary Undertakings

Investments in subsidiary undertakings are stated at cost less provisions where in the opinion of the Directors there has been an impairment in value.

2. DIRECTORS' EMOLUMENTS

Directors' emoluments amounted to £Nil (1998: £Nil). There were no employees (1998: none) and the auditor's remuneration was borne by the ultimate parent undertaking.

3. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	1999	1998
	£'000	£'000
Dividend receivable from Caradon Electrical Holdings Limited	—	<u>2,800</u>
	—	<u>2,800</u>

4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1999	1998
	£'000	£'000
Tax attributable to franked investment income	—	<u>560</u>

CARADON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FIXED ASSET INVESTMENTS

**Shares in subsidiary
undertakings
£'000**

Balance at 1 January 1999 and 31 December 1999 360,814

The Company's direct subsidiary undertakings, all of which are wholly owned, are as follows:

Caradon Plumbing Holdings Limited
Caradon Electrical Holdings Limited
Caradon UK Doors & Windows Holdings Limited.

All the above companies are holding companies registered in England and Wales.

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

Caradon Holdings Limited is a wholly owned subsidiary of Caradon plc, a company registered in England and Wales, thus under section 228 of the Companies Act 1985 is exempt from producing group financial statements.

6. DEBTORS

	1999 £'000	1998 £'000
Amounts owed by parent undertaking and fellow subsidiary undertakings		
- amounts falling due within one year	320	320
- amounts falling due after more than one year	<u>266,111</u>	<u>266,111</u>
	<u>266,431</u>	<u>266,431</u>

CARADON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	1999	1998
	£'000	£'000
Amounts owed to parent undertaking	<u>452,895</u>	<u>452,895</u>

The amounts owed are interest free and have no specific terms for repayment.

8. CALLED UP SHARE CAPITAL

	1999	1998
	£'000	£'000
Authorised:		
192,261,820 Ordinary shares of 5p each	<u>9,613</u>	<u>9,613</u>
Allotted, called up and fully paid:		
77,044,382 Ordinary shares of 5p each	<u>3,852</u>	<u>3,852</u>

9. RESERVES

	Share Premium Account	Capital Redemption Reserve	Profit & Loss Account
	£'000	£'000	£'000
Balance at 1 January 1999	95,956	2,560	71,982
Retained profit for the year	—	—	—
Balance at 31 December 1999	<u>95,956</u>	<u>2,560</u>	<u>71,982</u>

CARADON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999	1998
	£'000	£'000
Profit for the financial year	-	74,026
Dividends	-	(2,240)
Net addition to shareholders' funds	-	71,786
Opening shareholders' funds	<u>174,350</u>	<u>102,564</u>
Closing shareholders' funds	<u>174,350</u>	<u>174,350</u>

11. 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.

12. CASH FLOW STATEMENT

A consolidated cash flow statement has been included in the financial statements of the parent company which include the financial statements of Caradon Holdings Limited. Accordingly, as permitted by FRS1 (Revised), no cash flow statement is presented with these financial statements.

13. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption provided by FRS8 not to disclose transactions with other Caradon group companies that qualify as related parties.

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

The ultimate parent undertaking and controlling party is Caradon plc, a company registered in England & 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.