

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the 9 months ended 1 August 1998.

Principal Activity

The Company has not traded since incorporation.

Business Review

The company's parent company, Quartz Limited, became a wholly-owned subsidiary of Smiths Industries PLC on 3 June 1998. The accounting reference date was subsequently changes to be co-terminous with that of the Smiths Industries group.

Directors

M R Hunt (resigned 3 June 1998)
P Q Lowther (resigned 3 June 1998)
I S Davis (appointed 3 June 1998)
B Madden (appointed 3 June 1998)
P E Norris (appointed 3 June 1998)
K Sargeant (appointed 3 June 1998)

Directors' Interests

The disclosable directors' interests in the share capital of Smiths Industries PLC at the beginning and end of the period were as follows:

	Ordinary Shares of 25p	
	1.8.98	1.11.97*
I S Davis	Nil	Nil
B Madden	2,438	2,438
P E Norris	4,328	4,328
K Sargeant	1,737	Nil

* or date of appointment if later



QUARTZ AIR CONDITIONING LIMITED

Options have been granted over the number of ordinary shares of Smiths Industries PLC, in the amounts shown below, under the terms of the Smiths Industries 1982 SAYE and Executive Share Option Schemes and Deferred Share Scheme.

	3.6.98*	Granted	Exercised	1.8.98
I S Davis	Nil	600		600
B Madden	25,754			25,754
P E Norris	30,119			30,119
K Sargeant	13,047		(1,737)	11,310

* date of appointment

Details of option exercise prices and dates are contained in the Report and Accounts of Smiths Industries PLC

Auditors

The company is a dormant company within the meaning of section 250 of the Companies Act 1985, and has by special resolution passed on 11th October 1994 excluded the application of section 384(1) of the Act, and is accordingly exempt from the obligation to appoint auditors.

The report of the directors was approved by the Board on
and signed on its behalf by:



A. Smith
Secretary

QUARTZ AIR CONDITIONING LIMITED

PROFIT AND LOSS ACCOUNT
For the period ended 1 August 1998

Throughout the period the company was dormant within the meaning of Section 250 of the Companies Act 1985.

BALANCE SHEET AT 1 AUGUST 1998

	1998 £	1997 £
CURRENT ASSETS		
Calls due from Subscribers	<u>2</u>	<u>2</u>

CAPITAL AND RESERVES

Authorised share capital 30,000 ordinary shares of £1 each

Allotted and called up share capital
2 ordinary shares of £1 each

<u>2</u>	<u>2</u>
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The company's parent company, Quartz Limited, and ultimate parent company Smiths Industries PLC, are both registered in England and Wales.

The company is a dormant company within the meaning of section 250 of the Companies Act 1985.

The financial statements were approved by the Board on 13 October 1998 and signed on its behalf by:



B Madden
Director