

Watts (UK) Limited

**Directors' report and financial
statements**

Registered number 2642521

31 December 2000



Contents

Officers and professional advisors	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report to the members of Watts (UK) Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

Officers and professional advisors

Directors

Mr J van Kouterik
Mr J Fairs

Secretary

Mr J van Kouterik

Registered office

Grosvenor Park
Evesham
Worcestershire
WR11 1GA

Auditors

KPMG
2 Cornwall Street
Birmingham
B3 2DL

Principal bankers

Barclays Bank PLC
10 Market Street
Bradford
West Yorkshire
BD1 1NR

Solicitors

Saunders, Roberts
58 Bridge Street
Evesham
Worcestershire
WR11 4SG

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activity

The company's principal activity during the period continued to be the sale of valves.

Review of developments and future prospects

The year ended 31 December 2000 was successful for Watts (UK) Limited, with turnover for the year at £2,286,000 (18 months to 31 December 1999: £3,178,000). Gross profit increased from 40.6% in 1999 to 42.5% in the current period.

The wide product range available, combined with a planned further expansion of the sales team should allow Watts (UK) Limited to grow further, and to achieve growth across a broad spectrum of market segments. Our intensive PR program to promote the name Watts will continue to bring Watts (UK) Limited an increasing customer base.

Watts (UK) Limited management aim to become a significant player in this sector within five years.

Events during the year

During the year, Watts UK, acquired an interest in www.plumbworld.co.uk Limited, which is currently treated as an investment in the financial accounts.

Results and dividends

Details of the results for the period are shown in the profit and loss account on page 6 and the notes hereto. The directors do not recommend the payment of a dividend (1999: £600,000).

Directors and their interests

The directors who served during the period were as follows:

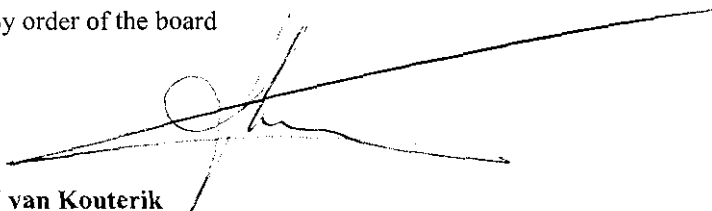
J van Kouterik
J Fairs

None of the directors has any disclosable interests in the company or any other group company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



J van Kouterik
Director

20 August 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Auditors' report to the members of Watts (UK) Limited

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 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 with the company is not disclosed.

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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

20 August 2001

Profit and loss account
for the period ended 31 December 2000

	Note	Year ended 31 December 2000 £000	18 months ended 31 December 1999 £000
Turnover	2	2,286	3,178
Cost of sales		(1,315)	(1,889)
Gross profit		971	1,289
Distribution costs		(48)	(120)
Administrative expenses		(543)	(494)
Operating profit	4	380	675
Interest receivable and similar income		7	24
Profit on ordinary activities before taxation		387	699
Tax on profit on ordinary activities	5	(126)	(215)
Profit on ordinary activities after tax		261	484
Equity dividend paid		-	(600)
Retained profit/(loss) for the financial period		261	(116)
Retained profit brought forward		581	697
Retained profit carried forward		842	581

All turnover and operating profit in both this and the preceding period derive from continuing operations.

There are no recognised gains or losses other than those disclosed in the profit and loss account.

Balance sheet
at 31 December 2000

	<i>Note</i>	2000	1999
		£000	£000
Fixed assets			
Tangible assets	6	10	9
Current assets			
Stocks	8	457	385
Debtors	9	600	573
Cash at bank and in hand		184	157
		1,241	1,115
Creditors: amounts falling due within one year	10	(399)	(533)
Net current assets			
Due within one year		814	571
Debtors due after more than one year	9	28	11
Net assets		852	591
Capital and reserves			
Called up share capital	12	10	10
Profit and loss account		842	581
Equity shareholders' funds		852	591

These financial statements were approved by the board of directors on 20 August 2001 and were signed on its behalf by:



J van Kouterik
Director

Notes

(forming part of the financial statements)

1 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.

Accounting convention

The financial statements are prepared under the historical cost convention.

Foreign exchange

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Exchange differences, both realised and unrealised, are dealt within the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents direct materials cost only.

Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Pension costs

The company contributes to a pension scheme for the benefit of one of its employees. The scheme, which is of the defined contribution type, is wholly financed by the company. Contributions are charged to the profit and loss account as incurred.

Cash flow statement

The company is a wholly-owned subsidiary of Watts Industries Europe BV, a company registered in Holland and, as such, the company is exempt from the requirement of Financial Reporting Standard No 1 (Revised) to prepare a cash flow statement.

2 Turnover

Turnover is stated after deduction of trade discounts and value added tax, and is wholly attributable to the principal activity. All turnover arises within the United Kingdom.

3 Information regarding directors and employees

	31 December 2000	31 December 1999
Average number of persons employed (including directors)		
Sales and distribution	6	5
	£000	£000
Staff costs during the period		
Wages and salaries	134	165
Social security costs	15	16
Pension costs	4	6
	153	187

None of the directors receive remuneration in respect of their services as directors of the company. Their emoluments as directors of the immediate parent company are paid by that company.

Notes (continued)

4 Operating profit

	31 December 2000 £000	31 December 1999 £000
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation of owned assets	4	6
Auditors' remuneration - audit work	6	6
- non audit work	4	1
Exchange gains	(1)	(2)
Operating lease rental - land and buildings	18	19
	<u>18</u>	<u>19</u>

5 Tax on profit on ordinary activities

	31 December 2000 £000	31 December 1999 £000
The taxation charge is based on the result for the period and represents:		
United Kingdom corporation tax at 30% (1999: 30%)	121	215
Adjustment in respect of prior periods – corporation tax	5	-
	<u>126</u>	<u>215</u>

6 Tangible fixed assets

	Plant, machinery, fixtures and equipment £000
<i>Cost</i>	
At beginning of period	27
Additions	4
	<u>31</u>
At end of period	<u>31</u>
<i>Depreciation</i>	
At beginning of period	17
Provided for period	4
	<u>21</u>
At end of period	<u>21</u>
<i>Net book value</i>	
At 31 December 2000	<u>10</u>
At 31 December 1999	<u>9</u>

There were no commitments for future capital expenditure either contracted for or authorised by the directors at 31 December 2000 or 31 December 1999.

Notes (continued)

7 Investments

On 13 June 2000, the company acquired, for £250, a 20% holding in www.plumbworld.co.uk Limited. At 31 December 2000, the acquisition is being treated as an investment within the financial statements.

8 Stocks

	2000 £000	1999 £000
Goods for resale	457	385

9 Debtors

	2000 £000	1999 £000
<i>Due within one year:</i>		
Trade debtors	380	407
Amounts owed by group undertakings	167	111
Other debtors	-	25
Prepayments and accrued income	20	19
ACT recoverable	5	-
	<u>572</u>	<u>562</u>
<i>Due after more than one year:</i>		
Amounts owed by group undertakings	28	-
ACT recoverable	-	11
	<u>600</u>	<u>573</u>

10 Creditors: Amounts falling due within one year

	2000 £000	1999 £000
Trade creditors	108	101
Amounts owed to group undertakings	156	282
Mainstream corporation tax	60	76
Other taxes and social security	42	45
Accruals	33	29
	<u>399</u>	<u>533</u>

11 Operating lease commitments

As at 31 December 2000 and 31 December 1999, the company had no future commitments arising from operating leases.

During 2001 the company has entered into a new operating lease agreement in respect of land and buildings which requires annual commitments of £43,000 for a period of 15 years.

Notes (continued)

12 Called up share capital

	2000 £000	1999 £000
<i>Authorised</i>		
10,000 ordinary shares of £1 each	10	10
<i>Called up, allotted and fully paid</i>		
10,000 ordinary shares of £1 each	10	10

13 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Profit attributable to the members of the company	261	484
Dividends paid	-	(600)
	261	(116)
Opening equity shareholders' funds	591	707
Closing equity shareholders' funds	852	591

14 Pension costs

The company contributes to a pension scheme for the benefit of one of its employees. The scheme which is of the defined contribution type is wholly financed by the company. Contributions are charged to the profit and loss account as incurred.

At 31 December 2000 there were no outstanding pension scheme contributions payable.

15 Post balance sheet event

The company acquired Plumbingpages.com Limited on 15 January 2001 for £15,000. The acquisition will be treated as a 100% subsidiary for the year ending 31 December 2001.

16 Parent company

The ultimate parent company is Watts Industries Inc, a company incorporated in the United States of America. Copies of the consolidated financial statements of Watts Industries Inc are available from its offices at 815 Chestnut Street, North Andover, MA 01845, USA.

The immediate parent company is Watts Industries Europe BV a company incorporated in Holland. Copies of the consolidated financial statements are available from Watts Industries Europe BV, Kollergang 14, 6961 LZ Eerbeek, PO Box 98, 6960 AB Eerbeek, Netherlands.