Watts Industries UK Limited

Directors' report and financial statements

Registered number 2642521

For the year ended 31 December 2011

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activities and business review

The principal activity of the company during the year was that of the trade of components, parts and devices to serve applications and/or installations in the field of plumbing, heating and water quality

Profit for the year after taxation amounted to £313,971 *(2010 £197,568)*

The company saw gross margins stabilise this year The economic environment meant that price increases were limited, although a cost-cutting programme resulted in a reduction in overheads to a more sustainable level

Margins and selling prices are constantly under review and appropriate action is being taken where possible

Dividends

No dividends will be distributed for the year ended 31 December 2011 *(2010 £Nil)*

Donations

The company made donations of £150 during the year *(2010 £Nil)*

Directors

The directors who served during the year were as follows

JD Cawte
SJ Adams
AS Kiesouw

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office

By order of the board

AS Kiesouw
Secretary

Grosvenor Business Park
Enterprise Way
Evesham
Worcestershire
WR11 1GA

27 September 2012

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Watts Industries UK Limited

We have audited the financial statements of Watts Industries UK Limited for the year ended 31 December 2011 set out on pages 5 to 15 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Watts Industries UK Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



X Timmermans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

29 September 2012

Profit and loss account

for the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	2	**6,227,205**	6,492,455
Cost of sales		**(4,491,307)**	(4,866 177)
Gross profit		**1,735,898**	1,626,278
Administration costs		**(1,300,776)**	(1,338,028)
Operating profit	3	**435,122**	288,250
Interest receivable and similar income	5	**6,144**	1,177
Interest payable and similar charges	6	**(4,992)**	(11,763)
Profit on ordinary activities before taxation		**436,274**	277,664
Tax on profit on ordinary activities	7	**(122,303)**	(80,096)
Profit for the financial year after taxation	18	**313,971**	197,568

None of the company's activities were acquired or discontinued during the current or preceding year

The company has no recognised gains or losses other than the profits for the current or preceding year

Balance sheet
at 31 December 2011

	Note	2011 £	£	2010 £	£
Fixed assets					
Intangible assets	8		**355,958**		381,383
Tangible assets	9		**29,513**		40,664
Investments	10		**4,714,233**		4,714,233
			5,099,704		5,136,280
Current assets					
Stocks	11	**757,557**		873,857	
Debtors	12	**2,394,413**		1,355,775	
Cash at bank		**290,065**		340,746	
		3,442,035		2,570,378	
Creditors Amounts falling due within one year	13	**(2,612,153)**		(1,341,043)	
Net current assets			**829,882**		1,229,335
Total assets less current liabilities			**5,929,586**		6,365,615
Creditors: Amounts falling due after more than one year	14		-		(750,000)
Net assets			**5,929,586**		5,615,615
Capital and reserves					
Called up share capital	17		**10,000**		10,000
Profit and loss account	18		**5,919,586**		5,605,615
Shareholders' funds	19		**5,929,586**		5,615,615

These financial statements were approved by the board of directors on 27 September 2012 and were signed on its behalf by

AS Klesouw
Director

JD Cawte
Director

Company registered number 2642521

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

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the financial statements

Exemption from preparing consolidated financial statements

The financial statements contain information about Watts Industries UK Limited as an individual company and do not contain consolidated financial information as the parent of a group The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements The consolidated financial statements of Watts Water Technologies Inc, within which this company is included, can be obtained from the address given in note 22

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2007, is being amortised evenly over its estimated useful life of twenty years

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Warehouse equipment	-	straight line over 10 years
Fixtures, fittings and equipment	-	straight line over 10 years
Motor vehicles	-	straight line over 4 years
Office and exhibition equipment	-	straight line over 3 years

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction Exchange differences are taken into account in arriving at the operating result

Leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

Notes *(continued)*

1 Accounting policies *(continued)*

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate

Cash flow statement

The company is a wholly owned subsidiary of Watts Industries Europe BV, a company registered in Holland and as such is exempt from the requirement of FRS 1 (Revised) to prepare a cash flow statement

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company

An analysis of turnover by geographical market is given below

	2011 £	2010 £
UK	**5,748,873**	5,995,893
Europe	**437,885**	405,553
Rest of world	**40,447**	91,009
	6,227,205	6,492,455

3 Operating profit

	2011 £	2010 £
Operating profit is stated after charging/(crediting)		
Hire of plant and machinery	**12,568**	11,677
Other operating leases	**106,374**	102,194
Depreciation		
Owned assets	**11,151**	13,924
Goodwill amortisation	**25,425**	25,425
Foreign exchange differences	**(27,539)**	3,321
Vehicle leasing	**62,912**	58,934
Directors' emoluments	**129,976**	107,311
Directors' pension contributions to money purchase scheme	**10,122**	9,517
Auditors remuneration		
Audit of these financial statements	**13,550**	16,500

The number of directors to whom retirement benefits were accruing was as follows

	Number of directors	
Defined contribution schemes	**1**	1

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows

	Number of employees	
	2011	2010
Sales and distribution	**20**	19

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	**713,469**	632,987
Social security costs	**89,101**	66,270
Other pension costs	**36,433**	37,561
	839,003	736,818

Details of directors' emoluments are included in note 3

5 Interest receivable and similar income

	2011	2010
	£	£
Bank interest	**6,144**	1,177

6 Interest payable and similar charges

	2011	2010
	£	£
Interest payable	**4,992**	11,763

7 Taxation

Analysis of charge in year

	2011	2010
	£	£
UK corporation tax		
Current tax on income for the year	**119,812**	80,096
Adjustments in respect of prior years	**2,491**	-
Tax on profit on ordinary activities	**122,303**	80,096

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2010 higher)* than the standard rate of corporation tax in the UK of 26% *(2010 28%)* The differences are explained below

	2011 £	2010 £
Current tax reconciliation		
Profit on ordinary activities before tax	**436,274**	277,664
Current tax at 26% *(2010 28%)*	**115,581**	77,746
Effects of		
Expenses not deductible for tax purposes	**3,579**	1,498
Capital allowances for year in excess of depreciation	**652**	852
Prior year adjustment	**2,491**	-
Total current tax charge (see above)	**122,303**	80,096

Factors affecting future tax charge

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively

This will reduce the company's future current tax charge accordingly

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge accordingly

8 Intangible fixed assets

	Goodwill £
Cost	
At beginning and end of year	508,508
Amortisation	
At beginning of year	127,125
Amortisation	25,425
At end of year	152,550
Net book value	
At 31 December 2011	**355,958**
At 31 December 2010	381,383

Notes *(continued)*

9 Tangible fixed assets

	Warehouse equipment	Fixtures, fittings and equipment	Motor vehicles	Office and exhibition equipment	Total
	£	£	£	£	£
Cost					
At beginning and end of year	46,998	110,444	8,948	45,509	211,899
Depreciation					
At beginning of year	44,065	72,713	8,948	45,509	171,235
Charge for the year	1,949	9,202	-	-	11,151
At end of year	46,014	81,915	8,948	45,509	182,386
Net book value					
At 31 December 2011	**984**	**28,529**	-	-	**29,513**
At 31 December 2010	2,933	37,731	-	-	40,664

10 Fixed asset investments

	Shares in group undertakings
	£
Cost	
At beginning and end of year	4,714,233
Net book value	
At 31 December 2011	**4,714,233**
At 31 December 2010	4,714,233

The net book value of £4,714,233 relates entirely to the company's investment in Black Teknigas and Electro Controls Limited All other fixed asset investments have been written off in prior periods

Notes *(continued)*

10 Fixed asset investments *(continued)*

The company's investments at the balance sheet date in the share capital of companies include the following

Martin Orgee Limited

Country of incorporation	England and Wales
Nature of business	Dormant
Class of shares	Ordinary
Holding	100%

Subsequent to the balance sheet date, Martin Orgee Limited was dissolved on 14 February 2012

Electro Controls Limited

Country of incorporation	England and Wales
Nature of business	Dormant
Class of shares	Ordinary
Holding	100%

Black Teknigas and Electro Controls Limited

Country of incorporation	England and Wales
Nature of business	Valves, other gas controls manufacture and sale
Class of shares	Ordinary
Holding	100%

11 Stocks

	2011 £	2010 £
Finished goods	757,557	873,857

12 Debtors

	2011 £	2010 £
Trade debtors	917,739	1,216,507
Amounts owed by group undertakings	1,438,349	97,199
Prepayments	38,325	42,069
	2,394,413	1,355,775

Notes *(continued)*

13 Creditors: Amounts falling due within one year

	2011 £	2010 £
Trade creditors	**108,538**	167,353
Amounts owed to group undertaking	**2,066,325**	791,948
Social security and other taxes	**36,827**	17,877
VAT	**201,331**	213,548
Corporation tax	**57,988**	15,460
Accrued expenses	**141,144**	134,857
	2,612,153	1,314,043

14 Creditors: Amounts falling due after more one year

	2011 £	2010 £
Amounts owed to group undertakings (see note 15)	-	750,000

15 Loans

An analysis of the maturity of loans is given below

	2011 £	2010 £
Amounts owed to group undertakings		
Within one year	**1,500,000**	-
Within two to five years	-	750,000

This is a non-interest bearing loan that was repaid in September 2012

16 Pension commitments

The company operates a defined contribution pension scheme in respect of the employees The scheme and its assets are held by independent managers The pension charge represents contributions due from the company and amounted to £36,933 *(2010 £37,561)* £3,461 *(2010* £2,974*)* was outstanding at the end of the year

Notes *(continued)*

17 Called up share capital

	2011 £	2010 £
Allotted, issued and fully paid		
10,000 ordinary shares of £1 each	**10,000**	10,000

18 Reserves

	Profit and loss account £
At beginning of year	5,605,615
Profit for the financial year	313,971
At end of year	**5,919,586**

19 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit for the financial year	**313,971**	197,568
Net addition in shareholders' funds	**313,971**	197,568
Opening shareholders' funds	**5,615,615**	5,418,047
Closing shareholders' funds	**5,929,586**	5,615,615

20 Operating lease commitments

At 31 December 2011, the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other operating leases	
	2011 £	2010 £	2011 £	2010 £
Expiring				
Within one year	**16,000**	16 000	**11,244**	24,011
Between one and five years	**-**	-	**36,647**	24,320
In more than five years	**80,000**	78 000	**-**	-
	96,000	94,000	**47,891**	48,331

21 Related party disclosures

Under FRS 8 "Related party transactions", the company is exempt from the requirement to disclose transactions with other Watts group undertakings on the grounds that it is a wholly owned subsidiary of Watts Industries Europe BV and its results are included in the company's financial statements

Notes *(continued)*

22 Ultimate parent company and controlling party

The ultimate parent company and controlling party is Watts Water Technologies Inc , a company incorporated in the United States of America Copies of the consolidated financial statements of this company are available from its offices at

Corporate Headquarters
815 Chestnut Street
North Andover
MA 01845-6098
USA

The immediate parent company is Watts Industries Europe BV, a company incorporated in Holland Copies of the consolidated financial statements of this company are available from its offices at

Kollergang 14
6961 LZ Eerbeek
PO Box 98
6960 Eerbeek
Netherlands