

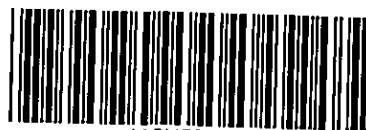
Watts Industries UK Limited

**Directors' report and financial
statements**

Registered number 2642521

For the year ended 31 December 2012

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

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, including a £1,700,000 dividend received from a subsidiary undertaking, amounted to £2,114,533 (2011 £313,971)

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

A dividend of £1,700,000 was paid for the year ended 31 December 2012 (2011 £Nil)

Donations

The company made donations of £315 during the year (2011 £150)

Directors

The directors who served during the year were as follows

JD Cawte	(resigned 30 July 2013)
SJ Adams	
AS Kiesouw	(resigned 30 July 2013)
JG Allan	(appointed 30 July 2013)
M Sanchez	(appointed 30 July 2013)

Disclosure of information to auditor

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 auditor is 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 auditor is 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



JG Allan
Secretary

Grosvenor Business Park
Enterprise Way
Evesham
Worcestershire
WR11 1GA

26 September 2013

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 2012 set out on pages 5 to 14. 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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



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

27 September 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £	2011 £
Turnover	2	6,102,830	6,227,205
Cost of sales		(4,237,408)	(4 491,307)
Gross profit		1,865,422	1,735 898
Administration costs		(1,331,438)	(1 300 776)
Operating profit	3	533,984	435 122
Interest receivable and similar income	5	14,165	6,144
Interest payable and similar charges	6	(4,825)	(4,992)
Income from group undertakings		1,700,000	-
Profit on ordinary activities before taxation		2,243,324	436,274
Tax on profit on ordinary activities	7	(128,791)	(122 303)
Profit for the financial year after taxation	18	2,114,533	313 971

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 2012

	Note	2012 £	£	2011 £	£
Fixed assets					
Intangible assets	9		330,533		355,958
Tangible assets	10		50,427		29,513
Investments	11		4,714,233		4,714,233
			5,095,193		5,099,704
Current assets					
Stocks	12	756,311		757,557	
Debtors	13	2,319,653		2,394,413	
Cash at bank		160,237		290,065	
		3,236,201		3,442,035	
Creditors: Amounts falling due within one year	14	(1,987,275)		(2,612,153)	
Net current assets			1,248,926		829,882
Total assets less current liabilities, being net assets			6,344,119		5,929,586
Capital and reserves					
Called up share capital	17	10,000		10,000	
Profit and loss account	18	6,334,119		5,919,586	
Shareholders' funds	19	6,344,119		5,929,586	

These financial statements were approved by the board of directors on
were signed on its behalf by

26 September 2013

and

JG Allan
Director

JG Allan
M Sanchez

M Sanchez
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:

	2012 £	2011 £
UK	5,744,725	5,748,873
Europe	305,265	437,885
Rest of world	52,840	40,447
	<u>6,102,830</u>	<u>6,227,205</u>

3 Operating profit

	2012 £	2011 £
<i>Operating profit is stated after charging/(crediting)</i>		
Hire of plant and machinery	10,287	12,568
Other operating leases	103,454	106,374
Depreciation		
Owned assets	17,444	11,151
Goodwill amortisation	25,425	25,425
Foreign exchange differences	(9,695)	(27,539)
Vehicle leasing	68,513	62,912
	<u>16,000</u>	<u>13,550</u>
<i>Auditor's remuneration</i>		
Audit of these financial statements	16,000	13,550

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	
	2012	2011
Sales and distribution	21	20

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	780,603	713,469
Social security costs	93,629	89,101
Other pension costs	42,951	36,433
	917,183	839,003

Remuneration of directors

	£	£
Directors' emoluments	122,165	129,976
Directors' pension contributions to money purchase scheme	10,814	10,122

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

	Number of directors	
	2012	2011
Defined contribution schemes	1	1

5 Interest receivable and similar income

	2012	2011
	£	£
Bank and group interest	14,165	6,144

6 Interest payable and similar charges

	2012	2011
	£	£
Interest payable	4,825	4,992

Notes (continued)

7 Taxation

Analysis of charge in year

	2012 £	2011 £
<i>UK corporation tax</i>		
Current tax on income for the year	130,522	119,812
Adjustments in respect of prior years	(1,731)	2,491
Tax on profit on ordinary activities	128,791	122,303

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2011 higher) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £	2011 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,243,324	436,274
Current tax at 24.5% (2011 26.5%)	549,614	115,581
<i>Effects of</i>		
Expenses not deductible for tax purposes	4,068	3,579
Capital allowances for year in excess of depreciation	(6,660)	652
Intercompany dividend income not taxed	(416,500)	-
Prior year adjustment	(1,731)	2,491
Total current tax charge (see above)	128,791	122,303

Factors affecting future tax charge

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

8 Dividends

	2012 £	2011 £
<i>Equity shares</i>		
Ordinary shares	1,700,000	-

Notes (continued)

9 Intangible fixed assets

	Goodwill £
<i>Cost</i>	
At beginning and end of year	508,508
<i>Amortisation</i>	
At beginning of year	152,550
Amortisation	25,425
At end of year	177,975
<i>Net book value</i>	
At 31 December 2012	330,533
At 31 December 2011	355,958

10 Tangible fixed assets

	Warehouse equipment £	Fixtures, fittings and equipment £	Motor vehicles £	Office and exhibition equipment £	Total £
<i>Cost</i>					
At beginning of year	46,998	110,444	8,948	45,509	211,899
Additions	38,358	-	-	-	38,358
At end of year	85,356	110,444	8,948	45,509	250,257
<i>Depreciation</i>					
At beginning of year	46,014	81,915	8,948	45,509	182,386
Charge for the year	8,241	9,203	-	-	17,444
At end of year	54,255	91,118	8,948	45,509	199,830
<i>Net book value</i>					
At 31 December 2012	31,101	19,326	-	-	50,427
At 31 December 2011	984	28,529	-	-	29,513

Notes (continued)

11 Fixed asset investments

	Shares in group undertakings £
<i>Cost</i>	
At beginning and end of year	4 714 233
<i>Net book value</i>	
Beginning and end of year	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.

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

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%

12 Stocks

	2012 £	2011 £
Finished goods	756,311	757 557

13 Debtors

	2012 £	2011 £
Trade debtors	1,050,357	917,739
Amounts owed by group undertakings	1,232,319	1,438,349
Prepayments	36,977	38,325
	2,319,653	2,394,413

Notes (continued)

14 Creditors: Amounts falling due within one year

	2012 £	2011 £
Trade creditors	109,345	108,538
Amounts owed to group undertaking	1,433,753	2,066,325
Social security and other taxes	35,777	36,827
VAT	234,412	201,331
Corporation tax	34,777	57,988
Accrued expenses	139,211	141,144
	<u>1,987,275</u>	<u>2,612,153</u>

15 Loans

An analysis of the maturity of loans is given below

	2012 £	2011 £
Amounts owed to group undertakings		
Within one year	650,000	1,500,000
Within two to five years	-	-
	<u>650,000</u>	<u>1,500,000</u>

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 £42,951 (2011 £36,933) £4,186 (2011 £3,461) was outstanding at the end of the year.

17 Called up share capital

	2012 £	2011 £
<i>Allotted, issued and fully paid</i>		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

18 Reserves

	Profit and loss account £
At beginning of year	5,919,586
Profit for the financial year	2,114,533
Dividends paid during the year	<u>(1,700,000)</u>
At end of year	<u>6,334,119</u>

Notes (continued)

19 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	2,114,533	313,971
Dividends paid during the year	(1,700,000)	-
Net addition in shareholders' funds	414,533	313,971
Opening shareholders' funds	5,929,586	5,615,615
Closing shareholders' funds	6,344,119	5,929,586

20 Operating lease commitments

At 31 December 2012, the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other operating leases	
	2012 £	2011 £	2012 £	2011 £
Expiring				
Within one year	16,000	16,000	29,856	11,244
Between one and five years	80,000	-	31,036	36,647
In more than five years	-	80,000	-	-
	96,000	96,000	60,892	47,891

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

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