

Xylem Holdings Limited

Company Information - 31st August 2003

*Companies
House*

Director:

R.M. Brummitt

Secretary:

A. K. Cripps

Company Number:

3538821

Registered Office:

7 Oak Industrial Estate
Chelmsford Road
Great Dunmow
Essex
CM6 1XN

Auditors:

Michael Bell & Co.
56 St. James's Street
Walthamstow
E17 7PE

Bankers:

National Westminster Bank Plc
10 St. Peters Street
St. Albans
Herts
AL1 3LY



Xylem Holdings Limited

Directors Report for the year ended 31st August 2003

The Director presents his Report and the Financial Statements for the year ended 31st August 2003.

Principal Activities and review of the business:

The company's principal activity is that of a holding company.

The results for the year are set out on page 3.

The director considers the loss achieved on ordinary activities before taxation to be acceptable.

Dividends:

The director recommends no final dividend. (2002 = £0.30p).

Fixed Assets:

These are set out in Note 6.

Directors:

The director who served during the year and his beneficial interests in the company's issued ordinary share capital was:-

R.M. Brummitt

450,000

Directors' Responsibilities:

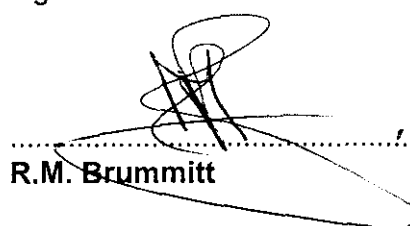
Company Law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, the director is required to:-

- * 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985.

He is 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.

Signed on behalf of the Board of Directors on 5th March 2004.


R.M. Brummitt

.....Director

Independent Auditors' Report

To the Director of Xylem Holdings Limited

We have audited the financial statements of the above named company for the year ended 31st August 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes.

These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This Report is made solely to the company's members, as a body in accordance with Section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

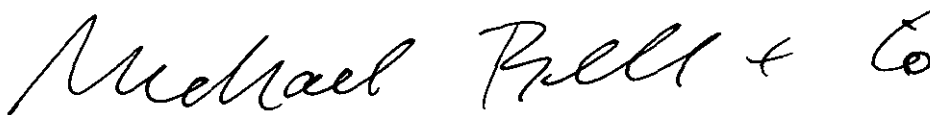
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

Auditors Report (continued)

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 31st August 2003 and of its result for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Michael Bell & Co.

Registered Auditors/Chartered Accountants

56 St. James's Street

E17 7PE

.....6/03.....2004

Xylem Holdings Limited**Profit and Loss Account for the year ended 31st August 2003**

		<u>2003</u>	<u>2002</u>
		<u>£</u>	<u>£</u>
<u>Turnover:</u>	Note 2	94,952	0
Cost of sales		35,247	0
<u>Gross Profit/(Loss):</u>		59,705	0
Administrative expenses		136,381	-23,067
<u>Operating (Loss)/Profit:</u>		-76,676	-23,067
Interest received		8,597	9,136
Operating Profit/ (Loss) before interest payable		-68,079	-13,931
Interest payable		-1,010	-2,327
(Loss)/Profit on disposal		-4,381	5,868
Profit/(Loss) on ordinary activities before taxation		-73,470	-10,390
Taxation - over reserved		-18,958	61,491
Dividend paid,		0	-105,000
<u>Result for the financial year:</u>		-92,428	-53,899

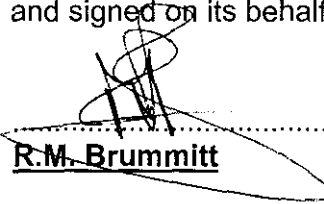
There were no gains/losses other than those disclosed above.

The annexed notes form part of these financial statements.

Xylem Holdings Limited**Balance Sheet as at 31st August 2003**

	<u>Note</u>	<u>£</u>	<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
<u>Fixed assets:</u>				
Tangible assets	(6)		38,039	45,598
Investment			2	2
			<u>38,041</u>	<u>45,600</u>
<u>Current assets:</u>				
Stock		22,437		0
Prepayments		4,316		8,100
Debtors	(12)	41,520		318,811
Cash at bank		770,589		292,529
		<u>838,862</u>		<u>619,440</u>
<u>Creditors: amounts falling due within one year</u>	(7)	430,065		116,101
<u>Total current assets:</u>		<u>408,797</u>		<u>503,339</u>
<u>Creditors - exceeding 1 year</u>		0		9,673
		<u>0</u>	<u>408,797</u>	<u>493,666</u>
<u>Total Assets:</u>			<u>446,838</u>	<u>539,266</u>
			=====	=====
<u>Capital and Reserves:</u>				
Called up share capital	10		500,000	500,000
Profit and Loss account	8		-53,162	39,266
<u>Equity Shareholders funds:</u>	9		<u>446,838</u>	<u>539,266</u>
			=====	=====

Approved by the Board of Directors on 5th March 2004,
and signed on its behalf.


R.M. Brummitt

..... (Director)

The annexed notes form part of these financial statements.

Notes to the Financial Statements for the year ended 31st August 2003

1) Accounting Policies

1.1 Basis of preparation of accounts

The financial statements are prepared under the historic cost convention and include the principal activity described in the Directors Report. The financial statements have been prepared in accordance with applicable accounting standards.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

1.3 Tangible Fixed Assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following basis, upon the straight-line basis.

Motor vehicles	25%
Fixtures and fittings	10%

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives, or in the case of assets held under hire purchase agreement over their useful economic life. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.6 Stocks and work in progress

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 stocks.

Notes to the Financial Statements for the year ending 31st August 2003

1.7 Research and development

Expenditure on research and development is written off in the year that it is incurred.

1.8 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 ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.9 Deferred Taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method.

2) Turnover

The turnover and profit before taxation is from general activities.

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
United Kingdom	94,952	0
Other	0	0
Europe	0	0
	<u>94,952</u>	<u>0</u>
	=====	=====

3) Operating Profit:

Operating profit is after charging/(crediting)

Depreciation of tangible fixed assets - owned by the company	8,718	15,115
Interest received	-8,597	-9,136
Interest paid	1,010	0
Auditors' remuneration	0	2,000

Notes to the Financial Statements for the year ending 31st August 2003**4) Staff Costs**

Staff costs, including directors' remuneration, were as follows:

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
Wages and salaries	31,450	0
Social Security costs	1,554	0
	<u>33,004</u>	<u>0</u>
	=====	=====

The average monthly number of employees, including directors, during the year were as follows:-

Office and administration	1	0
Sales	0	0
	<u>1</u>	<u>0</u>
	=====	=====

5) Directors' remuneration

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
For services as director	40,000	0
Other emoluments	0	0
	<u>40,000</u>	<u>0</u>
	=====	=====

Included in the above are emoluments, excluding pension contributions, paid to:

Chairman	40,000	0
	=====	=====

6) Tangible Fixed Assets:

	<u>Total</u>	<u>Vehicles</u>	<u>Equipt</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Balance 31/8/02	84,142	45,661	38,481
Additions	23,039	17,111	5,928
Sales	-45,661	-45,661	0
	<u>61,520</u>	<u>17,111</u>	<u>44,409</u>
	=====	=====	=====
Depreciation:			
Balance 31/8/02	38,544	23,781	14,763
Charged	8,718	4,277	4,441
Adjustment	-23,781	-23,781	0
	<u>23,481</u>	<u>4,277</u>	<u>19,204</u>
	=====	=====	=====
<u>Net Book Value</u>	<u>38,039</u>	<u>12,834</u>	<u>25,205</u>
	=====	=====	=====
<u>2002 Comparatives</u>	<u>45,598</u>	<u>21,880</u>	<u>23,718</u>
	=====	=====	=====

Notes to the Financial Statements for the year ending 31st August 2003

7)	<u>Creditors, due within one year</u>	<u>2003</u>	<u>2002</u>
		<u>£</u>	<u>£</u>
	Trade creditors	116,752	99,169
	Accruals	16,130	5,225
	Customs & Excise	1,170	0
	Loan - Inter company	296,013	0
	Hire purchase	0	11,707
		<u>430,065</u>	<u>116,101</u>
		=====	=====
		<u>2003</u>	<u>2002</u>
		<u>£</u>	<u>£</u>
8)	<u>Profit and Loss Account</u>		
	Balance 1st September 2002	39,266	93,165
	Result for the year	-92,428	-53,899
	<u>Balance 31st August 2003</u>	<u>-53,162</u>	<u>39,266</u>
		=====	=====
9)	<u>Shareholders Funds</u>	<u>2003</u>	<u>2002</u>
		<u>£</u>	<u>£</u>
	Balance 1st September 2002	539,266	593,165
	Result for the year	-92,428	51,101
	Dividend	0	-105,000
	<u>Balance 31st August 2003</u>	<u>446,838</u>	<u>539,266</u>
		=====	=====
10)	<u>Share Capital:</u>		
	Authorised and allotted -	<u>£</u>	<u>£</u>
	Ordinary shares of £1 each	500,000	500,000
		=====	=====
		<u>2003</u>	<u>2002</u>
		<u>£</u>	<u>£</u>
11)	<u>Debtors/Prepayments</u>		
	Inter-company	0	301,817
	Customs & Excise	0	1,041
	Debtors - Sundry	22,835	-1,547
	Loan - Liquid Gifts Limited	18,685	17,500
		<u>41,520</u>	<u>318,811</u>
		=====	=====