

**WD-40 COMPANY LIMITED**

**ANNUAL REPORT**

**31 AUGUST 2001**

Registered in England and Wales - Number 1755958



## **WD-40 COMPANY LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2001**

The directors present their annual report of the company for the year ended 31 August 2001.

#### **Principal activities**

The company continues to manufacture and market WD-40 and 3-IN-ONE in markets across UK, Europe, Middle East and Africa. In addition a heavy duty hand cleaning brand called LAVA was launched in the UK and selective distributor markets across Europe.

#### **Review of the business and future developments**

Including the new LAVA brand sales growth was 13% over prior year. Strong growth occurred in the French, Italian and Iberian branches. Sales were flat in Germany, while, sales in the UK recovered over prior year.

There was some excellent growth in many European markets serviced via 3<sup>rd</sup> party distributors, while a planned one year decline occurred in the Middle East as distributors de-stocked. Sales in this area are expected to return to previous levels next year.

#### **Results and dividends**

The profit for the year after taxation amounted to £774,888 (2000 - £1,569,000). The decline over last year is due to investments made to support the LAVA brand and other investments to gain market share.

Dividends of £300,000 were paid in respect of the year (2000 - £1,000,000).

#### **Directors**

The directors of the company during the year were as follows:

G O Ridge

W Noble

K S Gallon

The directors had no disclosable interest in the shares of the company or any other group undertakings during the year.

#### **Payment of creditors**

The company's policy is to pay all suppliers within agreed credit terms. Average creditor days was 27(2000 - 26).

## **WD-40 COMPANY LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2001 (CONTINUED)**

#### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

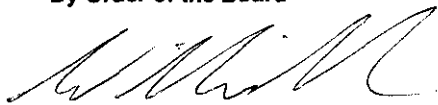
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 August 2001 and that applicable standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their appointment will be proposed at the Annual General Meeting.

#### **By Order of the Board**



W Noble  
Director  
2 October 2001

## **AUDITORS' REPORT TO THE SHAREHOLDERS OF WD-40 COMPANY LIMITED**

We have audited the financial statements on pages 5 to 12, which have been prepared under the historical cost convention and the accounting policies set out in Note 1 to the Financial Statements.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

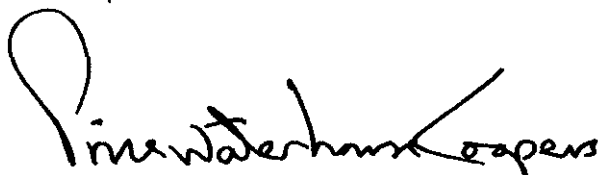
### **Basis of opinion**

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 August 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
Milton Keynes  
2 October 2001

# WD-40 COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2001

	Notes	2001 £'000	2000 £'000
Turnover	2	24,805	21,929
Cost of sales		(13,354)	(11,391)
Gross profit		11,451	10,538
Distribution costs		(1,393)	(1,164)
Administration expenses		(8,992)	(7,133)
Operating profit	3	1,066	2,241
Interest receivable and similar income		80	77
Profit on ordinary activities before taxation		1,146	2,318
Tax on profit on ordinary activities	4	(371)	(749)
Profit for the financial year		775	1,569
Dividends paid		(300)	(1,000)
Retained profit for the financial year		475	569
Retained profit brought forward		6,858	6,289
Retained profit carried forward		7,333	6,858

The company's recognised gains and losses consist wholly of the profit for the financial year. All company operations are continuing.


The notes on pages 6 to 12 form part of these accounts.

# WD-40 COMPANY LIMITED

## BALANCE SHEET - 31 AUGUST 2001

	Notes	£'000	2001 £'000	2000 £'000
<b>Fixed assets</b>				
Intangible assets	6		618	685
Tangible assets	5		1,284	1,390
			1,902	2,075
<b>Current assets</b>				
Stock	7	2,182		1,523
Debtors	8	7,690		6,810
Cash at bank and in hand		452		1,072
			10,324	9,405
<b>Creditors: amounts falling due within one year</b>	9		(4,642)	(4,337)
<b>Net current assets</b>			5,682	5,068
<b>Total assets less current liabilities</b>			7,584	7,143
<b>Provision for liabilities and charges</b>	10		-	(35)
			7,584	7,108
<b>Capital and reserves</b>				
Share capital	11		250	250
Profit and loss account			7,334	6,858
<b>Equity shareholders' funds</b>	15		7,584	7,108

Approved by the Board on 2 October 2001



W Noble

The notes on pages 6 to 12 form part of these accounts.

# **WD-40 COMPANY LIMITED**

## **NOTES TO THE ACCOUNTS - 31 AUGUST 2001**

### **1 ACCOUNTING POLICIES**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has adopted the following accounting policies.

#### **Turnover**

Turnover represents the invoiced value of goods supplied after deduction of settlement discount and value added tax.

#### **Stock**

Stock has been included in the accounts at the lower of cost and net realisable value.

#### **Operating leases**

Costs in respect of operating leases are charged on a straight- line basis over the lease term.

#### **Tangible fixed assets**

Fixed assets are stated at cost less depreciation, which has been calculated to write off the fixed assets on a straight-line basis over their estimated useful lives at the following rates:

Motor vehicles	-	25%
Buildings	-	2½%
Plant and machinery	-	10%
Fixtures and fittings	-	10% - 20%
Computers	-	25%-33⅓%

No depreciation is provided on freehold land.

#### **Goodwill and Intangible assets**

Goodwill arising on the acquisitions of companies and brand rights is amortised over its estimated useful life of 15 years.

#### **Taxation**

The charge for taxation is based on the profit for the year and takes into account deferred taxation, which is calculated using the liability method on all timing differences. Provision is made for deferred tax only to the extent that is probable that an actual liability or asset will crystallise.

#### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Trading results are translated at the monthly average rates during the year. Foreign currency exchange differences are dealt with through the profit and loss account.

## WD-40 COMPANY LIMITED

### NOTES TO THE ACCOUNTS - 31 AUGUST 2001 (continued)

#### 1 ACCOUNTING POLICIES (Continued)

##### Pension costs

Employees of WD-40 Company Limited are members of a defined contribution money purchase scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The cost of providing pensions to employees is charged to the profit and loss account as it is incurred.

##### Cashflow Statement

The company is a wholly owned subsidiary of WD-40 Company and is included in the financial statements of WD-40 Company which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

#### 2 TURNOVER

	2001 £'000	2000 £'000
Geographical analysis of turnover:		
UK/Eire	8,332	7,148
Europe	14,527	11,892
Africa/Middle East	1,946	2,889
	<u>24,805</u>	<u>21,929</u>

#### 3 OPERATING PROFIT

	2001 £'000	2000 £'000
Operating profit is stated after charging/(crediting):		
Wages and Salaries	2,393	2,039
Social security costs	445	338
Other pension costs	224	202
<b>Total Staff Costs</b>	<b>3,062</b>	<b>2,579</b>
Depreciation	378	326
Amortisation of goodwill	67	67
Operating lease charges	65	65
Profit on sale of fixed assets	(4)	(4)
Exchange Loss	61	9
Auditors' remuneration for audit services	21	19



## WD-40 COMPANY LIMITED

### NOTES TO THE ACCOUNTS - 31 AUGUST 2001 (continued)

#### 16 ULTIMATE HOLDING COMPANY

The ultimate holding company is WD-40 Company incorporated in the United States. This is the smallest and largest group for which group accounts are prepared including this company. Copies of group accounts can be requested from WD-40 Company, 1061 Cudahy Place, San Diego, California, 92110, USA. The company has taken advantage of paragraph 3 of FRS 8 'Related Party Disclosures' not to disclose transactions with members of the WD-40 group.

#### 17 FINANCIAL COMMITMENTS

At 31 August 2001 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2001	2000
Within one year	38	55
Within two to five years	27	16
	65	71

# WD-40 COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 AUGUST 2001 (continued)

### 4 TAXATION

	2001 £'000	2000 £'000
The taxation charge based on profit for the year is made up as follows:		
Corporation tax at 30% (2000: 32.74%)		
- current year	340	759
- prior year	155	-
Double tax relief	(14)	(46)
Deferred tax (note 10)		
- current year	38	(18)
- prior year	(175)	-
Overseas tax	27	54
	<u>371</u>	<u>749</u>

### 5 TANGIBLE FIXED ASSETS

	Freehold land £'000	Building £'000	Plant, tools and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 1 September 2000	117	716	68	827	564	2,292
Additions	-	-	-	177	131	308
Disposals	-	-	-	(95)	(90)	(185)
At 31 August 2001	<u>117</u>	<u>716</u>	<u>68</u>	<u>909</u>	<u>605</u>	<u>2,415</u>
<b>Depreciation</b>						
At 1 September 2000	-	239	59	434	170	902
Charge for year	-	18	3	207	150	378
Disposals	-	-	-	(89)	(60)	(149)
At 31 August 2001	<u>-</u>	<u>257</u>	<u>62</u>	<u>552</u>	<u>260</u>	<u>1,131</u>
<b>Net book amount</b>						
At 31 August 2001	<u>117</u>	<u>459</u>	<u>6</u>	<u>357</u>	<u>345</u>	<u>1,284</u>
At 31 August 2000	117	477	9	393	394	1,390

## WD-40 COMPANY LIMITED

### NOTES TO THE ACCOUNTS - 31 AUGUST 2001 (continued)

#### 5 TANGIBLE FIXED ASSETS

##### Capital commitments:

	2001 £'000	2000 £'000
Future capital expenditure not provided for in the accounts for which contracts have been placed	-	21

#### 6 INTANGIBLE FIXED ASSETS

Cost	Total £'000
At 1 September 2000	998
At 31 August 2001	998
<b>Amortisation</b>	
At 1 September 2000	313
Charge for year	67
At 31 August 2001	330
<b>Net Book value</b>	
At 31 August 2001	618
At 31 August 2000	685

The goodwill relates to the acquisition of the 3-IN-ONE brand rights during 1995/96 for the UK, Europe and Middle East. The goodwill is being amortised on a straight-line basis over 15 years.

#### 7 STOCK

	2001 £'000	2000 £'000
Raw materials	9	6
Work in progress	15	15
Stock held at packers	557	408
Finished goods	1,601	1,094
	2,182	1,523

# WD-40 COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 AUGUST 2001 (continued)

The stock held at contract packers relates to stock for which legal title had passed to the contract packer but will be sold back to WD-40 Company Ltd.

### 8 DEBTORS

	2001 £'000	2000 £'000
<b>Debtors due within one year</b>		
Trade debtors	6,697	5,877
Prepayments and accrued income	891	933
	7,588	6,810
<b>Debtors due after one year</b>		
Deferred taxation (note 10)	102	-
	7,690	6,810

### 9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Trade creditors	2,007	1,646
Amounts owed to group undertakings	986	932
Taxation and social security	301	590
Accruals and deferred income	1,348	1,169
	4,642	4,337

### 10 DEFERRED TAXATION

	2001 £'000	2000 £'000
Excess of capital allowances claimed over depreciation	42	72
Other timing differences	(144)	(37)
	(102)	35
At 1 <sup>st</sup> September 2000	35	53
Credit to the profit and loss account	(137)	(18)
At 31 <sup>st</sup> August 2001	(102)	35

There is no unprovided potential deferred tax liability.

# WD-40 COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 AUGUST 2001 (continued)

### 11 SHARE CAPITAL

	2001 £'000	2000 £'000
<b>Authorised:</b>		
500,000 ordinary shares of £1 each	500	500
<b>Issued, allotted and fully paid:</b>		
250,000 ordinary shares of £1 each	250	250

### 12 PENSION COMMITMENTS

There is a Group Company Pension/Life Assurance scheme administered by Standard Life. This is a money-purchase non-contributory scheme open to all employees after a qualifying period of service.

### 13 DIRECTORS' EMOLUMENTS

	2001 £'000	2000 £'000
Emoluments	131	156
Pension contributions (1 director)	18	22

### 14 EMPLOYEES

The average weekly number of persons employed in the company was 69 (2000 - 63).

	2001	2000
Employees by category:		
Sales and marketing	41	38
Administration	28	25

### 15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001	2000
Profit for the financial year	775	1,569
Dividends	(300)	(1,000)
Net increase in shareholders' funds	475	569
Opening shareholders' funds	7,109	6,539
Closing shareholders' funds	7,584	7,109

## WD-40 COMPANY LIMITED

### NOTES TO THE ACCOUNTS - 31 AUGUST 2001 (continued)

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1. The first part of the document is a list of names and addresses of the members of the committee.