

Registered no: 2249185

# Thames Water Products Limited

(formerly PCI Membrane Systems Limited)

## Annual report

for the year ended 31 March 1999



# **Thames Water Products Limited**

(formerly PCI Membrane Systems Limited)

## **Annual report**

**for the year ended 31 March 1999**

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# Thames Water Products Limited

(formerly PCI Membrane Systems Limited)

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## **Directors' report for the year ended 31 March 1999**

The directors present their report and the audited financial statements of the company for the year ended 31 March 1999.

### **Principal activities**

The principal activities of the company have been the supply of separation systems for the food, effluent, pharmaceutical and allied industries and the military, the design, manufacture and installation of waste water control systems for the municipal and industrial markets, the design and manufacture of pipeline equipment primarily for the water and gas utilities, the supply of chlorination systems to industrial markets and to license technology and develop new technologies associated with the water industry.

### **Review of business**

The profit and loss account for the year is set out on page 6.

On 1 April 1998 the company acquired the entire issued share capital of TM Products Limited, Simon Hartley Limited and Thames Water Technologies Limited for a total consideration of £28,078,000. On the same date the company acquired the trade, assets and liabilities of these subsidiaries. As a result of these transactions the company's principal activities were expanded to include design, manufacture and installation of waste water control systems for the municipal and industrial markets, the manufacture of pipeline equipment primarily for the water and gas utilities, the supply of chlorination systems to industrial markets and to license technology associated with the water industry. On 1 October 1998 the name of the company was changed from PCI Membrane Systems Limited to Thames Water Products Limited.

During the year the company acquired the trade and certain assets and liabilities of Ham Baker, and the entire share capital of Under Pressure Engineering PLC and Memtech Limited. These acquisitions were complementary to the existing trade and each other. The trade and certain assets and liabilities of Under Pressure Engineering PLC were transferred to Thames Water Products Limited on acquisition.

The acquisitions had the effect of increasing the trading coverage of the company. The directors feel that the enlarged company is now well positioned to continue its expansion in the market place.

### **Dividends**

The directors do not recommend the payment of a dividend for the year (1998: £266,000).

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## Directors

The directors serving during the year were:

G A Chant	(Appointed 14 May 1998)
P A Foster	(Appointed 14 May 1998)
C P Millington	
S D Skelton	
M J Twist	(Appointed 1 February 1999)
Dr S C A Walker	(Appointed 3 September 1998)
R J Wimmer	(Resigned 30 September 1998)

## Directors' interests

No director held any interest in the shares of the company during the year.

The directors' interests in the shares of Thames Water Plc, the company's ultimate parent company, are as follows:

	Ordinary shares held			Options		31 March 1998 or date of appointment if later
	31 March 1999	31 March 1998 or date of appointment if later	31 March 1999	Granted	Exercised	
G A Chant	1,100	1,200	6,960	456	-	6,504
P A Foster	500	-	4,504	404	3,750	7,850
C Millington	-	2,282	4,107	-	4,550	8,657
M J Twist	-	-	-	-	-	-
S D Skelton	2,328	1,418	10,849	1,189	1,854	11,514
Dr S C A Walker	450	-	13,969	-	6,000	19,969

## Arrangements for Health, Safety and Welfare of Employees

The company operates a Health and Safety policy as required under the terms of the Health and Safety at Work Act 1974. The company is aware of its responsibilities and seeks to pursue policies to maximise the welfare and safety of employees.

## Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should as far as possible, be identical to that of a person who does not suffer a disability.

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## **Employee involvement**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through newsletters and briefing groups.

## **Research and development**

The company carries out, directly and indirectly, research and development consistent with its activities.

## **Year 2000 and Economic and Monetary Union**

In 1995, we set up a project team to look at what effect the year 2000 date change might have on our computer systems and operations. We have made good progress and are on track to meet the deadline.

The review has indicated that only minimal modifications are required to our computer hardware and software to ensure year 2000 compliance. It is therefore expected that future costs to the company will not be significant. Costs incurred in the year have not been significant.

We have considered the impact on the company of the introduction of the European Single Currency, the Euro, during 1999. We do not consider that this will result in significant costs to the company. Costs incurred in the year ended 31 March 1999 were also not significant.

## **Post balance sheet event**

The directors have agreed with the parent company, Thames Water Plc, to increase the authorised share capital to 10,000,000 £1 ordinary shares and the issued share capital to 5,000,000 £1 ordinary shares. It is intended that these changes will take place on 30 June 1999.

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## 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 its 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 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 reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors of the company will be proposed at the annual general meeting.

## By order of the board



**S D Skelton**  
Director

30 June 1999

## **Report of the auditors to the members of Thames Water Products Limited**

We have audited the financial statements on pages 6 to 20.

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

The directors are responsible for preparing the Annual Report, including as described on page 4 the financial statements. 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.

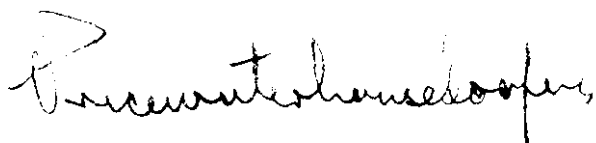
### **Basis of opinion**

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 affairs of the company at 31 March 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
Reading

5 July 1999

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## Profit and loss account for the year ended 31 March 1999

	Notes	1999 £	1998 £
<b>Turnover</b>	2		
Continuing operations		10,058,864	8,603,916
Acquisitions		38,593,404	-
		<u>48,652,268</u>	<u>8,603,916</u>
<b>Cost of sales</b>			
Continuing operations		5,897,642	5,074,784
Acquisitions		24,936,150	-
		<u>(30,833,792)</u>	<u>(5,074,784)</u>
<b>Gross profit</b>		17,818,476	3,529,132
Net operating expenses	3	<u>(18,437,465)</u>	<u>(2,959,561)</u>
<b>Net operating profit/(loss)</b>			
Continuing operations		973,924	569,571
Acquisitions		(1,592,913)	-
		<u>(618,989)</u>	<u>569,571</u>
Income from shares in group undertakings		17,075,998	-
Amounts written off investments in subsidiary undertakings		(17,075,998)	-
Interest receivable and similar charges	4	72,393	12,486
Interest payable	5	(193,037)	-
		<u>(739,633)</u>	<u>582,057</u>
<b>(Loss)/profit on ordinary activities before taxation</b>	6		
Tax on profit/(loss) on ordinary activities	9	(179,000)	(99,000)
		<u>(918,633)</u>	<u>483,057</u>
<b>(Loss)/profit on ordinary activities after taxation</b>			
Dividends	10	-	(266,000)
		<u>-</u>	<u>(266,000)</u>
<b>Retained(loss)/ profit for the financial year</b>	19	<u>(918,633)</u>	<u>217,057</u>

The company has no recognised gains and losses other than the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/ profit for the years stated above, and their historical cost equivalents.



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## Balance sheet At 31 March 1999

	Notes	1999 £	1998 £
<b>Fixed assets</b>			
Intangible assets	11	31,485,250	-
Tangible assets	12	5,571,044	779,652
Investments	13	22,786,183	-
		<u>59,842,477</u>	<u>779,652</u>
<b>Current assets</b>			
Stocks	14	5,856,880	1,170,897
Debtors	15	28,095,948	1,849,291
Cash at bank and in hand		755,880	339,792
		<u>34,708,708</u>	<u>3,359,980</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(22,919,192)</u>	<u>(2,968,237)</u>
<b>Net current assets</b>		<u>11,789,516</u>	<u>391,743</u>
<b>Total assets less current liabilities</b>		<u>71,631,993</u>	<u>1,171,395</u>
<b>Creditors: Amounts falling due after one year</b>		<u>(70,291,928)</u>	<u>-</u>
<b>Provisions for liabilities and charges</b>	17	<u>(1,387,509)</u>	<u>(300,206)</u>
<b>Net (liabilities)/assets</b>		<u>(47,444)</u>	<u>871,189</u>
<b>Capital and reserves</b>			
Called-up share capital	18	250,000	250,000
Profit and loss account	19	(297,444)	621,189
<b>Equity shareholders' (deficit)/funds</b>	21	<u>(47,444)</u>	<u>871,189</u>

The financial statements on pages 6 to 20 were approved by the board of Directors on 30 June 1999 and were signed on its behalf by

*S Skelton*

**S D Skelton**  
Director

## **Notes to the financial statements for the year ended 31 March 1999**

### **1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

#### **Consolidation**

The financial statements contain information about Thames Water Products Limited as an individual company and do not contain consolidated financial information as part of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its ultimate parent company, Thames Water Plc, a company registered in England and Wales.

#### **Turnover**

Turnover, which excludes value added tax, comprises the amounts derived from the provision of goods and services.

#### **Stock and work in progress**

Stock and work in progress has been consistently valued at the lower of cost and estimated net realisable value. Cost includes the direct cost of material and labour and an appropriate proportion of production overheads.

#### **Depreciation**

Depreciation of fixed assets is provided on a straight line basis over the estimated economic lives of individual assets, based on their cost. The rates applied range from 1% per annum to 33% per annum.

#### **Research and development**

Research and development expenditure is written off in the period during which it is incurred.

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## Deferred taxation

Deferred taxation has been calculated on the liability method on:

- a) The excess of the cost less depreciation of those fixed assets qualifying for taxation allowances over their written down value for taxation purposes in respect of those timing differences which are expected to crystallise in the foreseeable future. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.
- b) Expenditure charged in the accounts not immediately allowable for taxation and income assessable to taxation in future years.

## Operating leases

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

## Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

## Investments

Investments held as fixed assets are stated at cost less provisions for diminution in value.

## Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the net tangible assets acquired. Goodwill is amortised on a straight line basis over its estimated useful life.

## Taxation

The charge or credit for taxation is based on the result for the year as adjusted for disallowable and non taxable items.

Consideration receivable or payable in respect of losses surrendered or claimed by way of group relief is dealt with in the profit and loss account.

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## Pension costs

The majority of the company's employees belong to pension schemes, which are funded by both employer's, and employees' contributions and which are of the defined benefit type. The pension cost is assessed in accordance with the advice of an independent qualified actuary to recognise the expected cost of providing pensions on a systematic and rational basis over the expected remaining service lives of employees. Any difference between the cost charged and the amounts paid is treated as a prepayment or accrual.

## Cash flows

The company is a wholly owned subsidiary of Thames Water Plc and is included in the consolidated financial statements of Thames Water Plc, which are publicly available. Consequently, the company is exempt under the terms of Financial Reporting Standard No.1 (revised 1996), from preparing a cash flow statement.

## Related party disclosures

FRS8, "Related Party Disclosures" requires the disclosure of material transactions between the reporting entity and any related parties. Transactions between the company and other group companies including their associates and joint ventures have not been disclosed in accordance with the exemption in FRS 8 paragraph (3).

## 2 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation of the company are wholly attributable to its principal activity and are all derived in the United Kingdom. The analysis of turnover by destination is as follows:

	1999 £	1998 £
<b>Geographical segment</b>		
United Kingdom	34,654,922	3,375,622
Continental Europe	5,559,661	3,515,049
Americas	1,411,098	1,363,414
Other	7,026,587	349,831
	<u>48,652,268</u>	<u>8,603,916</u>

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## 3 Net operating expenses

	1999	1998
	£	£
Marketing, selling and distribution expenses	2,611,871	1,082,866
Administrative expenses	13,755,655	1,876,695
Amortisation of goodwill	2,069,939	-
	<u>18,437,465</u>	<u>2,959,561</u>

## 4 Interest receivable and similar income

	1999	1998
	£	£
On bank and money market deposits and similar income	<u>72,393</u>	<u>12,486</u>

## 5 Interest payable

	1999	1998
	£	£
On bank loans and overdrafts	<u>193,037</u>	<u>-</u>

## 6 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	Note	1999	1998
Depreciation of owned tangible fixed assets	12	1,147,370	181,369
Amortisation of goodwill		2,069,939	-
Auditors' remuneration for audit		30,000	16,169
Loss/(profit) on disposal of fixed assets		7,578	(5,079)
Hire of plant and machinery – operating leases		247,504	12,400
Release of environmental and warranty provisions		(449,469)	(132,749)
Research and development		1,044,138	302,688
(Profit)/loss on exchange		(47,147)	45,342

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## 7 Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

	1999	1998
Production	243	40
Marketing, selling and distribution	113	17
Administration	166	61
	<u>522</u>	<u>118</u>

### Aggregate payroll cost

Production	3,320,048	777,130
Marketing, selling and distribution	3,287,042	697,669
Administration	3,650,850	880,282
	<u>10,257,940</u>	<u>2,355,081</u>

### Aggregate payroll costs comprise:

Wages and salaries	9,183,198	2,029,156
Social security costs	750,338	152,363
Other pension costs (note 23)	324,404	173,562
	<u>10,257,940</u>	<u>2,355,081</u>

## 8 Directors' remuneration

	1999 £	1998 £
Aggregate emoluments	<u>347,285</u>	<u>80,704</u>

Retirement benefits are accruing to five (1998:one) directors under a defined benefit scheme. During the year four (1998:one) director exercised options over Thames Water Plc ordinary shares.

The emoluments of R J Wimmer and S C A Walker were borne by other group companies. Both directors have been remunerated in connection with services provided to a number of companies within the Thames Water Plc group. It has not been possible to identify separately the amounts of their remuneration in respect of this company.

### Highest paid director

	1999 £	1998 £
Total emoluments	<u>86,379</u>	<u>80,704</u>

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The highest paid director exercised share options during the year. The amount of accrued pension entitlement of the highest paid director at 31 March 1999 was £17,000 (1998: £14,000).

## 9 Tax on (loss)/profit on ordinary activities

	1999 £	1998 £
United Kingdom corporation tax at 31% (1998: 31%)		
Provision for group relief payable	274,000	125,000
Adjustments of prior years	(95,000)	(26,000)
	<u>179,000</u>	<u>99,000</u>

The goodwill amortisation charge of £2,069,939 is not an allowable deduction for corporation tax, and this results in a high effective tax charge.

## 10 Dividends

	1999 £	1998 £
Equity – Ordinary		
Final proposed: nil (1998: 106.4p) per £1 share	<u>-</u>	<u>266,000</u>

## 11 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 April 1998	-
Additions	33,555,189
<b>At 31 March 1999</b>	<u><b>33,555,189</b></u>
<b>Amortisation</b>	
At 1 April 1998	-
Charge for the year	2,069,939
<b>At 31 March 1999</b>	<u><b>2,069,939</b></u>
<b>Net book value at 31 March 1999</b>	<u><b>31,485,250</b></u>

The goodwill arising on acquisitions is amortised over a range of terms between 5 and 15 years, being the periods over which the directors estimate that the values of the underlying businesses acquired are expected to exceed the values of the underlying assets.

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## 12 Tangible fixed assets

	Freehold Premises £	Office Equipment £	Motor Vehicles £	Plant & Machinery £	Total £
<b>Cost</b>					
At 1 April 1998	-	520,037	339,800	1,227,461	2,087,298
Additions	584,066	1,405,397	649,259	3,341,179	5,979,901
Disposals	-	(59,394)	(211,201)	(37,336)	(307,931)
<b>At 31 March 1999</b>	<b>584,066</b>	<b>1,866,040</b>	<b>777,858</b>	<b>4,531,304</b>	<b>7,759,268</b>
<b>Depreciation</b>					
At 1 April 1998	-	364,422	211,503	731,721	1,307,646
Charge for year	5,372	307,638	199,021	635,339	1,147,370
Disposal	-	(50,794)	(206,471)	(9,527)	(266,792)
<b>At 31 March 1999</b>	<b>5,372</b>	<b>621,266</b>	<b>204,053</b>	<b>1,357,533</b>	<b>2,188,224</b>
<b>Net book value</b>					
<b>At 31 March 1999</b>	<b>578,694</b>	<b>1,244,774</b>	<b>573,805</b>	<b>3,173,771</b>	<b>5,571,044</b>
Net book value	-				
At 31 March 1998	-	155,615	128,297	495,740	779,652
Depreciation rates	1% - 2%	10% - 33%	10% - 33%	10% - 33%	

## 13 Fixed asset investments

	Investments in group undertakings
<b>Cost or valuation</b>	
At 1 April 1998	-
Additions	39,862,181
<b>At 31 March 1999</b>	<b>39,862,181</b>
<b>Amounts written off</b>	
At 1 April 1998	-
Written off in the year	17,075,998
<b>At 31 March 1999</b>	<b>17,075,998</b>
<b>Net book value</b>	
<b>At 31 March 1999</b>	<b>22,786,183</b>
Net book value	
At 31 March 1998	-



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## Interests in group undertakings

All of the subsidiaries detailed below are 100% owned by the company at 31 March 1999, and were acquired during the year.

Name of undertaking	Country of incorporation	Description of shares held
Simon Hartley Limited	England and Wales	Ordinary £1 shares
T M Products Limited	England and Wales	Ordinary £1 shares
Thames Water Technologies Limited	England and Wales	Ordinary £1 shares
Under Pressure Engineering PLC	England and Wales	Ordinary £1 shares
Memtech Limited	England and Wales	Ordinary £1 shares

The results of the above companies are included in the consolidated financial statements of the ultimate parent company, Thames Water PLC. These companies are involved in the same industry as Thames Water Products Limited.

## 14 Stock

	1999 £	1998 £
Raw materials	3,346,457	634,321
Work in progress	1,265,118	326,766
Finished goods and goods for resale	1,245,305	209,810
	<u>5,856,880</u>	<u>1,170,897</u>

## 15 Debtors

	1999 £	1998 £
<b>Amounts falling due within one year</b>		
Trade debtors	12,992,622	1,127,899
Amounts receivable from group undertakings	13,703,655	695,438
Prepayments and accrued income	1,399,671	25,954
	<u>28,095,948</u>	<u>1,849,291</u>

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## 16 Creditors

### Amounts falling due within one year

	1999 £	1998 £
Bank overdraft	9,220,060	-
Progress claims and advance payments	592,281	554,450
Trade creditors	7,076,642	755,639
Amounts owed to group undertakings	1,499,821	682,831
Corporation tax and amounts payable in respect of group relief	436,000	125,000
Other tax and social security	400,089	172,740
Other creditors	898,606	179,187
Accruals and deferred income	2,795,693	498,390
	<u>22,919,192</u>	<u>2,968,237</u>

### Amounts falling due after one year

	1999 £	1998 £
Amounts owed to Group undertakings	21,535,364	-
Amounts owed to ultimate parent company	48,756,564	-
	<u>70,291,928</u>	<u>-</u>

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## 17 Provisions for liabilities and charges

	1999	1998
	£	£
At 1 April 1998	300,206	201,277
Released provisions no longer required	(449,469)	(132,749)
Utilised during the year	(442,048)	(8,074)
Provided during the year	1,978,820	239,752
<b>At 31 March 1999</b>	<b>1,387,509</b>	<b>300,206</b>

The above accounts relate to provisions for environmental and warranty provisions. There are no amounts provided in respect of deferred taxation provided in the financial statements.

	1999	1998
	£	£
The unprovided amounts of deferred taxation for timing differences are as follows:		
Accelerated capital allowances	(20,523)	(120,277)
Losses	(2,418,290)	-
Other timing differences	(293,746)	(16,011)
	<b>(2,732,559)</b>	<b>(136,288)</b>

## 18 Called-up share capital

	1999	1998
	£	£
<b>Authorised</b>		
250,000 Ordinary shares of £1 each	250,000	250,000
<b>Allotted, called-up and fully paid</b>		
250,000 Ordinary shares of £1 each	250,000	250,000

## 19 Profit and loss account

	£
At 1 April 1998	621,189
Loss for the year	(918,633)
<b>At 31 March 1999</b>	<b>(297,444)</b>

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## 20 Acquisitions

The company acquired the business of a number of group companies (Thames Water Technologies Limited, Simon Hartley Limited and TM Products Limited) on 1 April 1998. Additionally on 22 June 1998 the company acquired the trade and certain assets and liabilities of Under Pressure Engineering PLC and on 19 August 1998 the company acquired the trade and certain assets and liabilities of Ham Baker. The amounts shown below are net book value. No fair value adjustments have been required.

Acquisitions	Simon Hartley	T M Products	Thames Water Technologies	Ham Baker	Under Pressure Engineering	Total
	£	£	£	£	£	£
Tangible fixed assets	1,265,964	1,729,598	-	234,392	617,170	3,847,124
Stocks	972,522	1,905,613	-	906,473	784,176	4,568,784
Debtors	3,949,331	4,709,955	161,118	675,763	2,010,849	11,507,016
Cash	6,763	1,222,320	-	-	(719,314)	509,769
Creditors	(4,526,093)	(6,218,356)	(93,430)	(15,000)	(2,221,015)	(13,073,894)
Net assets acquired	1,668,487	3,349,130	67,688	1,801,628	471,866	7,358,799
Goodwill	7,393,513	15,155,870	443,312	4,448,188	6,114,306	33,555,189
Consideration (satisfied by cash)	9,062,000	18,505,000	511,000	6,249,816	6,586,172	40,913,988
Profit after taxation for previous financial year	801,484	931,576	68,686	See below	751,130	

In its last financial period from 1 April 1998 to 22 June 1998, Under Pressure Engineering Plc reported the following results:

	£
Turnover	1,201,528
Operating profit	7,070
Profit before and after taxation	7,070

The results of Ham Baker have not been disclosed as the company acquired a product range and the profit and loss information relating to that range is not readily available.

# Thames Water Products Limited

(formerly PCI Membrane Systems Limited)

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## 21 Reconciliation of movement in shareholders' funds

	1999 £	1998 £
(Loss)/profit for the financial year	(918,633)	483,057
Dividends	-	(266,000)
	<u>(918,633)</u>	<u>217,057</u>
Opening equity shareholders' funds	871,189	654,132
Closing equity shareholders' (deficit)/funds	<u>(47,444)</u>	<u>871,189</u>

## 22 Financial commitments

At 31 March 1999 the company had annual commitments under non-cancellable operating leases as follows in respect of motor vehicles and office equipment;

Expiring:	1999 £	1998 £
Within 1 year	16,237	-
Between 2-5 years	107,330	41,292
	<u>123,567</u>	<u>871,189</u>

## 23 Pension costs

The company participates in a group pension scheme operated by Thames Water plc. The pension scheme is of the defined benefit type and its assets are held in a separate trustee administered fund. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the appropriateness of the rates. Particulars of the valuation are contained in the accounts of Thames Water plc.

The total pension cost for the company was £324,404 (1998: £173,562).

## 24 Contracts for capital expenditure

Capital expenditure contracted for but not provided at 31 March 1999 was £75,304 (1998: £80,910).

## 25 Guarantees

There are contingent liabilities in respect of guarantees for plants installed or under construction and other engagements in the ordinary course of business amounting to £858,562 (1998: £80,238). No security has been given for any contingent liability and no contingent liability is expected to result in a material financial loss.

# **Thames Water Products Limited**

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(formerly PCI Membrane Systems Limited)

## **26 Ultimate parent company**

The ultimate parent company and controlling party is Thames Water Plc, a company registered in England and Wales. Copies of the consolidated financial statements of Thames Water Plc may be obtained from Thames Water Plc Company Secretary's office, Reading Bridge House, C/o Blake House, Manor Farm Road, Reading, Berkshire RG2 0JN.