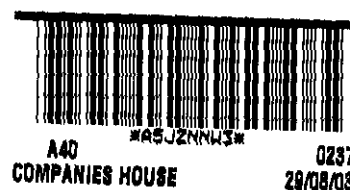


Biwater Industries Limited

**Revised
Directors' Report and Financial Statements
Year ended 31 March 2002**



Biwater Industries Limited

Report of the directors

The directors submit their report and the revised financial statements for the year ended 31 March 2002.

Activities

On 18 March 2002, the trading division, Spectrascan, was sold to Casella CEL Limited, at a loss on disposal of £402,000 (note 4).

The remaining activity of the Company is to run-out the remaining stock, debtors and creditors.

Results and dividends

The result for the year was a loss transferred from reserves of £1,068,000 (31 March 2001 - loss transferred from reserves of £2,581,000). The profit and loss account is shown on page 6.

The directors do not recommend the payment of a dividend.

Research and development

The Company was engaged in various research and development programmes, the costs of which are disclosed in note 2 to the financial statements.

Employee involvement

The Group publishes an in-house newspaper which is used for informing employees of matters which are of interest to them. A review of the Group's financial position is included annually and there are regular features on different aspects of the Group to help to develop employees' awareness of the market realities of the business. Good employee communication has been given a high priority in order to involve employees in the affairs of the business.

Policy on employment of disabled persons

The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person. Employees who become disabled during employment are given continued employment where possible and opportunities for training and career development are provided for all disabled employees.

Policy on payment of creditors

It is the company's policy to settle the terms of payment with suppliers when agreeing the terms of each agreement; to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. Outstanding creditor days at 31 March 2002 were 63 (March 2001 were 61).

Biwater Industries Limited

Report of the directors continued

Charitable donations

The company made donations during the year of NIL for charitable purposes.

Directors and interests in shares

The names of the present directors who served throughout the year, are:

D L Magor
N A Green

D L Magor is a director of Biwater Plc, the ultimate parent undertaking.

None of the directors has, or has had, discloseable shareholding interests in any group company.

Dr P L Smith resigned on 11 April 2002.

The ultimate parent undertaking maintains a directors' and officers' insurance policy as permitted by the Companies Act 1985.

Auditors

PricewaterhouseCoopers have informed the board that they transferred their business to a limited liability partnership, PricewaterhouseCoopers LLP on 1 January 2003. Accordingly, PricewaterhouseCoopers are not offering themselves for reappointment and a resolution to appoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the annual general meeting.

By order of the board



M A Duffy
Secretary

Registered office:
Coney Green
Clay Cross
Chesterfield
Derbyshire S45 9NE

11 August 2003

Biwater Industries Limited

Statement of directors' responsibilities

It is the responsibility of the directors 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 its profit or loss for the year. 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 business.

The Directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Independent auditors' report to the shareholders of Biwater Industries Limited

We have audited the revised financial statements which comprise the profit and loss account, the balance sheet and the related notes. The revised financial statements replace the original financial statements approved by the directors on 24 January 2003.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the revised financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the revised 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 revised financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanation 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 revised financial statements. The other information comprises only the directors' report.

Basis of audit 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. The audit of the revised financial statements includes the performance of additional procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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 revised financial statements are free from material misstatements, 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 revised financial statements.

Opinion

In our opinion, the revised financial statements give a true and fair view, seen as at 24 January 2003, the date the original financial statements were approved, of the state of the company's affairs as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 as they have effect under The Companies (Revision of Defective Accounts and Reports) Regulations 1990.

In our opinion the original financial statements for the year ended 31 March 2002 failed to comply with the requirements of the Companies Act 1985 in the respect identified by the directors in note 21 to the financial statements.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

Date: 11 August 2003

Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

Biwater Industries Limited

Profit and loss account

Year ended 31 March 2002

	Note	Year Ended 31/3/02 £000	Year ended 31/3/01 £000
Turnover			
Discontinued operations	1	<u>1,749</u>	<u>1,635</u>
Operating Loss			
Discontinued operations	2	<u>(556)</u>	<u>(2,469)</u>
Loss on disposal of discontinued operations	4	(402)	-
Net interest payable	5	<u>(124)</u>	<u>(112)</u>
Loss on ordinary activities before taxation		(1,082)	(2,581)
Taxation	6	<u>14</u>	<u>-</u>
Loss for the financial year after taxation transferred from reserves	12	<u>(1,068)</u>	<u>(2,581)</u>

The company had no recognised gains or losses other than the loss for the year.

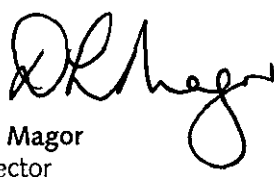
The notes on pages 8 to 14 form part of these accounts

Biwater Industries Limited

Balance sheet 31 March 2002

	Note	31/3/02		31/3/01	
		£000	£000	£000	£000
Current assets					
Stocks	7	33		132	
Debtors: amounts falling due within one year	8	285		773	
Cash at bank and in hand		-		1	
		<u>318</u>		<u>906</u>	
Creditors: amounts falling due within one year	9	<u>(4,139)</u>		<u>(3,596)</u>	
Net current liabilities			<u>(3,821)</u>		<u>(2,690)</u>
Total assets less current liabilities			<u>(3,821)</u>		<u>(2,690)</u>
Provision for liabilities and charges	10		<u>(228)</u>		<u>(291)</u>
Total net assets			<u>(4,049)</u>		<u>(2,981)</u>
Capital and reserves					
Called up share capital	11	1,036		1,036	
Profit and loss account	12	<u>(5,085)</u>		<u>(4,017)</u>	
Equity shareholders' funds	13		<u>(4,049)</u>		<u>(2,981)</u>

Approved by the board on: 11 August 2003


D L Magor
Director

The notes on pages 8 to 14 form part of these accounts

Biwater Industries Limited

Accounting policies

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards. The accounts have been prepared on the break up basis. The ultimate parent undertaking, Biwater Plc, has informed the company that its present intention is to continue to support this subsidiary.

Accounting convention

The financial statements are prepared under the historical cost convention.

Changes in accounting policy

The adoption of FRS18, Accounting Policies and FRS19, Deferred tax in these financial statements has not resulted in any changes in accounting policy.

Turnover

Turnover comprises the value of goods sold and services rendered net of VAT.

Depreciation of fixed assets

Plant and equipment are depreciated on a straight-line basis over their estimated lives from 2 to 12 years to a notional residual value.

Fixtures and fittings are depreciated on a straight-line basis over their estimated lives from 3 to 5 years to a notional residual value.

Discontinued activities

A business is classified as a discontinued operation if it is clearly distinguishable, has a material effect on the nature and focus of the Company's activities, represents a material reduction in the Company's operating facilities and either its sale is completed, or, if a termination, its former activities have ceased permanently prior to the approval of these financial statements.

Stocks

Stocks of raw materials, consumables, manufacturing work-in-progress and finished goods are valued at the lower of cost and net realisable value. In respect of work-in-progress and finished goods, costs include all production overheads and the attributable proportion of indirect overhead expenses.

Pension costs

The company participates in a defined benefit scheme known as the Biwater Retirement and Security Scheme (BRASS).

The expected cost of pensions in respect of the defined benefit pension scheme is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme. Variations from regular cost

Biwater Industries Limited

Accounting policies continued

Pension costs continued

are spread over the expected remaining service lives of current employees in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries.

The BRASS scheme is a defined benefit scheme. However the contributions paid by the company are accounted for as if the scheme were a defined contribution scheme, as the company is unable to identify its share of the underlying assets and liabilities of the scheme.

Foreign currencies

Assets, liabilities, profits and losses in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at the contract rate. Costs and revenues payable or receivable in foreign currencies and included in forecasts of contract outcome are translated using current exchange rates. Other exchange differences arising in the ordinary course of business are included in the profit and loss account.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all timing differences of a material amount which are expected to result in tax liabilities or assets in the foreseeable future. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Research and development

Expenditure on research and development is written off in the year of expenditure, except where there is a clearly defined project.

Where the project is clearly defined and on-going, the research and development costs are carried forward, to the extent that their recovery can reasonably be assured, until the project is complete.

Biwater Industries Limited

Notes to the financial statements

1 Turnover

The turnover has not been analysed by geographical markets as it is the Directors' opinion that this would be seriously prejudicial to the company's interests.

2 Operating Loss

	Year ended 31/3/02 Discontinued Operations £000	Year ended 31/3/01 Discontinued Operations £000
Operating Loss		
Operating loss can be analysed:		
Turnover	1,749	1,635
Changes in stocks of finished goods and work-in-progress	(100)	(127)
Raw materials and consumables	(971)	(1,186)
Sub-contractors	-	(49)
Other external charges	(631)	(908)
Staff Costs	(638)	(820)
Depreciation of tangible assets		
- owned assets	(42)	(46)
Impairment Losses	-	(969)
Exchange differences	77	1
Operating Loss	(556)	(2,469)
The discontinued turnover and costs relate to the trading out of warranties in respect of a business disposed of in 1998, together with the disposal of the Spectrascan business in March 2002.		
Included in the above are:		
Research & Development costs	106	273
Other external charges include:		
Auditors remuneration:		
- audit fees	1	6
Operating leases:		
- plant and equipment	20	29

Biwater Industries Limited

Notes to the financial statements continued

	Year ended 31/3/02 £000	Year ended 31/3/01 £000
2 Operating Loss continued		
Staff costs comprise:		
Wages and salaries	558	701
Social security costs	47	59
Pension costs	33	36
Redundancy costs	-	24
	638	820

The average number of employees during the year was as follows:

	Number	Number
United Kingdom	21	31

	£000	£000
3 Directors' emoluments		
For services as executives:		
Aggregate emoluments in respect of qualifying services	66	71

The emoluments of Mr D L Magor and Dr P L Smith were paid by the ultimate parent company, which has made no recharge to the company.

Retirement benefits accrued during the year for 3 directors. (2001 3 directors)

There are no excess retirement benefits in respect of directors or past directors.

4 Disposal of business

On 18 March 2002, the last remaining trading division, Spectrascan, was sold to Casella CEL Limited, for nil consideration, giving rise to a loss on disposal of £402,000. The net assets disposed can be analysed as follows:

	£000
Cash	250
Stock and work in progress	66
Debtors	14
Other current assets	72
	402

Biwater Industries Limited

Notes to the financial statements continued

	Year ended 31/3/02 £000	Year ended 31/3/01 £000
5 Net interest (payable)		
Interest payable:		
Group undertakings	(133)	(103)
Bank loans repayable within 5 years	9	(9)
Net interest (payable)	(124)	(112)
6 Taxation		
UK Corporation tax based on the results for the year at 30% (2001: 30%)	-	-
Utilisation of losses through group relief	(14)	-
Tax on loss on ordinary activities	(14)	-
Group relief has been surrendered for full value consideration to the extent that it can be relieved in other group companies.		
7 Stocks		
Raw materials and consumables	-	13
Work-in-progress	-	61
Finished goods and goods for resale	33	58
	33	132
8 Debtors: amounts falling due within one year		
Trade debtors	200	647
Amounts owed by group undertakings	47	56
Other debtors	21	34
Prepayments	17	36
	285	773
9 Creditors: amounts falling due within one year		
Bank loans and overdraft	1,843	1,506
Trade creditors	197	268
Amounts owed to group undertakings	2,005	1,485
Amounts owed to related undertakings	2	1
Other creditors	5	194
Taxation and social security	14	18
Accruals and deferred income	73	124
	4,139	3,596

The Bank loans and overdraft are secured on a group basis by a floating charge on the assets of Biwater plc.

Biwater Industries Limited

Notes to the financial statements continued

10	Provision for liabilities and charges	Warranty Provisions £000		
	Balance at 1 April 2001		291	
	Profit and loss account		(63)	
	Balance at 31 March 2002		228	
	Provision has been made for the expected cost of warranty claims lodged by the Balance Sheet date.			
		31/3/02 £000	31/3/01 £000	
11	Called up share capital			
	Authorised			
	Ordinary shares of £1 each	4,036	4,036	
	Allotted and fully paid			
	Ordinary shares of £1 each	1,036	1,036	
12	Combined statement of movements in shareholders' funds and statement of movements on reserves			
		Share capital £000	Profit and loss account £000	Total 2002 £000
				Total 2001 £000
	Balance 1 April	1,036	(4,017)	(2,981)
	Loss for the year	-	(1,068)	(1,068)
	Balance 31 March	1,036	(5,085)	(4,049)
			31/3/02 £000	31/3/01 £000
13	Annual commitment under operating leases			
	Operating leases which expire within one year:			
	- plant and equipment	-	-	13
	Operating leases which expire within two and five years:			
	- plant and equipment	-	-	20
14	Capital commitments			
	Authorised and contracted	Nil	Nil	Nil

Biwater Industries Limited

Notes to the financial statements continued

15 Contingent liabilities

- a) Under guarantees of certain of the Group's overdraft facilities and other creditors amounting to £10.6m (31 March 2001 - £19.9m).
- b) Under indemnities and guarantees to banks and underwriters for contract bonds in the normal course of business amounting to £0.2m (31 March 2001 - £0.3m).
- c) No valuable security has been given by the company.

16 Pension commitments

The BRASS scheme is a defined benefit scheme, however in accordance with FRS17, the contributions paid by the Company are accounted for as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme. The cost of contributions to the Group scheme amounted to £46,464 (2001: £51,488) and are based on the pension costs across the Group as a whole.

Included in creditors is £NIL (2001: £NIL) in respect of liabilities to the group scheme.

17 Related party transactions

Advantage has been taken of the exemption given in FRS 8 to wholly owned subsidiaries, not to provide details of transactions and balances with other group members.

18 Cash flow statement

The company is exempt from producing a cash flow statement under FRS 1 (revised), being a wholly owned subsidiary of Biwater Plc.

19 Ultimate parent undertaking

Biwater Industries Ltd is wholly owned by Biwater Plc which is registered in England and Wales. Biwater Plc is the only company that consolidates the results of Biwater Industries Ltd and is the ultimate parent undertaking. The ultimate controlling party of Biwater Plc is Mr. A E White. Copies of the financial statements of Biwater Plc can be obtained from Biwater House, Station Approach, Dorking, Surrey, RH4 1TZ.

20 Financial Support

The parent undertaking, Biwater plc, have informed the Company that it is its present intention to continue to support this subsidiary.

21 Revision of the financial statements

A casting error was discovered in the balance sheet arising from an error in note 9 "Creditors: amounts falling due within one year". This has been corrected in these revised financial statements.