FOWLER SWIMMING POOLS LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 DECEMBER 1998

Company No. 3491718
FOWLER SWIMMING POOLS LIMITED

FINANCIAL STATEMENTS

For the period ended 31 December 1998

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FOWLER SWIMMING POOLS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the period ended 31 December 1998.

Incorporation

The company was incorporated on 13 January 1998 as Birchmile Limited and changed its name on 13 February 1998.

Principal activities

The company is principally engaged in the construction, service and maintenance of swimming pools and the supply of associated chemicals and equipment and commenced trading on 1 March 1998.

Results and dividends

The profit for the year after taxation amounted to £33,723. The directors do not recommend the payment of a dividend and the profit has therefore been transferred to reserves.

Review of the business

The company achieved a turnover of over £1,000,000 in its first 10 months of trading, with a pre-tax profit of over £42,000, a result which is very pleasing. The emphasis on customer service is expected to generate further increases in turnover in the next few years, but the directors' priority is to build up resources as quickly as possible, with the objective of being entirely self-financing by the end of the year 2002.

Directors

The directors in office throughout the period and their interests in the shares of the company at their date of appointment and at 31 December 1998 as recorded in the register maintained by the company in accordance with the provisions of the Companies Act 1985, were as follows:

<table>
<thead>
<tr>
<th>Ordinary shares of £1 each</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 1998</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>M J Denyer (appointed 4 February 1998)</td>
</tr>
<tr>
<td>T R Holman (appointed 4 February 1998)</td>
</tr>
</tbody>
</table>

The directors are both directors of the parent undertaking, Fowler Bros. Limited, and their interests in the shares of that company are disclosed in its financial statements.

D J Dwyer and B J Doyle were appointed as first directors on 13 January 1998 and resigned on 4 February 1998.
FOWLER SWIMMING POOLS LIMITED

REPORT OF THE DIRECTORS

Statement of directors' responsibilities for the financial statements

Company law requires 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 the profit or loss of the company 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; 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 proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of our customers and suppliers.

The company has reviewed its computer systems for the impact of Year 2000 date change. An impact analysis has been prepared to identify the major risks, and action plans have been developed to address these in advance of critical dates. The plans give priority to the systems which could have a significant financial or legal impact if they were to fail.

The main systems affected are the accounting and job costing systems, which have been replaced in order to be Year 2000 compliant.

The issue is complex, and no business can guarantee that there will be no Year 2000 problems. However, the Board believes its plans and the resources allocated are appropriate and adequate to address the issue.

The costs to address the issue are not expected to be significant.
FOWLER SWIMMING POOLS LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

By Order of the Board

M J DENYER
Secretary

Registered office:

Cowfold
HORSHAM
West Sussex
RH13 8BS

17 June 1999
AUDITORS' REPORT TO THE MEMBERS OF

FOWLER SWIMMING POOLS LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on pages 5 and 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 at 31 December 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Brighton

17 June 1999
FOWLER SWIMMING POOLS LIMITED

ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the company are set out below.

TURNOVER

Turnover is the total amount receivable by the company in the ordinary course of business for goods supplied as a principal and services provided, excluding VAT and trade discounts.

In the case of long term contracts, turnover reflects the contract activity of the year.

LONG-TERM CONTRACT WORK

Profit is accounted for once the outcome of a contract can be assessed with reasonable certainty and is based on the appropriate stage of completion of the contract.

Costs incurred to carry out work on long-term contracts are matched with long-term contract work included in turnover. Where costs cannot be matched with contract work accounted for as turnover, such amounts are included in stock.

Provision is made for foreseeable losses on all contracts based on the loss which is currently estimated to arise over the duration of any contract, irrespective of the amount of work carried out at the balance sheet date.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAX

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.
FOWLER SWIMMING POOLS LIMITED

ACCOUNTING POLICIES

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. Leasing payments on such assets are regarded as consisting of a capital element which reduces the outstanding liability and an interest charge.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

CONTRIBUTIONS TO PENSION FUNDS

The company contributes to the Building and Civil Engineering Benefits Scheme and the Plumbing and Mechanical Services (UK) Industry Pension Scheme. The pension costs charged against profits represent the amount of contributions payable to the schemes in respect of the accounting period.
FOWLER SWIMMING POOLS LIMITED

PROFIT AND LOSS ACCOUNT

For the period ended 31 December 1998

<table>
<thead>
<tr>
<th>Note</th>
<th>Amount (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>1,063,232</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>865,078</td>
</tr>
<tr>
<td>Gross profit</td>
<td>198,154</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>155,431</td>
</tr>
<tr>
<td>Profit on ordinary activities before taxation</td>
<td>42,723</td>
</tr>
<tr>
<td>Tax on profit on ordinary activities</td>
<td>9,000</td>
</tr>
<tr>
<td>Profit retained for the financial period</td>
<td>33,723</td>
</tr>
</tbody>
</table>

There were no recognised gains or losses other than the profit for the financial period.

The accompanying accounting policies and notes form an integral part of these financial statements.
FOWLER SWIMMING POOLS LIMITED

BALANCE SHEET AT 31 DECEMBER 1998

<table>
<thead>
<tr>
<th>Note</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>4</td>
</tr>
<tr>
<td>Debtors</td>
<td>5</td>
</tr>
<tr>
<td>Cash in hand</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>6</td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
</tr>
<tr>
<td>Called up share capital</td>
<td>7</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td></td>
</tr>
<tr>
<td>Shareholders' funds</td>
<td>8</td>
</tr>
</tbody>
</table>

The financial statements were approved by the Board of Directors on 17 June 1999

T R HOLMAN

M J DENYER

DIRECTORS

The accompanying accounting policies and notes form an integral part of these financial statements.
1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION.

The turnover and profit on ordinary activities before taxation are attributable to one activity, the construction, service and maintenance of swimming pools and the supply of associated chemicals, wholly conducted within the United Kingdom.

Profit on ordinary activities is stated after:

£

Auditors' remuneration 1,500
Hire of plant and equipment 26,247

2 DIRECTORS AND EMPLOYEES

The average number of employees of the company during the period and their aggregate emoluments are shown below:

£

Wages and salaries 156,305
Social security 11,413
Pension costs 2,094

169,812

Average number of employees

Number

Direct labour 9
Office and administration 2

11

The directors' remuneration for the period was paid by the parent undertaking. A recharge of £44,186 which has not been included in staff costs above was made in respect of services carried out on behalf of this company.

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the period and is made up as follows:

£

UK Corporation tax at 21% 2,000
FOwner SWIMMING POOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 1998

4 STOCKS

£

Raw materials 33,987
Work in progress (net of amounts invoiced of £206,219) 39,976
73,963

There were no significant differences between the replacement cost and the values disclosed for stocks.

5 DEBTORS

£

Amounts falling due within one year:
Trade debtors 93,947
Amounts owed by group undertakings 1,782
Amounts recoverable on contracts 23,011
Prepayments 800
119,540

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

£

Trade creditors 33,561
Amounts invoiced in advance 10,747
Amounts owed to group undertakings 94,797
Corporation tax 9,000
Social security and other taxes 23,563
Accruals and deferred income 12,172
183,640

7 CALLED UP SHARE CAPITAL

£

Authorised, allotted, called up and fully paid
1,000 ordinary shares of £1 each 1,000

In addition to the subscriber shares, an allotment of 998 ordinary £1 shares was made at par to provide the initial capital of the company.
FOWLER SWIMMING POOLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 1998

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

£

Profit for the financial period 33,723
Shares issued in the period 1,000
Shareholders' funds at 31 December 34,723

9 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1998.

10 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 1998.

11 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of this company is Fowler Bros. Limited which is registered in England and Wales.

12 OPERATING LEASE COMMITMENTS

The company is committed to leasing payments of £21,060 within the next year for leases expiring within one year.

13 RELATED PARTY TRANSACTIONS

The following transactions were undertaken with related parties:

a The company purchased goods amounting to £207,689 from Fowler Bros. (Cowfold) Limited, a wholly owned subsidiary of Fowler Bros. Limited and made sales to Fowler Bros. (Cowfold) Limited of £36,575. In addition to the trade supplies, administration expenses of £49,253 were recharged from Fowler Bros. (Cowfold) Limited.

b Sales totalling £79,301 were made to Fowler Bros. (Whyteleafe) Limited, a 51% subsidiary of Fowler Bros. Limited.

c A charge of £44,186 was made by Fowler Bros. Limited, the holding company, in respect of director's remuneration, together with £4,050 in respect of car hire and £5,000 in respect of rent.