

24/10/04

Aqua Capital Limited

Report and Financial Statements

30 November 2003

 ERNST & YOUNG



Aqua Capital Limited

Registered No: 248695

Directors

C G Grolman
M J Partridge

Secretary

R Loveridge

Auditors

Ernst & Young LLP
Apex Plaza
Reading
RG1 1YE

Bankers

Barclays
54 Lombard Street
London
EC3V 9EX

Solicitors

Macfarlanes
10 Norwich Street
London EC4A 1BD

Registered office

Aqua Capital Limited
Unit 36, Boston House
Grove Business Centre
Grove Technology Park
Wantage
Oxfordshire
OX12 9FF

Directors' report

The directors present their report and financial statements for the year ended 30 November 2003.

Results and dividends

The profit for the year amounted to £2,742,000. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The principal activity of the company during the first 11 months of the year was the manufacture, design and supply of pumps and fluid handling systems. On 6 November 2003 the company sold the majority of its assets and operations to a third party buyer. At this point all the employees of the company, with the exception of one director, also transferred to the buyer.

The company has however continued to trade as a limited number of contracts remain at year end to be completed and realised, and some liabilities have been retained by the company.

Two new employees have been recruited to assist with the remaining activities and it is anticipated that in 2004 this resource will also enable the provision of certain management services to other group companies.

Settlement of loans

On 27 May 2003 the then parent undertaking, Sterling Fluid Systems (UK Group) Limited sold Sterling Fluid Systems Limited to a company controlled by the ultimate shareholder, TBG Holdings NV. The sale was based on the balance sheet as at 1 December 2002.

At the time of the sale loans payable to group undertakings of £11,416,000 were forgiven. These comprised the loans outstanding at 1 December 2002 of £8,380,000 and subsequent loans required to finance further losses made up to the date of sale.

Change of name

The company changed its name from Sterling Fluid Systems Limited to SPP Pumps Limited on 5 July 2003, and then again to Aqua Capital Limited on 16 November 2003.

Directors

The directors who served the company during the year were as follows:

C D Johnson	(Resigned 6 November 2003)
P B O'Kelly	(Resigned 27 May 2003)
P Garner	(Resigned 5 April 2003)
G G Terry	(Resigned 27 May 2003)
A Lukes	(Resigned 27 May 2003)
M J Partridge	
J B Davies	(Resigned 6 November 2003)
B Millward	(Resigned 5 April 2003)
T Newby	(Resigned 6 November 2003)
C von Grolman	(Appointed 5 May 2003)

No director serving at 30 November 2003 had any interest required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board


C von Grolman
Director

3.8. 2004

Statement of directors' responsibilities in respect of 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 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; 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 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 members of Aqua Capital Limited

We have audited the company's financial statements for the year ended 30 November 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 25. These financial statements have been prepared on the basis of 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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

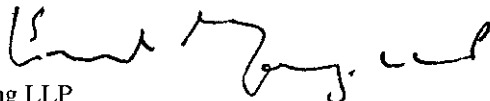
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Aqua Capital Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 November 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Apex Plaza
Reading
RG1 1YE

9. August 2004

Profit and loss account

for the year ended 30 November 2003

		2003	2002
	Notes	£000	£000
Turnover – Discontinued operations	3	20,521	33,446
Cost of sales		17,151	28,198
Gross profit		<u>3,370</u>	<u>5,248</u>
Distribution costs		2,564	3,671
Administrative expenses		9,116	4,059
Other operating income	4	(11,416)	-
Operating profit	5	<u>3,106</u>	<u>(2,482)</u>
Loss on disposal of business	8	(2,732)	-
Bank interest receivable	9	50	12
Interest payable	10	(50)	(784)
		<u>(2,732)</u>	<u>(772)</u>
Profit / (loss) on ordinary activities before taxation		374	(3,254)
Tax on profit / (loss) on ordinary activities	11	(2,368)	(1,411)
Profit / (loss) for the financial year		<u><u>2,742</u></u>	<u><u>(1,843)</u></u>

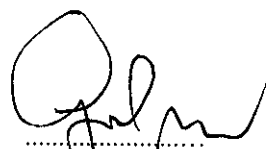
Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £2,742,000 attributable to the shareholders for the year ended 30 November 2003 (2002 - loss of £1,843,000).

Balance Sheet

at 30 November 2003

		2003 £000	2002 £000
Fixed assets			
Tangible assets	12	-	4,582
Investments	13	-	15
		<u>-</u>	<u>4,597</u>
Current assets			
Stocks	14	640	3,660
Debtors	15	5,322	15,151
Cash at bank		490	19
		<u>6,452</u>	<u>18,830</u>
Creditors: amounts falling due within one year	16	983	15,743
		<u>5,469</u>	<u>3,087</u>
Net current assets			
		<u>5,469</u>	<u>7,684</u>
Total assets less current liabilities			
		5,469	7,684
Creditors: amounts falling due after more than one year	17	-	8,412
Provisions for liabilities and charges			
Deferred taxation	11	-	123
Provisions for liabilities and charges	19	4,028	450
		<u>1,441</u>	<u>(1,301)</u>
Capital and reserves			
Called up share capital	22	30	30
Profit and loss account	23	1,411	(1,331)
		<u>1,441</u>	<u>(1,301)</u>
Equity shareholders' funds	23		
		<u>1,441</u>	<u>(1,301)</u>



 C von Grolman
 Director

3.8.2004

Notes to the financial statements

at 30 November 2003

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

Cash flow statement

Holland Americas Investment Corporation NV, an intermediate parent company, publishes a consolidated cash flow statement which includes the cash flows of the Company. The Company has therefore taken advantage of the exemption granted by FRS1 (revised) "Cash Flow Statements" to not present a cash flow statement.

Related parties transactions

The company is a wholly owned subsidiary of Holland Americas Investment Corporation NV the consolidated accounts of which are publicly available.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold Property	-	2% to 3%
Short leasehold buildings	-	4%
Plant & Machinery	-	5% to 20%
Motor Vehicles	-	25%
Tooling and patterns	-	16 2/3% to 33 1/3%

The carrying value of tangible fixed assets is reviewed for impairment in periods when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Notes to the financial statements

at 30 November 2003

1. Accounting policies (continued)

Deferred taxation (continued)

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities denominated in foreign currencies for which forward exchange contracts are held are translated at the rate of the forward contract.

Other assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies entered into during the year are translated at the rate ruling at the date of the transaction.

All differences in exchange arising from translation of foreign currencies are taken to the profit and loss account.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

Notes to the financial statements

at 30 November 2003

1. Accounting policies (continued)

Pension costs

The company participates in a multi-employer defined benefit pension scheme, which requires contributions to be made to separately administered funds. Contributions are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs.

Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

When employees transferred on the sale of operations to a third party in November, their active membership of the scheme was terminated; they retain rights to benefits as deferred pensioners. To eliminate uncertainty regarding the maximum amount of its liability, the company entered into an agreement with the main employer in the scheme whereby payments will be made up to a pre-determined maximum amount into the scheme, and any further liability arising will be borne by the main employer. The commitment of the company under this arrangement has therefore replaced the actuarially calculated share of net pension funding liability in the accounts for 2003.

2. Sale of assets and operations

In November 2003 substantially all the assets and ongoing operations of the company were sold to a third-party buyer. The assets remaining at year-end represent a limited number of completed or substantially completed contracts to be realised by the company. With the exception of one director, all employees of the company also transferred to the buyer as part of the transaction.

The operating results shown for 2003 therefore relate entirely to discontinued operations.

3. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties for goods supplied.

The total turnover of the company has been derived from its principal activity for which a geographical analysis is given below:

Notes to the financial statements

at 30 November 2003

3. Turnover (continued)

An analysis of turnover by geographical market is given below:

	2003 £000	2002 £000
United Kingdom	11,752	14,815
Other Western Europe	3,107	2,592
North America	1,593	4,392
South America	3	6
South East Asia and Australasia	1,386	2,580
Middle East	1,138	7,187
Eastern Europe	1,182	1,508
Near East	117	21
Africa	243	345
	<u>20,521</u>	<u>33,446</u>

4. Other operating income

On 1 December 2002, the then parent undertaking, Sterling Fluid Systems (UK Group) Limited, sold Sterling Fluid Systems Limited to a company controlled by the ultimate shareholder, TBG Holdings NV.

At the time of the sale, loans payable to group undertakings of £11,416,000 were forgiven.

The tax effect is nil.

5. Operating profit/(loss)

This is stated after charging/(crediting):	2003 £000	2002 £000
Auditors' remuneration - audit services	42	20
- non-audit services	56	50
	<u>98</u>	<u>70</u>
Depreciation of owned fixed assets	677	854
Depreciation of assets held under finance leases	21	23
	<u>698</u>	<u>877</u>
Profit on disposal of fixed assets	-	(23)
Operating lease rentals - land and buildings	636	728
- plant and machinery	402	478
	<u></u>	<u></u>

Notes to the financial statements

at 30 November 2003

5. Operating profit/(loss) (continued)

Also charged/(credited) are exceptional items:

	2003 £000	2002 £000
Funding requirement for pension fund deficit	2,000	-
Increase in onerous lease provision	1,650	-
Redundancy and restructuring costs	1,052	-
	<u>4,702</u>	<u>-</u>
Tax effect (included in note 11)	<u>(871)</u>	<u>-</u>

6. Staff costs

	2003 £000	2002 £000
Wages and salaries	5,980	7,622
Social security costs	479	586
Pension costs (note 24)	743	690
	<u>7,202</u>	<u>8,898</u>

The monthly average number of employees during the first 11 months of the year was as follows:

	2003 No.	2002 No.
Administrative staff	34	33
Manufacturing	158	195
Sales and distribution	66	77
	<u>258</u>	<u>305</u>

7. Directors' emoluments

	2003 £000	2002 £000
Emoluments	552	934
Compensation for loss of office	86	-
Total emoluments	<u>638</u>	<u>934</u>

The amounts in respect of the highest paid director are as follows:

	2003 £000	2002 £000
Emoluments	180	169
Compensation for loss of office	-	-
Total emoluments	<u>180</u>	<u>169</u>

Notes to the financial statements

at 30 November 2003

7. Directors' emoluments (continued)

At year-end pension benefits were accruing to one serving director under a defined-benefit scheme.

8. Loss on disposal of business

	2003 £000	2002 £000
Loss on sale of assets	2,732	-
Tax effect (included in note 11)	813	-

9. Interest receivable

	2003 £000	2002 £000
Bank interest receivable	50	12

10. Interest payable

	2003 £000	2002 £000
Bank interest payable	2	265
Finance charges payable under finance leases	3	4
Interest on other loans	45	515
	50	784

11. Tax

(a) Tax on profit/(loss) on ordinary activities

The tax (credit) is made up as follows:

	2003 £000	2002 £000
<i>Current tax:</i>		
UK corporation tax	(2,280)	(820)
Tax under/(over) provided in previous years	35	(407)
Total current tax (note 8(b))	(2,245)	(1,227)
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(121)	(184)
Over provision in previous years	(2)	-
Tax on loss on ordinary activities	(2,368)	(1,411)

Notes to the financial statements

at 30 November 2003

11. Tax (continued)

(b) Factors affecting current tax charge

The differences are reconciled below:

	2003 £000	2002 £000
Loss on ordinary activities before taxation	374	(3,254)
Profit/(loss) on ordinary activities at UK rate of 30% (2002: 30%)	112	(976)
Expenses not deductible for tax purposes	214	17
Income not taxable	(3,425)	-
Increase / (Decrease) in pension provision	516	(29)
Depreciation in excess of capital allowances	120	36
Group relief surrendered for nil payment	183	-
Current year tax losses carried forward not recognised	-	132
Prior year adjustment	35	(407)
Total current tax (note 8(a))	(2,245)	(1,227)

(c) Deferred tax

	2003 £000	2002 £000
Capital allowances in advance of depreciation	-	311
Tax losses available	-	(164)
Other timing differences	-	(24)
Provision for deferred taxation	-	123
At 1 December 2002		123
Profit and Loss Account movement arising during the year		(123)
At 30 November 2003		0

It is the group's policy to pay for tax losses surrendered to mitigate the profits and chargeable gains of group members for compensation equal to either 100% or 90% of the value of the tax benefit.

There is a deferred tax asset £704,000 (2002: nil) relating to provisions and losses. Given that it is unlikely that there will be any suitable profits to set the asset against, these have not been provided for. £540,000 and £164,000 relates to short term timing differences and losses respectively.

Notes to the financial statements

at 30 November 2003

12. Tangible fixed assets

	<i>Land and Buildings</i>		<i>Plant &</i>	<i>Motor</i>	<i>Tooling &</i>	
	<i>Freehold</i>	<i>Leasehold</i>	<i>Machinery</i>	<i>Vehicles</i>	<i>Patterns</i>	<i>Total</i>
	<i>Property</i>	<i>Property</i>				
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:						
At 1 December 2002	4,055	367	6,669	69	643	11,803
Additions	-	-	52	-	30	82
Disposals	(4,055)	(155)	(6,721)	(69)	(673)	(11,673)
At 30 November 2003	-	212	-	-	-	212
Depreciation:						
At 1 December 2002	1,048	206	5,486	48	433	7,221
Provided during the year	75	113	423	14	73	698
Disposals	(1,123)	(107)	(5,909)	(62)	(506)	(7,707)
At 30 November 2003	-	212	-	-	-	212
Net book value:						
At 30 November 2003	-	-	-	-	-	-
At 1 December 2002	3,007	161	1,183	21	210	4,582

13. Investments

	<i>Unlisted</i>
	<i>Investments</i>
	<i>£000</i>
Cost at 1 December 2002	15
Disposals	(15)
Cost at 30 November 2003	-

During the year, Aqua Capital Limited disposed of its share of the following entity to a third party as part of the disposal of the majority of its business assets and operations to a third party buyer.

<i>Name of Company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares previously held</i>
Sterling Fluid Systems Middle East LLC Incorporated in Abu Dhabi, UAE	Ordinary shares	49%

Notes to the financial statements

at 30 November 2003

14. Stocks

	2003 £000	2002 £000
Raw materials	-	2,815
Work in progress	640	762
Finished goods	-	83
	<u>640</u>	<u>3,660</u>

15. Debtors

	2003 £000	2002 £000
Trade debtors	291	9,409
Amounts owed by group undertakings	4,980	4,114
Amounts owed by companies in which the company has a participating interest	-	1,296
Other debtors	51	57
Prepayments and accrued income	-	275
	<u>5,322</u>	<u>15,151</u>

16. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank loans and overdrafts	-	3,072
Obligations under finance leases (note 18)	-	23
Trade creditors	-	6,533
Amounts owed to group undertakings	-	4,842
Other taxation and social security	-	201
Accruals and deferred income	983	1,072
	<u>983</u>	<u>15,743</u>

17. Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Obligations under finance leases (note 18)	-	32
Amounts owed to group undertakings	-	8,380
	<u>-</u>	<u>8,412</u>

Notes to the financial statements

at 30 November 2003

18. Obligations under finance leases

The maturity of these amounts is as follows:

	2003 £000	2002 £000
Amounts payable:		
Within one year	-	23
In one to two years	-	32
	<u>-</u>	<u>55</u>

19. Provisions for liabilities and charges

	Pension £000	Onerous Lease £000	Contract Performance provision £000	Total £000
At 1 December 2003	-	450	-	450
Increase in the year	2,000	1,875	128	4,003
Utilised in the year	(200)	(225)	-	(425)
At 30 November 2003	<u>1,800</u>	<u>2,100</u>	<u>128</u>	<u>4,028</u>

The contract performance provision will be utilised within the next year.

The provision, for the onerous contract, which is in respect of lease obligations, is expected to be released evenly over the next 3.5 years.

Payments to defray the pension fund deficit will be made evenly over the next 10 years.

20. Commitments under operating leases

At 30 November 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	2003		2002	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	30	50
In two to five years	-	-	77	310
In over five years	480	-	556	-
	<u>480</u>	<u>-</u>	<u>663</u>	<u>360</u>

at 30 November 2003

Performance bonds and guarantees remain outstanding at 30 November 2003. These arose in the normal course of business and amount to £1,210,000 (2002: £1,205,000).

	2003 £000	Authorised 2002 £000
Ordinary shares of £1 each	30	30

		<i>Allotted, called up and fully paid</i>	
		<i>2003</i>	<i>2002</i>
	<i>No.</i>	<i>£000</i>	<i>No.</i>
		<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	30,000	30	30,000

	Share capital £000	Profit and loss account £000	Total share- holders' funds £000
At 1 December 2001	30	512	542
Loss for the year	-	(1,843)	(1,843)
At 30 November 2002	30	(1,331)	(1,301)
Profit for the year	-	2,742	2,742
At 30 November 2003	30	1,411	1,441

The Company participates in a defined benefits scheme, together with other group companies, within which Sterling Fluid Services Limited is the main employer. On the sale of ongoing operations in November 2003, all employees with the exception of one director transferred to the buying company, and became deferred pensioners within the existing scheme. To cover the deficit which would otherwise have remained as a liability, the Company entered into an agreement with the main employer within the scheme whereby in consideration of a commitment by the Company to make payments of up to £2,000,000 into the scheme over a period of 10 years, or until the deficit is extinguished, any further liabilities are transferred to the main employer, thereby limiting the Company's liability to the above amount.

The pension cost recognised in 2003 is the total of normal contributions, £743,000, and the pension provision included in note (19).

Notes to the financial statements

at 30 November 2003

25. Ultimate parent company

The immediate parent undertaking for which group financial statements are prepared is Holland Americas Investment Corporation NV ('HAIC') which is a subsidiary undertaking of TBG Holdings NV, the ultimate parent. HAIC is incorporated in the Netherlands. A copy of the financial statements of the parent can be obtained from Bavinckstaete. Prof. Bavincklaan, 1183 AT, Amstelveen, Netherlands.

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the HAIC group.