

Registered number
1479677

Hydratec Systems Limited

Report and Accounts

30 April 2005



Hydratec Systems Limited
Company Information

Directors

R S Ashworth
T I Ashworth
M R Teague

Secretary

T I Ashworth

Auditors

Ian Katte & Co.
Lyndale House
24 High Street
Addlestone
Surrey
KT15 1TN

Registered office

The Monarch Centre
Venture Way
Priorswood Industrial Estate
Taunton
Somerset TA2 8DE

Registered number

1479677

Hydratec Systems Limited
Directors' Report

The directors present their report and accounts for the year ended 30 April 2005.

Principal activities

The company's principal activity during the year continued to be the sale of blasting machinery and abrasives.

Directors

The directors who served during the year and their interests in the share capital of the company were as follows:

	A' Class £1 Ordinary shares	
	30 Apr 2005	1 May 2004
R S Ashworth	-	-
T I Ashworth	-	-
M R Teague (appointed 7 July 2004)	-	-

	B' Class £1 Ordinary shares	
	30 Apr 2005	1 May 2004
R S Ashworth	-	-
T I Ashworth	-	-
M R Teague (appointed 7 July 2004)	-	-

Mr R S Ashworth and Mr T I Ashworth are directors of Vapormatt Limited (a company incorporated in Guernsey) which owns 5500 'B' Ordinary Shares of £1 each and 1374 'A' Ordinary Shares of £1 each in Hydratec Systems Limited.

Auditors

A resolution to reappoint Ian Katte & Co. as auditors will be put to the members at the Annual General Meeting.

Small company special provisions

The report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the board on 25 January 2006.

R S Ashworth
Director



Hydratec Systems Limited
Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts 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 for that period. In preparing those accounts, 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 accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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 accounts 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.

Ian Katté & Co

BUSINESS ADVISERS · CHARTERED ACCOUNTANTS · REGISTERED AUDITORS



Independent auditors' report to the shareholders of Hydratec Systems Limited

We have audited the accounts of Hydratec Systems Limited for the year ended 30 April 2005 which comprise pages 5 to 12. These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and 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 auditor's 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 accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 April 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ian Katté & Co.
Registered auditors

Lyndale House
24 High Street
Addlestone
Surrey
KT15 1TN

25 January 2006

LYNDALE HOUSE, 24 HIGH STREET, ADDLESTONE, SURREY KT15 1TN

Ian Katté, BSc. FCA TELEPHONE: 01932 855385 FAX: 01932 855584 E-mail: ian@iankatté.co.uk

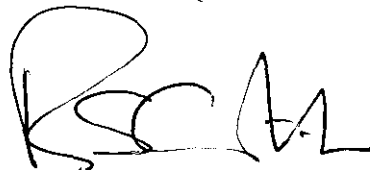
Hydratec Systems Limited
Profit and Loss Account
for the year ended 30 April 2005

	Notes	2005 £	16 month period ended 2004 £
Turnover	2	2,445,159	2,117,543
Cost of sales		(1,616,360)	(1,332,179)
Gross profit		<u>828,799</u>	<u>785,364</u>
Administrative expenses		(667,436)	(869,009)
Operating profit/(loss)	3	<u>161,363</u>	<u>(83,645)</u>
Interest receivable		625	-
Interest payable		(9,074)	(13,316)
Profit/(loss) on ordinary activities before taxation		<u>152,914</u>	<u>(96,961)</u>
Tax on profit/(loss) on ordinary activities	4	(16,903)	4,801
Profit/(loss) for the financial year		<u>136,011</u>	<u>(92,160)</u>
Retained profit/(loss) for the financial year	12	<u>136,011</u>	<u>(92,160)</u>

Hydratec Systems Limited
Balance Sheet
as at 30 April 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	5	76,317	56,223
Current assets			
Stocks		340,638	376,953
Debtors	6	321,537	462,214
Cash at bank and in hand		157,637	76,789
		<u>819,812</u>	<u>915,956</u>
Creditors: amounts falling due within one year	7	(491,466)	(807,862)
Net current assets		<u>328,346</u>	<u>108,094</u>
Total assets less current liabilities		<u>404,663</u>	<u>164,317</u>
Creditors: amounts falling due after more than one year	8	(108,925)	(12,270)
Provisions for liabilities and charges	10	(7,680)	-
Net assets		<u>288,058</u>	<u>152,047</u>
Capital and reserves			
Called up share capital	11	11,000	11,000
Profit and loss account	12	277,058	141,047
Shareholders' funds		<u>288,058</u>	<u>152,047</u>

The accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.



R S Ashworth
 Director

Approved by the board on 25 January 2006

Hydratec Systems Limited
Notes to the Accounts
for the year ended 30 April 2005

1 Accounting policies

The accounts have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

Turnover represents the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

Depreciation

Depreciation has been provided at the following rates in order to write off the assets over their estimated useful lives.

Demonstration Machines	20% reducing balance
Office Equipment	20% reducing balance,
Motor vehicles	25% reducing balance
Vans	45% reducing balance

Stocks

Stock is valued at the lower of cost and net realisable value.

Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes. Deferred taxation is calculated on an un-discounted basis at the tax rates which are expected to apply in the periods when the timing differences will reverse.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Hydratec Systems Limited
Notes to the Accounts
for the year ended 30 April 2005

2 Turnover	2005	2004
Turnover attributable to geographical markets outside the UK	67.0%	24.0%

3 Operating profit		16 month period ended 30 April 2004
	2005	2004
	£	£

This is stated after charging:

Depreciation of owned fixed assets	12,623	15,856
Depreciation of assets held under finance leases and hire purchase contracts	7,509	8,362
Directors' remuneration	35,190	21,877
Compensation to past directors for loss of office	-	2,917
Auditors' remuneration	5,984	10,327

4 Taxation		16 month period ended 30 April 2004
	2005	2004
	£	£
UK corporation tax	9,223	-
Deferred tax	7,680	(4,801)
	<u>16,903</u>	<u>(4,801)</u>

5 Tangible fixed assets

	Plant and machinery etc £	Motor vehicles £	Total £
Cost			
At 1 May 2004	129,893	102,205	232,098
Additions	40,226	-	40,226
At 30 April 2005	<u>170,119</u>	<u>102,205</u>	<u>272,324</u>
Depreciation			
At 1 May 2004	84,169	91,706	175,875
Charge for the year	16,836	3,296	20,132
At 30 April 2005	<u>101,005</u>	<u>95,002</u>	<u>196,007</u>
Net book value			
At 30 April 2005	<u>69,114</u>	<u>7,203</u>	<u>76,317</u>
At 30 April 2004	<u>45,724</u>	<u>10,499</u>	<u>56,223</u>

	2005	2004
	£	£
Net book value of plant and machinery included above held under finance leases and hire purchase contracts	<u>36,511</u>	<u>24,963</u>

Hydratec Systems Limited
Notes to the Accounts
for the year ended 30 April 2005

6 Debtors	2005	2004
	£	£
Trade debtors	271,309	286,524
Amounts owed by group undertakings and undertakings in which the company has a participating interest	12,644	147,579
Other taxes recoverable	9,854	-
Other debtors	27,730	28,111
	<u>321,537</u>	<u>462,214</u>
 7 Creditors: amounts falling due within one year	 2005	 2004
	£	£
Bank loans and overdrafts	61,002	17,121
Obligations under finance lease and hire purchase contracts	10,065	9,054
Trade creditors	145,149	168,404
Amounts owed to group undertakings and undertakings in which the company has a participating interest	-	283,265
Corporation tax	10,435	-
Other taxes and social security costs	9,339	26,013
Machine deposits	225,659	265,584
Other creditors	29,817	38,421
	<u>491,466</u>	<u>807,862</u>
 8 Creditors: amounts falling due after one year	 2005	 2004
	£	£
Bank loans	95,833	5,580
Obligations under finance lease and hire purchase contracts	13,092	6,690
	<u>108,925</u>	<u>12,270</u>
 9 Loans	 2005	 2004
	£	£
Creditors include:		
Secured bank loans	<u>-</u>	<u>22,701</u>

Hydratec Systems Limited
Notes to the Accounts
for the year ended 30 April 2005

10 Provisions for liabilities and charges

Deferred taxation:

2005	2004
£	£
Accelerated capital allowances	6,105
Tax losses carried forward	(6,105)
<u>7,680</u>	<u>-</u>

Accelerated capital allowances
Tax losses carried forward

At 1 May
Deferred tax charge in profit and loss account

2005	2004
£	£
-	4,801
7,680	(4,801)
<u>7,680</u>	<u>-</u>

At 30 April

11 Share capital

Authorised:

"A" Ordinary shares of £1 each
"B" Ordinary shares of £1 each

2005	2004
£	£
50,000	50,000
50,000	50,000
<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

"A" Ordinary shares of £1 each
"B" Ordinary shares of £1 each

2005	2004	2005	2004
No	No	£	£
5,500	5,500	5,500	5,500
5,500	5,500	5,500	5,500
		<u>11,000</u>	<u>11,000</u>

12 Profit and loss account

At 1 May
Retained profit/(loss)

At 30 April

2005	2004
£	£
141,047	233,207
136,011	(92,160)
<u>277,058</u>	<u>141,047</u>

13 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

Operating leases which expire:
in over five years

2005	2004
£	£
<u>24,750</u>	<u>24,750</u>

Hydratec Systems Limited
Notes to the Accounts
for the year ended 30 April 2005

14 Related parties

During the year the company traded with Vapormatt Limited ["Vapormatt"], the company's parent company. Hydratec Systems Limited ["Hydratec"] purchased goods to the value of £109,062 from Vapormatt and sold goods to Vapormatt to the value of £nil. All transactions were undertaken at arms length value.

In addition: (i) Vapormatt charged Hydratec management fees of £108,885 during the year, largely for the services of senior Vapormatt employees and (ii) Hydratec charged Vapormatt management fees of £11,222, largely for the services of Hydratec administrative staff.

Amounts owed by group companies consisted of £12,397 owed to the company by Vapormatt and £247.29 owed by Vapormatt Inc. (a fellow subsidiary of Vapormatt).

15 Controlling party

The company is a 62.5% subsidiary of Vapormatt Limited, a company incorporated in Guernsey.