

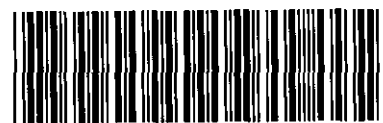
Registered number
1479677

Hydratec Systems Limited

Report and Accounts

30 April 2006

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COMPANIES HOUSE

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 2006.

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 2006	1 May 2005
R S Ashworth			-	-
T I Ashworth			-	-
M R Teague			-	-
			'B' Class £1 Ordinary shares	
			30 Apr 2006	1 May 2005
R S Ashworth			-	-
T I Ashworth			-	-
M R Teague			-	-

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.

Disclosure of information to auditors

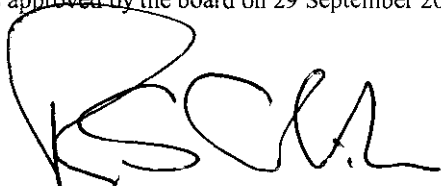
So far as each director at the date of approval of this report is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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 29 September 2006.



R S Ashworth
Director

Hydratec Systems Limited
Statement of Directors' Responsibilities

The directors are responsible for preparing the report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 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 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.

**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 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These accounts have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities.

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 accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and whether the information given in the Directors' Report is consistent with the accounts. We also report to you if, in our opinion, 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 30 April 2006 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

Ian Katte & Co.
Registered auditors
29 September 2006



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24 High Street
Addlestone
Surrey
KT15 1TN

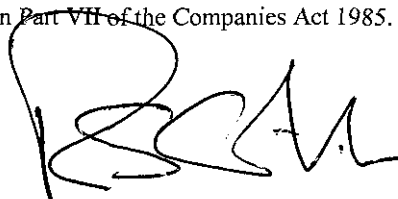
Hydratec Systems Limited
Profit and Loss Account
for the year ended 30 April 2006

	Notes	2006 £	2005 £
Turnover	2	2,658,522	2,445,159
Cost of sales		(1,806,441)	(1,616,360)
Gross profit		<u>852,081</u>	<u>828,799</u>
Administrative expenses		(755,341)	(667,436)
Operating profit	3	<u>96,740</u>	<u>161,363</u>
Interest receivable		1,609	625
Interest payable	4	(13,586)	(9,074)
Profit on ordinary activities before taxation		<u>84,763</u>	<u>152,914</u>
Tax on profit on ordinary activities	5	(16,621)	(16,903)
Profit for the financial year		<u>68,142</u>	<u>136,011</u>

Hydratec Systems Limited
Balance Sheet
as at 30 April 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	6	92,704	76,317
Current assets			
Stocks		385,553	340,638
Debtors	7	310,352	321,537
Cash at bank and in hand		210,401	157,637
		<u>906,306</u>	<u>819,812</u>
Creditors: amounts falling due within one year	8	(577,474)	(491,466)
Net current assets		<u>328,832</u>	<u>328,346</u>
Total assets less current liabilities		<u>421,536</u>	<u>404,663</u>
Creditors: amounts falling due after more than one year	9	(56,539)	(108,925)
Provisions for liabilities	10	(8,797)	(7,680)
Net assets		<u>356,200</u>	<u>288,058</u>
Capital and reserves			
Called up share capital	11	11,000	11,000
Profit and loss account	12	345,200	277,058
Shareholders' funds		<u>356,200</u>	<u>288,058</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 29 September 2006

Hydratec Systems Limited
Notes to the Accounts
for the year ended 30 April 2006

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 January 2005).

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 2006

2	Turnover	2006	2005
	Turnover attributable to geographical markets outside the UK	55.0%	67.0%
3	Operating profit	2006	2005
		£	£
	This is stated after charging:		
	Depreciation of owned fixed assets	9,569	12,623
	Depreciation of assets held under finance leases and hire purchase contracts	16,461	7,509
	Directors' remuneration	43,935	38,956
	Auditors' remuneration	5,400	5,984
4	Interest payable	2006	2005
		£	£
	Interest payable	13,586	9,074
5	Taxation	2006	2005
		£	£
	UK corporation tax	15,504	9,223
	Deferred tax	1,117	7,680
		16,621	16,903
6	Tangible fixed assets		
		Plant and machinery	Motor vehicles
		£	£
	Cost		Total
			£
	At 1 May 2005	170,119	102,205
	Additions	5,891	46,837
	Disposals	(4,980)	(55,133)
	At 30 April 2006	171,030	93,909
	Depreciation		
	At 1 May 2005	101,005	95,002
	Charge for the year	16,510	9,520
	On disposals	-	(49,802)
	At 30 April 2006	117,515	54,720
	Net book value		
	At 30 April 2006	53,515	39,189
	At 30 April 2005	69,114	7,203
		2006	2005
		£	£
	Net book value of plant and machinery included above held under finance leases and hire purchase contracts	56,131	36,511

Hydratec Systems Limited
Notes to the Accounts
for the year ended 30 April 2006

7 Debtors	2006	2005
	£	£
Trade debtors	167,441	271,309
Amounts owed by group undertakings and undertakings in which the company has a participating interest	46,630	12,644
Other taxes recoverable	13,187	9,854
Other debtors	83,094	27,730
	<u>310,352</u>	<u>321,537</u>
 8 Creditors: amounts falling due within one year	 2006	 2005
	£	£
Bank loans and overdrafts	55,552	61,002
Obligations under finance lease and hire purchase contracts	20,976	10,065
Trade creditors	269,932	145,149
Amounts owed to group undertakings and undertakings in which the company has a participating interest	29,817	-
Corporation tax	15,504	10,435
Other taxes and social security costs	15,062	9,339
Machine deposits	131,327	225,659
Other creditors	39,304	29,817
	<u>577,474</u>	<u>491,466</u>
 9 Creditors: amounts falling due after one year	 2006	 2005
	£	£
Bank loans	36,364	95,833
Obligations under finance lease and hire purchase contracts	20,175	13,092
	<u>56,539</u>	<u>108,925</u>
 10 Provisions for liabilities		
Deferred taxation:	2006	2005
	£	£
Accelerated capital allowances	8,797	7,680
	<u>8,797</u>	<u>7,680</u>
	2006	2005
	£	£
At 1 May	7,680	-
Deferred tax charge in profit and loss account	1,117	7,680
	<u>8,797</u>	<u>7,680</u>
At 30 April	<u>8,797</u>	<u>7,680</u>

Hydratec Systems Limited
Notes to the Accounts
for the year ended 30 April 2006

11 Share capital	2006	2005
	£	£
Authorised:		
"A" Ordinary shares of £1 each	50,000	50,000
"B" Ordinary shares of £1 each	50,000	50,000
	<u>100,000</u>	<u>100,000</u>

	2006	2005	2006	2005
	No	No	£	£
Allotted, called up and fully paid:				
"A" Ordinary shares of £1 each	5,500	5,500	5,500	5,500
"B" Ordinary shares of £1 each	5,500	5,500	5,500	5,500
			<u>11,000</u>	<u>11,000</u>

12 Profit and loss account	2006	2005
	£	£
At 1 May	277,058	141,047
Profit for the year	68,142	136,011
At 30 April	<u>345,200</u>	<u>277,058</u>

13 Other financial commitments	2006	2005
	£	£
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	<u>24,750</u>	<u>24,750</u>

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 £100,412 from Vapormatt and sold goods to Vapormatt to the value of £53,433. All transactions were undertaken at arms length value.

In addition Vapormatt charged Hydratec management fees of £100,000 for the year. Amounts owed by Hydratec to Vapormatt and owed by Vapormatt to Hydratec at the balance sheet date are disclosed in notes 8 and 7 respectively as Amounts owed to/due from group undertakings.

15 Controlling party

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