

Registered number
1479677

Vapormatt Limited
(Formerly Hydratec Systems Limited)

Report and Accounts

30 April 2007



Vapormatt 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

Vapormatt Limited Directors' Report

The directors present their report and accounts for the year ended 30 April 2007

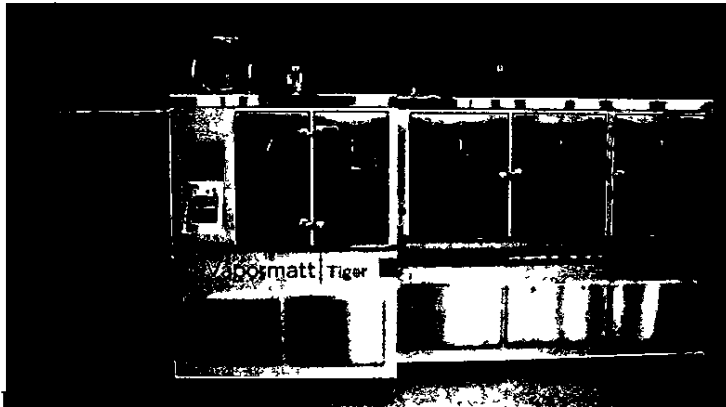
Principal activities and business review

The year has seen a continuation of our improving financial performance whilst we have continued to strengthen and invest in the fundamental operations of the company. The principal activity continues to be the sale and maintenance of wet blasting machinery and the sale of abrasive media. The company continued to follow the strategic direction we set when we relocated our centre of group operations from Guernsey to the UK in 2003. During the year we carried out a major review of our operations and reconfirmed our objectives including our aim "to be the best wet blast company in the world."

Turnover has increased 25.7% in the year and 8.7% in the previous year. Gross profit percentage was 32.7% in the year, an improvement on 32.1% the previous year. We have three and five year Business Plans in place showing ongoing turnover growth and improvements in gross profit percentage.

Our range of partnerships with customers and suppliers has deepened over the year providing mutual benefit for Vapormatt and our key stakeholders. Several R+D initiatives to develop the wet-blasting process have been borne out of such relationships. We believe that we have extended our technical leadership of the field and our progress in other areas of the company's operations has also supported our position.

The trend with our new product introductions continues to be for high-end sophisticated equipment offering customer benefits not offered by any of the companies operating within the market. Significant achievements this year have included the introduction of two major new products – the Tiger and Leopard. These are truly state of the art machines. The Tiger furthers our policy of giving customers modern fully automated equipment that fully blast, wash and **dry** components.



The Leopard is the first of a range of machinery to incorporate the new low level sump unit which provides significant machine location and installation benefits. We are hopeful that the group patent applications for this technology will be granted.

A more focused marketing approach has been adopted and has been conceived to augment our successes within existing specific market sectors such as the nuclear industry, aerospace sector and in support of sophisticated race engineering in series such as F1, Le Mans and the Americas Cup.

Vapormatt Limited Directors' Report

Principal activities and business review (*continued*)

Early visible signs of our greater marketing focus include the renaming of the company



from Hydratec Systems Limited to Vapormatt Limited by special resolution on 13th June 2007, the continued roll out of our new branding, the rebuild of our web site www.vapormatt.com and the introduction of the feline based machinery equipment nomenclature

Vapormatt new equipment and service is perceived by our customers to be of a high standard and generally as the technically most sophisticated available in the market. We have been able to leverage this position to provide wet blast support services, media, spare parts, consultancy, and equipment upgrades to customers operating Vapormatt machinery but significantly we have also been successful in supporting a range of equipment no longer supported adequately by our competitors. Ageing equipment at several major blue chip companies including Alcoa, Rolls Royce, GE and ZF have been rejuvenated and now benefit from having "Vapormatt Inside"

We look forward to the challenges of the next year and plan for continued steady growth

Directors

The following directors served during the year

R S Ashworth
T I Ashworth
M R Teague

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 24 October 2007

R S Ashworth
Managing Director

Vapormatt Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the report and accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to 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 these accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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 that disclose with reasonable accuracy at any time the financial position of the company and 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 Vapormatt Limited

We have audited the accounts of Vapormatt Limited for the year ended 30 April 2007 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 (effective January 2007).

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

The directors' responsibilities for preparing the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts.

In addition we 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 other 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.

In accordance with the exemption provided by APB Ethical Standard – Provisions Available for Smaller Entities, we have prepared and submitted the company's returns to the tax authorities and assisted with the preparation of 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 2007 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 Katté & Co
Registered auditors
24 October 2007

Lyndale House
24 High Street
Addlestone

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

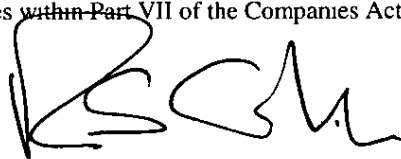
Vapormatt Limited
Profit and Loss Account
for the year ended 30 April 2007

	Notes	2007 £	2006 £
Turnover	2	3,342,389	2,658,522
Cost of sales		(2,248,633)	(1,806,441)
Gross profit		<u>1,093,756</u>	<u>852,081</u>
Administrative expenses		(956,018)	(755,341)
Operating profit	3	<u>137,738</u>	<u>96,740</u>
Interest receivable		4,493	1,609
Interest payable	4	(11,362)	(13,586)
Profit on ordinary activities before taxation		<u>130,869</u>	<u>84,763</u>
Tax on profit on ordinary activities	5	(25,226)	(16,621)
Profit for the financial year		<u>105,643</u>	<u>68,142</u>

Vapormatt Limited
Balance Sheet
as at 30 April 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	6	105,208	92,704
Current assets			
Stocks		367,955	385,553
Debtors	7	471,053	310,352
Cash at bank and in hand		506,888	210,401
		<u>1,345,896</u>	<u>906,306</u>
Creditors: amounts falling due within one year	8	(965,278)	(577,474)
Net current assets		<u>380,618</u>	<u>328,832</u>
Total assets less current liabilities		<u>485,826</u>	<u>421,536</u>
Creditors: amounts falling due after more than one year	9	(14,414)	(56,539)
Provisions for liabilities	10	(9,569)	(8,797)
Net assets		<u>461,843</u>	<u>356,200</u>
Capital and reserves			
Called up share capital	11	11,000	11,000
Profit and loss account	12	450,843	345,200
Shareholders' funds		<u>461,843</u>	<u>356,200</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 24 October 2007

Vapormatt Limited
Notes to the Accounts
for the year ended 30 April 2007

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 2007)

Turnover

Turnover represents the value, net of value added tax and discounts, of goods provided to customers and work carried out in respect of services provided to customers

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

Vapormatt Limited
Notes to the Accounts
for the year ended 30 April 2007

2 Turnover	2007	2006	
Turnover attributable to geographical markets outside the UK	64.0%	55.0%	
3 Operating profit	2007	2006	
	£	£	
This is stated after charging			
Depreciation of owned fixed assets	10,543	9,569	
Depreciation of assets held under finance leases and hire purchase contracts	26,224	16,461	
Directors' remuneration	46,907	43,935	
Auditors' remuneration	6,600	5,400	
4 Interest payable	2007	2006	
	£	£	
Interest payable	11,362	13,586	
5 Taxation	2007	2006	
	£	£	
UK corporation tax	24,454	15,504	
Deferred tax	772	1,117	
	25,226	16,621	
6 Tangible fixed assets			
	Plant and machinery etc	Motor vehicles	Total
	£	£	£
Cost			
At 1 May 2006	171,030	93,909	264,939
Additions	33,894	15,377	49,271
At 30 April 2007	204,924	109,286	314,210
Depreciation			
At 1 May 2006	117,515	54,720	172,235
Charge for the year	22,103	14,664	36,767
At 30 April 2007	139,618	69,384	209,002
Net book value			
At 30 April 2007	65,306	39,902	105,208
At 30 April 2006	53,515	39,189	92,704
		2007	2006
		£	£
Net book value of plant and machinery included above held under finance leases and hire purchase contracts		57,004	56,131

Vapormatt Limited
Notes to the Accounts
for the year ended 30 April 2007

7 Debtors	2007	2006
	£	£
Trade debtors	367,554	167,441
Amounts owed by group undertakings and undertakings in which the company has a participating interest	-	46,630
Other taxes recoverable	2,716	13,187
Other debtors	100,783	83,094
	<u>471,053</u>	<u>310,352</u>
 8 Creditors: amounts falling due within one year	 2007	 2006
	£	£
Bank loans and overdrafts	39,470	55,552
Obligations under finance lease and hire purchase contracts	24,578	20,976
Trade creditors	324,185	269,932
Amounts owed to group undertakings and undertakings in which the company has a participating interest	61,643	29,817
Corporation tax	24,454	15,504
Other taxes and social security costs	18,435	15,062
Machine deposits	355,465	131,327
Other creditors	117,048	39,304
	<u>965,278</u>	<u>577,474</u>
 9 Creditors: amounts falling due after one year	 2007	 2006
	£	£
Bank loans	-	36,364
Obligations under finance lease and hire purchase contracts	14,414	20,175
	<u>14,414</u>	<u>56,539</u>
 10 Provisions for liabilities		
Deferred taxation	2007	2006
	£	£
Accelerated capital allowances	9,569	8,797
	<u>9,569</u>	<u>8,797</u>
	 2007	 2006
	£	£
At 1 May	8,797	7,680
Deferred tax charge in profit and loss account	772	1,117
	<u>9,569</u>	<u>8,797</u>
At 30 April		

Vapormatt Limited
Notes to the Accounts
for the year ended 30 April 2007

11 Share capital	2007	2006
	£	£
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>

	2007	2006	2007	2006
	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	2007	2006
	£	£
At 1 May	345,200	277,058
Profit for the year	105,643	68,142
	<u>450,843</u>	<u>345,200</u>
At 30 April		

13 Other financial commitments	2007	2006
	£	£
At the year end the company had annual commitments under non-cancellable operating leases as set out below		
Operating leases which expire		
within two to five years	28,000	-
in over five years	-	24,750
	<u>28,000</u>	<u>24,750</u>

14 Related parties

During the year the company traded with its parent company - Vapormatt Limited ["Vapormatt Guernsey"] Vapormatt Limited ["Vapormatt UK"] purchased goods/services to the value of £173,202 from Vapormatt Guernsey and sold goods/services to Vapormatt Guernsey to the value of £89,225 All transactions were undertaken at arms length value

In addition Vapormatt Guernsey charged Vapormatt UK management fees of £160,000 for the year The amount owed by Vapormatt UK to Vapormatt Guernsey at the balance sheet date is disclosed in note 8 as Amounts owed to group undertakings

15 Controlling party

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