

Registered number
1479677

Hydratec Systems Limited

Report and Accounts

30 April 2004



Hydratec Systems Limited
Company Information

Directors

R S Ashworth
T I Ashworth
M R Teague

Secretary

T I Ashworth

Auditors

Ian Katte & Co
Brant House
83 Church Road
Addlestone
Surrey
KT15 1SF

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 period ended 30 April 2004.

Principal activities

The company's principal activity during the year continued to be the sale of blasting machinery and abrasives. During the year the company changed its accounting reference date to 30 April. These accounts therefore reflect the results of the company for the sixteen months ended 30 April 2004.

Directors

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

	A' Class £1 Ordinary shares	
	30 Apr 2004	1 Jan 2003
R S Ashworth	-	-
T I Ashworth	-	-
	B' Class £1 Ordinary shares	
	30 Apr 2004	1 Jan 2003
R S Ashworth	-	-
T I Ashworth	-	-

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.

S I Ashworth and A R Loweth also served as directors during part of the period - both resigned on 7 December 2003.

On 7 July 2004 M R Teague was appointed as a director.

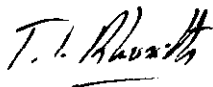
Auditors

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 22 December 2004.



~~T I ASHWORTH~~
~~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 period ended 30 April 2004 which comprise pages 5 to 10. 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 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ian Katté & Co
Registered auditors

Brant House
83 Church Road
Addlestone
Surrey
KT15 1SF

22 December 2004

A large, stylized handwritten signature in black ink, appearing to read 'Ian Katté', written over a large, loopy initial 'I'.

BRANT HOUSE, 83 CHURCH ROAD, ADDLESTONE, SURREY KT15 1SF

Ian Katté, BSc, FCA

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Hydratec Systems Limited
Profit and Loss Account
for the period from 1 January 2003 to 30 April 2004

	Notes	16 month period ended 30 April 2004 £	Year ended 31 December 2002 £
Turnover		2,117,543	1,698,173
Cost of sales		(1,329,910)	(1,065,594)
Gross profit		<u>787,633</u>	<u>632,579</u>
Administrative expenses		(871,278)	(615,243)
Operating (loss)/profit	2	<u>(83,645)</u>	<u>17,336</u>
Interest receivable		-	5,809
Interest payable		(13,316)	(19,552)
(Loss)/profit on ordinary activities before taxation		<u>(96,961)</u>	<u>3,593</u>
Tax on (loss)/profit on ordinary activities	3	4,801	106
(Loss)/profit for the period		<u>(92,160)</u>	<u>3,699</u>
Retained (loss)/profit for the period	11	<u>(92,160)</u>	<u>3,699</u>

Hydratec Systems Limited
Balance Sheet
as at 30 April 2004

	Notes	30 April 2004 £	31 December 2002 £
Fixed assets			
Tangible assets	4	56,223	74,095
Current assets			
Stocks		376,953	331,039
Debtors	5	462,214	421,893
Cash at bank and in hand		76,789	8,969
		<u>915,956</u>	<u>761,901</u>
Creditors: amounts falling due within one year	6	(796,321)	(545,906)
Net current assets		<u>119,635</u>	<u>215,995</u>
Total assets less current liabilities		<u>175,858</u>	<u>290,090</u>
Creditors: amounts falling due after more than one year	7	(23,811)	(41,082)
Provisions for liabilities and charges	9	-	(4,801)
Net assets		<u>152,047</u>	<u>244,207</u>
Capital and reserves			
Called up share capital	10	11,000	11,000
Profit and loss account	11	141,047	233,207
Shareholders' funds		<u>152,047</u>	<u>244,207</u>

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

T. I. Ashworth

T I ASHWORTH
R S Ashworth

Director

Approved by the board on 22 December 2004

Hydratec Systems Limited
Notes to the Accounts
for the period from 1 January 2003 to 30 April 2004

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 period from 1 January 2003 to 30 April 2004

	16 month period ended 30 April 2004 £	Year ended 31 December 2002 £	
2 Operating profit			
This is stated after charging:			
Depreciation of owned fixed assets	15,856	5,587	
Depreciation of assets held under finance leases and hire purchase contracts	8,362	19,873	
Directors' remuneration	21,877	27,509	
Compensation to past directors for loss of office	2,917	-	
Auditors' remuneration	5,300	11,280	
	<hr/>	<hr/>	
	16 month period ended 30 April 2004 £	Year ended 31 December 2002 £	
3 Taxation			
UK corporation tax	-	1,212	
Deferred tax	(4,801)	(1,318)	
	<hr/>	<hr/>	
	(4,801)	(106)	
4 Tangible fixed assets			
	Plant and machinery etc £	Motor vehicles £	Total £
Cost			
At 1 January 2003	114,470	127,240	241,710
Additions	15,423	-	15,423
Disposals	-	(25,035)	(25,035)
At 30 April 2004	<hr/>	<hr/>	<hr/>
	129,893	102,205	232,098
Depreciation			
At 1 January 2003	70,502	97,113	167,615
Charge for the period	13,667	10,551	24,218
On disposals	-	(15,958)	(15,958)
At 30 April 2004	<hr/>	<hr/>	<hr/>
	84,169	91,706	175,875
Net book value			
At 30 April 2004	<hr/>	<hr/>	<hr/>
	45,724	10,499	56,223
At 31 December 2002	<hr/>	<hr/>	<hr/>
	43,968	30,127	74,095
		2004 £	2002 £
Net book value of plant and machinery included above held under finance leases and hire purchase contracts		24,963	65,675

Hydratec Systems Limited
Notes to the Accounts
for the period from 1 January 2003 to 30 April 2004

5 Debtors	2004	2002
	£	£
Trade debtors	286,524	260,797
Amounts owed by group undertakings and undertakings in which the company has a participating interest	147,579	143,884
Other debtors	28,111	17,212
	<u>462,214</u>	<u>421,893</u>
6 Creditors: amounts falling due within one year	2004	2002
	£	£
Bank loans and overdrafts	5,580	70,244
Obligations under finance lease and hire purchase contracts	9,054	24,890
Trade creditors	168,404	181,152
Amounts owed to group undertakings and undertakings in which the company has a participating interest	283,265	56,518
Corporation tax	-	4,375
Other taxes and social security costs	26,013	41,433
Machine deposits	265,584	-
Other creditors	38,421	167,294
	<u>796,321</u>	<u>545,906</u>
7 Creditors: amounts falling due after one year	2004	2002
	£	£
Bank loans	17,121	30,061
Obligations under finance lease and hire purchase contracts	6,690	11,021
	<u>23,811</u>	<u>41,082</u>
8 Loans	2004	2002
	£	£
Creditors include:		
Secured bank loans	22,701	100,305
	<u>22,701</u>	<u>100,305</u>
9 Provisions for liabilities and charges	2004	2002
Deferred taxation:	£	£
Accelerated capital allowances	6,105	4,801
Tax losses carried forward	(6,105)	-
	<u>-</u>	<u>4,801</u>
	2004	2002
	£	£
At 1 January	4,801	6,119
Deferred tax charge in profit and loss account	(4,801)	(1,318)
At 30 April	<u>-</u>	<u>4,801</u>

Hydratec Systems Limited
Notes to the Accounts
for the period from 1 January 2003 to 30 April 2004

10 Share capital			2004	2002
			£	£
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>
	2004	2002	2004	2002
	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>
11 Profit and loss account			2004	2002
			£	£
At 1 January			233,207	229,508
Retained (loss)/profit			(92,160)	3,699
At 30 April			<u>141,047</u>	<u>233,207</u>
12 Other financial commitments			2004	2002
			£	£
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>

13 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 £224,689 from Vapormatt and sold goods to Vapormatt to the value of £32,275. All transactions were undertaken at full arms length value.

In addition: (i) Vapormatt charged Hydratec management fees of £59,989 during the year, largely for the services of senior Vapormatt employees and (ii) Hydratec charged Vapormatt management fees of £36,945, largely for the services of Hydratec administrative staff.

Amounts owed to group companies consisted of £282,223 owed to Vapormatt and £1,042 owed to Vapormatt Inc..

Amounts owed by group companies consisted of £147,579 owed to the company by Vapormatt.

14 Controlling party

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