AQUA GEOCOMPOSITES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 OCTOBER 2001



Company no 2371421

AQUA GEOCOMPOSITES LIMITED

FINANCIAL STATEMENTS

For the year ended 31 October 2001

Company registration number:	2371421
Registered office:	Belmont House Garnett Place East Gillibrands Skelmersdale WN8 9UB
Directors:	I T Smith L C Smith
Secretary:	L C Smith
Bankers:	Barclays Bank plc 19 Church Street St Helens WA10 1BG
Solicitors:	DLA 101 Barbirolli Square Manchester M2 3DL
Auditors:	Grant Thornton Registered auditors Chartered accountants 1st Floor Royal Liver Building Liverpool L3 1PS

AQUA GEOCOMPOSITES LIMITED

FINANCIAL STATEMENTS

For the year ended 31 October 2001

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REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 October 2001.

Principal activities

The company is principally engaged in the manufacture of Geo Textile Drainage Systems.

Business review

There was a profit for the year after taxation amounting to £159,986 (2000: £30,817). The directors recommend payment of a dividend of £157,500 (2000: £-), leaving £2,486 retained (2000: £30,817 retained).

Directors

The present membership of the Board is set out below. All directors served throughout the year. In accordance with the provisions of Article 7(a) of the Articles of Association the directors are not required to retire by rotation.

The interests of the directors in the shares of the company as at 31 October 2001 and 1 November 2000 were as follows:

	Ordinary shares	
	31 October 2001	1 November 2000
I T Smith	-	-
L C Smith	-	-

The interests of the directors in the shares of the ultimate parent undertaking are disclosed in that company's financial statements.

Directors' responsibilities for 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 period. 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
- 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

L C Smith
Secretary
13 December 2001

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

AQUA GEOCOMPOSITES LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 4.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the director's report and the financial statements in accordance with applicable law and United Kingdom accounting standards are set out in the statement of directors' responsibilities.

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 other information contained in the director's report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LIVERPOOL
13 December 2001

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Motor vehicles	3 years
Plant and equipment	5 years
Computer equipment	3 years

STOCKS

Stocks and work in progress are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to more tax in the future or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the forward purchase contract exchange rate entered into at the date of the transaction. This ensures there are no exchange differences on the transaction.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period. The company accounts for its contributions to the pension scheme as a defined contribution scheme.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

AQUA GEOCOMPOSITES LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 October 2001

	Note	2001 £	2000 £
Turnover	1	**1,731,950**	2,347,479
Cost of sales		**(727,926)**	(996,161)
Gross profit		**1,004,024**	1,351,318
Administrative expenses		**(806,840)**	(1,304,037)
Operating profit		**197,184**	47,281
Other interest receivable and similar income		**14,063**	5,328
Interest payable and similar charges	2	**(2,479)**	(2,792)
Profit on ordinary activities before taxation	1	**208,768**	49,817
Tax on profit on ordinary activities	4	**(48,782)**	(19,000)
Profit for the financial year	13	**159,986**	30,817
Dividends	5	**(157,500)**	-
Profit transferred to reserves	12	**2,486**	30,817

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

AQUA GEOCOMPOSITES LIMITED

BALANCE SHEET AT 31 OCTOBER 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	6		**146,869**		62,394
Current assets					
Stocks	7	**68,843**		68,847	
Debtors	8	**286,077**		566,667	
Cash at bank and in hand		**119,051**		211,678	
		473,971		847,192	
Creditors: amounts falling due within one year	9	**(326,599)**		(658,308)	
Net current assets			**147,372**		188,884
Total assets less current liabilities			**294,241**		251,278
Creditors: amounts falling due after more than one year	10		**(49,121)**		(8,644)
			245,120		242,634
Capital and reserves					
Called up share capital	11		**600**		600
Profit and loss account	12		**244,520**		242,034
Shareholders' funds	13		**245,120**		242,634

The financial statements were approved by the Board of Directors on 13 December 2001.

I T Smith
Director

L C Smith
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit before taxation are attributable to one activity, which is carried on in a single geographical market.

The profit on ordinary activities is stated after:	**2001** £	2000 £
Auditors' remuneration	**5,300**	5,300
Depreciation and amortisation:		
Tangible fixed assets, owned	**17,188**	36,291
Tangible fixed assets, held under finance leases and hire purchase contracts	**15,728**	19,560

2 INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Bank overdraft interest	**-**	425
Hire purchase interest	**2,479**	2,367
	2,479	2,792

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:	**2001** £	2000 £
Wages and salaries	**203,217**	271,338
Social security costs	**18,203**	17,534
Other pension costs	**2,450**	1,326
	223,870	290,198

The average number of employees of the company during the year was 14 (2000: 13).

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2001 £	2000 £
UK Corporation tax at 20% (2000: 30%)	**48,782**	19,000

5 DIVIDENDS

	2001 £	2000 £
Ordinary shares - final dividend of £262.50 (2000: £Nil) per share - paid	**157,500**	-

6 TANGIBLE FIXED ASSETS

	Motor vehicles £	Plant and equipment £	Computer equipment £	Total £
Cost				
At 1 November 2000	179,293	3,507	7,753	190,553
Additions	114,839	740	10,458	126,037
Disposals	(97,048)	-	-	(97,048)
At 31 October 2001	197,084	4,247	18,211	219,542
Depreciation				
At 1 November 2000	117,396	3,010	7,753	128,159
Provided in the year	32,216	544	156	32,916
Eliminated on disposals	(88,402)	-	-	(88,402)
At 31 October 2001	61,210	3,554	7,909	72,673
Net book amount at 31 October 2001	**135,874**	**693**	**10,302**	**146,869**
Net book amount at 31 October 2000	61,897	497	-	62,394

The figures stated above include assets held under hire purchase contracts, as follows:

	Motor vehicles £
Net book amount at 31 October 2001	**124,753**
Net book amount at 31 October 2000	25,642
Depreciation provided during year	15,728

7 STOCKS

	2001 £	2000 £
Raw materials and consumable stores	**22,930**	45,195
Finished goods	**45,913**	23,652
	68,843	68,847

8 DEBTORS

	2001 £	2000 £
Trade debtors	**243,691**	562,865
VAT recoverable	**7,157**	-
Prepayments	**35,229**	3,802
	286,077	566,667

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Trade creditors	**110,567**	175,290
Amounts owed to group undertakings	**104,009**	152,894
Corporation tax	**6,400**	19,008
Social security and other taxes	**23,694**	57,510
Accruals	**50,983**	241,633
Amounts due under hire purchase contracts	**30,946**	11,973
	326,599	658,308

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Amounts due under hire purchase contracts	**49,121**	8,644

Hire purchase contracts are repayable as follows:	**2001** **£**	2000 £
Within one year	**30,946**	11,973
After one and within two years	**19,765**	8,644
After two and within five years	**29,356**	-
	80,067	20,617

11 SHARE CAPITAL

	2001 **£**	2000 £
Authorised		
1,000 £1 Ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
600 £1 Ordinary shares of £1 each	**600**	600

12 RESERVES

	Profit and loss account **£**
At 1 November 2000	242,034
Retained profit for the year	2,486
At 31 October 2001	**244,520**

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 **£**	2000 £
Profit for the financial year	**159,986**	30,817
Dividends	**(157,500)**	-
Net increase in shareholders' funds	**2,486**	30,817
Shareholders' funds at 1 November 2000	**242,634**	211,817
Shareholders' funds at 31 October 2001	**245,120**	242,634

14 CAPITAL COMMITMENTS

The company had no capital commitments at 31 October 2001 or 31 October 2000.

15 CONTINGENT LIABILITIES

The bank overdraft of Aqua Signal and Telegraphic Systems Limited, a connected undertakings, is secured by a cross guarantee and debenture over all of the assets of Aqua Geocomposities Limited.

The bank overdraft of Aqua Signal and Telegraphic Systems Limited at 2001 was £nil (2000: £nil).

There were no other contingent liabilities at 31 October 2001 or 31 October 2000.

16 ULTIMATE PARENT UNDERTAKING

The directors consider that the ultimate parent undertaking of this company is Aqua Fabrications Limited, which is incorporated in England and Wales.

17 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of Aqua Fabrications Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Aqua Fabrications Limited.

During the year the company has been charged £92,859 (2000: £129,041) in respect of Royalties for patents owned by I T Smith, a director of the company.