



**AQUA GEOCOMPOSITES
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 OCTOBER 2002

AQUA GEOCOMPOSITES LIMITED

FINANCIAL STATEMENTS

For the year ended 31 October 2002

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AQUA GEOCOMPOSITES LIMITED

FINANCIAL STATEMENTS

For the year ended 31 October 2002

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: Hill Dickinson
Pearl Assurance House
Derby Square
Liverpool
L3 9XL

Auditors: Grant Thornton
Registered auditors
Chartered accountants
1st Floor
Royal Liver Building
Liverpool
L3 1PS

AQUA GEOCOMPOSITES LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 October 2002.

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 £46,799 (2001: £159,986). The directors recommend payment of a dividend of £45,000 (2001: £157,500), leaving £1,799 retained. (2001: £2,486 retained).

Directors

The present membership of the Board is set out below. All directors served throughout the year.

The interests of the directors in the shares of the company as at 31 October 2002 and 1 November 2001 were as follows:

	Ordinary shares	
	31 October 2002	1 November 2001
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.

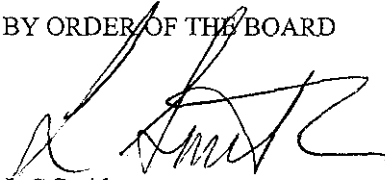
AQUA GEOCOMPOSITES LIMITED

REPORT OF THE DIRECTORS

Auditors

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

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'L C Smith', is written over the text 'BY ORDER OF THE BOARD'.

L C Smith

Secretary

19 December 2002

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 directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom accounting standards are set out in the statements 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 directors' 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LIVERPOOL**

19 December 2002

AQUA GEOCOMPOSITES LIMITED

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.

PATENTS AND TRADEMARKS

Costs are charged against profits for patents and trademarks in the period in which they are incurred.

AQUA GEOCOMPOSITES LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 October 2002

	Note	2002 £	2001 £
Turnover	1	1,523,295	1,731,950
Cost of sales		(715,728)	(727,926)
Gross profit		807,567	1,004,024
Administrative expenses		(736,836)	(806,840)
Operating profit		70,731	197,184
Other interest receivable and similar income		514	14,063
Interest payable and similar charges	2	(5,323)	(2,479)
Profit on ordinary activities before taxation	1	65,922	208,768
Tax on profit on ordinary activities	4	(19,123)	(48,782)
Profit for the financial year	13	46,799	159,986
Dividends	5	(45,000)	(157,500)
Profit transferred to reserves	12	1,799	2,486

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.

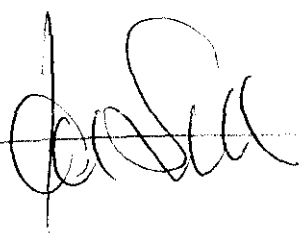
AQUA GEOCOMPOSITES LIMITED

BALANCE SHEET AT 31 OCTOBER 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	6		126,093		146,869
Current assets					
Stocks	7	60,745		68,843	
Debtors	8	514,181		286,077	
Cash at bank and in hand		67,890		119,051	
		<u>642,816</u>		<u>473,971</u>	
Creditors: amounts falling due within one year	9	<u>(480,529)</u>		<u>(326,599)</u>	
Net current assets			<u>162,287</u>		<u>147,372</u>
Total assets less current liabilities			<u>288,380</u>		<u>294,241</u>
Creditors: amounts falling due after more than one year	10		<u>(41,461)</u>		<u>(49,121)</u>
			<u>246,919</u>		<u>245,120</u>
Capital and reserves					
Called up share capital	11		600		600
Profit and loss account	12		246,319		244,520
Shareholders' funds	13		<u>246,919</u>		<u>245,120</u>

The financial statements were approved by the Board of Directors on 19 December 2002.

I T Smith
Director



L C Smith
Director



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

AQUA GEOCOMPOSITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2002

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:

	2002 £	2001 £
Auditors' remuneration	5,000	5,300
Depreciation and amortisation:		
Tangible fixed assets, owned	23,720	17,188
Tangible fixed assets, held under finance leases and hire purchase contracts	44,785	15,728

2 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Hire purchase interest	5,323	2,479

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2002 £	2001 £
Wages and salaries	193,921	203,217
Social security costs	15,601	18,203
Other pension costs	2,991	2,450
	212,513	223,870

The average number of employees of the company during the year was 10 (2001: 13).

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2002 £	2001 £
Current taxation		
UK Corporation tax at 20% (2001: 30%)	19,131	48,782
Adjustment in respect of prior years	(8)	-
	19,123	48,782

AQUA GEOCOMPOSITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2002

(b) Factors affecting the tax charge in the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK 20%. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before taxation	65,922	208,768
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20%	13,184	41,753
Effects of:		
Expenses not deductible for tax purposes	3,590	5,062
Depreciation for the year in excess of capital allowances	2,357	1,967
Adjustments to tax charge in respect of prior periods	(8)	-
<i>Current tax charge for the year</i>	19,123	48,782

5 DIVIDENDS

	2002 £	2001 £
Ordinary shares - final dividend of £75 (2001: £262.50) per share - paid	45,000	157,500

6 TANGIBLE FIXED ASSETS

	Motor vehicles £	Plant and equipment £	Computer equipment £	Total £
Cost				
At 1 November 2001	197,084	4,248	18,211	219,543
Additions	48,710	1,179	1,615	51,504
Disposals	(31,755)	-	-	(31,755)
At 31 October 2002	214,039	5,427	19,826	239,292
Depreciation				
At 1 November 2001	61,210	3,554	7,910	72,674
Provided in the year	64,130	943	3,432	68,505
Eliminated on disposals	(27,980)	-	-	(27,980)
At 31 October 2002	97,360	4,497	11,342	113,199
Net book amount at 31 October 2002	116,679	930	8,484	126,093
Net book amount at 31 October 2001	135,874	694	10,301	146,869

AQUA GEOCOMPOSITES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 October 2002

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

	Motor vehicles £
Net book amount at 31 October 2002	<u><u>90,508</u></u>
Net book amount at 31 October 2001	<u><u>124,753</u></u>
Depreciation provided during year	<u><u>44,785</u></u>

7 STOCKS

	2002 £	2001 £
Raw materials and consumable stores	31,426	22,930
Finished goods	29,319	45,913
	<u><u>60,745</u></u>	<u><u>68,843</u></u>

8 DEBTORS

	2002 £	2001 £
Trade debtors	466,194	243,691
Amounts owed by parent undertakings	42,619	-
VAT recoverable	-	7,157
Prepayments and other debtors	5,368	35,229
	<u><u>514,181</u></u>	<u><u>286,077</u></u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	193,241	110,567
Amounts owed to group undertakings	131,994	104,009
Corporation tax	19,131	6,400
Social security and other taxes	50,975	23,694
Accruals	60,446	50,983
Amounts due under hire purchase contracts	24,742	30,946
	<u><u>480,529</u></u>	<u><u>326,599</u></u>

AQUA GEOCOMPOSITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2002

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Amounts due under hire purchase contracts	<u>41,461</u>	<u>49,121</u>
Hire purchase contracts are repayable as follows:	2002 £	2001 £
Within one year	24,742	30,946
After one and within two years	18,087	19,765
After two and within five years	23,374	29,356
	<u>66,203</u>	<u>80,067</u>

11 SHARE CAPITAL

	2002 £	2001 £
Authorised 1,000 £1 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid 600 £1 Ordinary shares of £1 each	<u>600</u>	<u>600</u>

12 RESERVES

	Profit and loss account £
At 1 November 2001	244,520
Retained profit for the year	1,799
At 31 October 2002	<u>246,319</u>

AQUA GEOCOMPOSITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2002

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	46,799	159,986
Dividends	(45,000)	(157,500)
Net increase in shareholders' funds	1,799	2,486
Shareholders' funds at 1 November 2001	245,120	242,634
Shareholders' funds at 31 October 2002	246,919	245,120

14 CAPITAL COMMITMENTS

	2002 £	2001 £
Contracted for but not provided in these statements	91,000	-

15 CONTINGENT LIABILITIES

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

There were no other contingent liabilities at 31 October 2002 or 31 October 2001.

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 £64,580 (2001: £92,859) in respect of Royalties for patents owned by I T Smith, a director of the company.