Aqua Geocomposites Limited

Financial statements

For the year ended 31 October 2003

Grant Thornton



Company No. 2371421

Company information

Company registration number	2371421
Registered office	Belmont House Garnett Place East Gillibrands Skelmersdale WN8 9UB
Directors	I T Smith L C Smith S 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 Chartered Accountants Registered Auditors 1st Floor Royal Liver Building Liverpool L3 1PS

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 October 2003.

Principal activities and business review

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

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2003	2002
	£	£
Dividends paid on ordinary shares	**60,000**	45,000

Directors

The directors who served the company during the year were as follows:

I T Smith
L C Smith
S Smith

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

S Smith was appointed as a director on 6 April 2003.

Directors' responsibilities

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

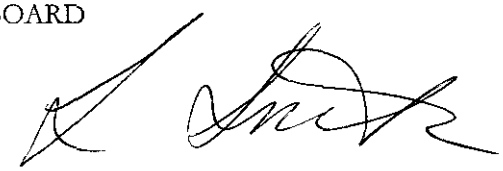
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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

A resolution to re-appoint Grant Thornton as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



L C Smith
Secretary
18 December 2003

Grant Thornton

Report of the independent auditors to the members of Aqua Geocomposites Limited

We have audited the financial statements of Aqua Geocomposites Limited for the year ended 31 October 2003 on pages 9 to 15. These financial statements have been prepared the historical cost convention and the accounting policies set out on pages 7 to 8.

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 report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on pages 3 to 4.

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 affairs of the company as at 31 October 2003 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

18 December 2003

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention.

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

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small.

Turnover

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

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

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

Stocks

Stocks are valued at the lower of cost and net realisable value.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay 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 substantively enacted by the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Patents and trademarks

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

Profit and loss account

	Note	2003 £	2002 £
Turnover	1	**1,658,002**	1,523,295
Cost of sales		**850,961**	715,728
Gross profit		**807,041**	807,567
Other operating charges	2	**782,820**	736,836
Operating profit	3	**24,221**	70,731
Interest receivable		**–**	514
Interest payable	6	**(7,752)**	(5,323)
Profit on ordinary activities before taxation		**16,469**	65,922
Tax on profit on ordinary activities	7	**13,803**	19,123
Profit on ordinary activities after taxation		**2,666**	46,799
Dividends	8	**60,000**	45,000
(Loss)/retained profit for the financial year		**(57,334)**	1,799

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	9	**139,841**	126,093
Current assets			
Stocks	10	**102,949**	60,745
Debtors	11	**446,190**	514,181
Cash at bank		**10,041**	67,890
		559,180	642,816
Creditors: amounts falling due within one year	12	**447,019**	480,529
Net current assets		**112,161**	162,287
Total assets less current liabilities		**252,002**	288,380
Creditors: amounts falling due after more than one year	13	**62,417**	41,461
		189,585	246,919
Capital and reserves			
Called-up equity share capital	17	**600**	600
Profit and loss account	18	**188,985**	246,319
Shareholders' funds	19	**189,585**	246,919

These financial statements were approved by the directors on 18 December 2003 and are signed on their behalf by:

I T Smith

L C Smith

Notes to the financial statements

1 Turnover

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

2 Other operating income and charges

	2003	2002
	£	£
Administrative expenses	**782,820**	736,836

3 Operating profit

Operating profit is stated after charging/(crediting):

	2003	2002
	£	£
Directors' emoluments	**44,380**	–
Depreciation of owned fixed assets	**19,649**	23,720
Depreciation of assets held under finance leases and hire purchase agreements	**57,503**	44,785
Profit on disposal of fixed assets	**–**	(9,225)
Auditors' remuneration:		
Audit fees	**5,900**	5,000
Net loss on foreign currency translation	**4,461**	376

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2003	2002
	No	No
Average number of staff	**12**	10

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	**258,759**	193,921
Social security costs	**25,817**	15,601
Other pension costs	**8,068**	2,991
	292,644	212,513

5 Directors

Remuneration in respect of directors was as follows:

	2003	2002
	£	£
Emoluments receivable	**44,380**	–
Value of company pension contributions to money purchase schemes	**1,470**	–
	45,850	–

The number of directors who are accruing benefits under company pension schemes was as follows:

	2003	2002
	No	No
Money purchase schemes	**1**	–

6 Interest payable

	2003	2002
	£	£
Finance charges	**7,752**	5,323

7 Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2003	2002
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 19% (2002 - 20%)	**14,365**	19,131
Over provision in prior year	**(562)**	(8)
Total current tax	**13,803**	19,123

(b) *Factors affecting current tax charge*

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2002 - 20%).

	2003	2002
	£	£
Profit on ordinary activities before taxation	**16,469**	65,922
Profit on ordinary activities by rate of tax	**3,129**	13,184
Expenses not deductible for tax purposes	**5,867**	3,590
Depreciation for the year in excess of capital allowances	**5,369**	2,357
Adjustments to tax charge in respect of prior periods	**(562)**	(8)
Total current tax (note 7(a))	**13,803**	19,123

8 Dividends

	2003	2002
	£	£
Equity dividends:		
Dividend paid on ordinary shares	**60,000**	45,000

Final dividend of £100 (2002: £75) per share paid.

9 Tangible fixed assets

	Plant and equipment	Motor vehicles	Computer equipment	Total
	£	£	£	£
Cost				
At 1 November 2002	5,427	214,039	19,826	239,292
Additions	–	90,900	–	90,900
At 31 October 2003	5,427	304,939	19,826	330,192
Depreciation				
At 1 November 2002	4,497	97,360	11,342	113,199
Charge for the year	929	72,289	3,934	77,152
At 31 October 2003	5,426	169,649	15,276	190,351
Net book value				
At 31 October 2003	**1**	**135,290**	**4,550**	**139,841**
At 31 October 2002	930	116,679	8,484	126,093

Included within the net book value of £139,841 is £101,703 (2002 - £90,508) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £57,503 (2002 - £44,785).

10 Stocks

	2003	2002
	£	£
Raw materials	**44,902**	31,426
Finished goods	**58,047**	29,319
	102,949	60,745

11 Debtors

	2003	2002
	£	£
Trade debtors	**343,365**	466,194
Amounts owed by parent undertaking	**95,462**	42,619
Other debtors	**244**	748
Prepayments and accrued income	**7,119**	4,620
	446,190	514,181

12 Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	**181,776**	193,241
Amounts owed to group undertakings	**119,113**	131,994
Corporation tax	**14,365**	19,131
Other taxation and social security	**37,332**	50,975
Amounts due under finance leases and hire purchase agreements	**35,333**	24,742
Accruals and deferred income	**59,100**	60,446
	447,019	480,529

13 Creditors: amounts falling due after more than one year

	2003	2002
	£	£
Amounts due under finance leases and hire purchase agreements	**62,417**	41,461

14 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	2003	2002
	£	£
Amounts payable within 1 year	**35,333**	24,742
Amounts payable between 1 and 2 years	**35,333**	18,087
Amounts payable between 3 and 5 years	**27,084**	23,374
	97,750	66,203

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 2003 or 31 October 2002.

16 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 £64,761 (2002: £64,580) in respect of Royalties for patents owned by I T Smith, a director of the company.

17 Share capital

Authorised share capital:

	2003	2002
	£	£
1,000 Ordinary shares of £1 each	**1,000**	1,000

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £1 each	**600**	**600**	600	600

18 Profit and loss account

	2003	2002
	£	£
Balance brought forward	**246,319**	244,520
(Accumulated loss)/retained profit for the financial year	**(57,334)**	1,799
Balance carried forward	**188,985**	246,319

19 Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit for the financial year	**2,666**	46,799
Dividends	**(60,000)**	(45,000)
	(57,334)	1,799
Opening shareholders' equity funds	**246,919**	245,120
Closing shareholders' equity funds	**189,585**	246,919

20 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2002 - £91,000).

21 Ultimate parent company

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