

Registration number 3538821

Xylem Holdings Limited

**Director's report and financial statements
for the year ended 31 August 2004**



Xylem Holdings Limited

Company information

Director	Russell Mark Brummitt
Secretary	Anita Kim Cripps
Company number	3538821
Registered office	7 Oak Industrial Park Chelmsford Road Great Dunmow Essex CM16 1XN
Accountants	Janice Cope Accountants 104 Henniker Gate Chelmsford Essex CM2 6SB
Business address	7 Oak Industrial Park Chelmsford Road Great Dunmow Essex CM16 1XN
Bankers	National Westminster Bank Plc 10 St Peters Street St. Albans Herts AL1 3LY

Xylem Holdings Limited

Contents

	Page
Director's report	1
Accountants' report	2
Profit and loss account	3
Balance sheet	4 - 5
Notes to the financial statements	6 - 10

Xylem Holdings Limited

**Director's report
for the year ended 31 August 2004**

The director presents his report and the financial statements for the year ended 31 August 2004.

Principal activity

The principal activity of the company during the year was that of Internet retailers & Corporate Gifts.

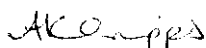
Director and his interest

The director who served during the year and his interest in the company are as stated below:

	Ordinary shares	
	31/08/04	01/09/03
Russell Mark Brummitt	450,000	450,000

This report is 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 28 June 2005 and signed on its behalf by



Anita Kim Cripps
Secretary

Xylem Holdings Limited

Accountants' report to the director on the unaudited financial statements of Xylem Holdings Limited

In accordance with the engagement letter and in order to assist you to fulfill your duties under Companies Act 1985, we have compiled the financial statements of the company which comprise the profit and loss account, the balance sheet and the related notes from the accounting records and information and explanations you have given to us.

This report is made to the company's director, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the company's that we have done so and state those matters that we have agreed to state to them in this 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 director, as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have compiled with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the balance sheet for the year ended 31 August 2004 your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.

**Janice Cope Accountants
Chartered Certified Accountants**

**104 Henniker Gate
Chelmsford
Essex
CM2 6SB**

Xylem Holdings Limited

Profit and loss account for the year ended 31 August 2004

		2004	2003
	Notes	£	£
Turnover	2	358,575	94,952
Cost of sales		(216,797)	(35,247)
Gross profit		<u>141,778</u>	<u>59,705</u>
Administrative expenses		(291,547)	(135,016)
Operating loss	3	<u>(149,769)</u>	<u>(75,311)</u>
Profit on sale of fixed assets		-	(4,381)
Loss on ordinary activities before interest		<u>(149,769)</u>	<u>(79,692)</u>
Other interest receivable and similar income		22,158	8,597
Interest payable and similar charges		(6,448)	(2,376)
Loss on ordinary activities before taxation		<u>(134,059)</u>	<u>(73,471)</u>
Tax on loss on ordinary activities	5	<u>(29,957)</u>	<u>(18,958)</u>
Loss on ordinary activities after taxation		<u>(164,016)</u>	<u>(92,429)</u>
Loss for the year		<u>(164,016)</u>	<u>(92,429)</u>
Accumulated (loss)/profit brought forward		(53,162)	39,266
Accumulated loss carried forward		<u><u>(217,178)</u></u>	<u><u>(53,163)</u></u>

The notes on pages 6 to 10 form an integral part of these financial statements.

Xylem Holdings Limited

**Balance sheet
as at 31 August 2004**

		2004		2003	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	6		13,096		-
Tangible assets	7		83,828		38,039
Investments	8		2		2
			<u>96,926</u>		<u>38,041</u>
Current assets					
Stocks		27,382		22,437	
Debtors	9	36,068		25,985	
Cash at bank and in hand		550,398		770,588	
		<u>613,848</u>		<u>819,010</u>	
Creditors: amounts falling due within one year	10	<u>(427,952)</u>		<u>(410,214)</u>	
Net current assets			185,896		408,796
Net assets			<u>282,822</u>		<u>446,837</u>
Capital and reserves					
Called up share capital	11		500,000		500,000
Profit and loss account			(217,178)		(53,163)
Shareholders' funds			<u>282,822</u>		<u>446,837</u>

The director's statements required by Section 249B(4) are shown on the following page which forms part of this Balance Sheet.

The notes on pages 6 to 10 form an integral part of these financial statements.

Xylem Holdings Limited

Balance sheet (continued)

**Director's statements required by Section 249B(4)
for the year ended 31 August 2004**

In approving these financial statements as director of the company I hereby confirm:

(a) that for the year stated above the company was entitled to the exemption conferred by Section 249A(1) of the Companies Act 1985 ;

(b) that no notice has been deposited at the registered office of the company pursuant to Section 249B(2) requesting that an audit be conducted for the year ended 31 August 2004 and

(c) that I acknowledge my responsibilities for:

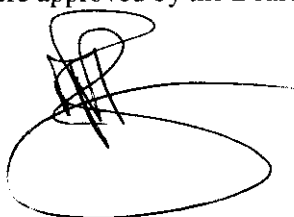
(1) ensuring that the company keeps accounting records which comply with Section 221, and

(2) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the year then ended in accordance with the requirements of Section 226 and which otherwise comply with the provisions of the Companies Act relating to financial statements, so far as applicable to the company.

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 28 June 2005 and signed on its behalf by

Russell Mark Brummitt
Director

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a horizontal line and a large loop at the bottom.

The notes on pages 6 to 10 form an integral part of these financial statements.

Xylem Holdings Limited

Notes to the financial statements for the year ended 31 August 2004

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Goodwill

The goodwill and assets of Optima Fitness & Training Solutions Ltd was purchased during the year. Optima Fitness is an internet based business specialising in the supply of retail sports fitness

equipment.

1.4. Patents

The European Patent for Football Carrier was purchased during the year.

1.5. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Leasehold properties	-	Straight line over the life of the lease
Fixtures, fittings and equipment	-	10% straight line
Motor vehicles	-	25% straight line

1.6. Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

1.7. Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.8. Stock

Stock is valued at the lower of cost and net realisable value.

1.9. Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of Financial Reporting Standard for Smaller Entities (effective June 2002). Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. The company has not adopted a policy of discounting deferred tax assets and liabilities.

Xylem Holdings Limited

**Notes to the financial statements
for the year ended 31 August 2004**

As the effect of the change in the accounting policy is not significant a prior period adjustment is not required.

Xylem Holdings Limited

Notes to the financial statements for the year ended 31 August 2004

..... continued

1.10. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

1.11. Group accounts

The company is entitled to the exemption under Section 248 of the Companies Act 1985 from the obligation to prepare group accounts.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

3. Operating loss

	2004	2003
	£	£
Operating loss is stated after charging:		
Depreciation and other amounts written off tangible assets	9,972	8,717
	<u> </u>	<u> </u>
and after crediting:		
Profit on foreign currencies	1,359	133
	<u> </u>	<u> </u>

4. Director's emoluments

	2004	2003
	£	£
Remuneration and other benefits	93,194	41,498
	<u> </u>	<u> </u>

Xylem Holdings Limited

Notes to the financial statements for the year ended 31 August 2004

..... continued

5. Tax on loss on ordinary activities

Analysis of charge in period	2004 £	2003 £
Current tax		
UK corporation tax	688	18,958
Adjustments in respect of previous periods	29,269	-
	<u>29,957</u>	<u>18,958</u>

6. Intangible fixed assets

	Patents £	Goodwill £	Total £
Cost			
Additions	2,096	11,000	13,096
At 31 August 2004	<u>2,096</u>	<u>11,000</u>	<u>13,096</u>
Net book values			
At 31 August 2004	<u>2,096</u>	<u>11,000</u>	<u>13,096</u>

7. Tangible fixed assets

	Long leasehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 September 2003	-	44,408	17,111	61,519
Additions	2,631	3,223	49,907	55,761
At 31 August 2004	<u>2,631</u>	<u>47,631</u>	<u>67,018</u>	<u>117,280</u>
Depreciation				
At 1 September 2003	-	19,203	4,277	23,480
Charge for the year	957	4,763	4,252	9,972
At 31 August 2004	<u>957</u>	<u>23,966</u>	<u>8,529</u>	<u>33,452</u>
Net book values				
At 31 August 2004	<u>1,674</u>	<u>23,665</u>	<u>58,489</u>	<u>83,828</u>
At 31 August 2003	<u>-</u>	<u>25,205</u>	<u>12,834</u>	<u>38,039</u>

Xylem Holdings Limited

Notes to the financial statements for the year ended 31 August 2004

..... continued

8. Fixed asset investments	Subsidiary undertakings shares £	Total £
Cost		
At 1 September 2003		
At 31 August 2004	2	2
Net book values		
At 31 August 2004	2	2
At 31 August 2003	2	2
 9. Debtors	 2004 £	 2003 £
Trade debtors	14,766	21,669
Other debtors	15,289	-
Prepayments and accrued income	6,013	4,316
	36,068	25,985
 10. Creditors: amounts falling due within one year	 2004 £	 2003 £
Bank overdraft	15,933	-
Trade creditors	42,381	116,753
Amounts owed to group undertaking	151,728	277,327
Amounts owed to connected companies	196,493	-
Corporation tax	688	-
Other taxes and social security costs	9,080	1,170
Director's accounts	-	(1,166)
Other creditors	5,284	1,060
Accruals and deferred income	6,365	15,070
	427,952	410,214

Xylem Holdings Limited

Notes to the financial statements for the year ended 31 August 2004

..... continued

11. Share capital	2004 £	2003 £
Authorised		
500,000 Ordinary shares of £1 each	500,000	500,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
500,000 Ordinary shares of £1 each	500,000	500,000
	<u> </u>	<u> </u>

12. Transactions with director

The following director had interest free loans during the year. The movements on these loans are as follows:

	Amount owing 2004 £	2003 £	Maximum in year £
Russell Mark Brummitt	2,753	-	2,753
	<u> </u>	<u> </u>	<u> </u>

13. Related party transactions

Xylem Holdings owns the entire share capital of Wavetech World Wide Distribution Ltd a company incorporated in the UK. The inter company balance as at the year end was £151,728 shown in creditors 'Amounts owed to group undertakings'

Mr Brummitt is also a shareholder of Liquid Gifts and Liquid Assets Ltd, companies incorporated in the UK. There were no outstanding balances as at the year end and no transactions during the year.

During the year the company also traded at 'arms length' with IShop Limited, a company registered in the UK. This company is owned by family members and for the purpose of FRS8 is considered to be related.