

HYDROLOGIC SYSTEMS LIMITED

DIRECTORS

S P Long
G Robertson

SECRETARY

S P Long

ACCOUNTANTS

Drake & Co
Chartered Accountants
and Registered Auditors
Drake House
80 Guildford Street
Chertsey
Surrey KT16 9AD

BANKERS

Barclays Bank plc
PO Box 23
Northampton
NN1 4YD

REGISTERED OFFICE

Drake House
80 Guildford Street
Chertsey
Surrey KT16 9AD

COMPANY REGISTRATION NUMBER

3709321

DIRECTORS' REPORT AND ACCOUNTS

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HYDROLOGIC SYSTEMS LIMITED

REPORT OF THE DIRECTORS

The Directors present their Report and Accounts for the period from incorporation on 8 February 1999 to 31 January 2000

PRINCIPAL ACTIVITY

The principal activity of the Company in the period under review was that of installation and maintenance of irrigation systems.

YEAR 2000 COMPLIANCE AND INTRODUCTION OF THE EURO

A review of the equipment and operating software was performed during the period to ensure operating continuance beyond the year 2000.

Relevant problems were identified and remediation plans were completed. Equipment and software identified as non-compliant was replaced or remedied.

The company estimates that its costs of remediation in respect of the introduction of the Euro will be minimal.

DIRECTORS

The Directors in office in the period and their beneficial interests in the issued share capital were as follows:

	Number of Ordinary Shares of £1 each	
	<u>At 31.1.00</u>	<u>At 8.2.99</u>
S P Long (appointed 26.2.99)	50	-
G Robertson (appointed 26.2.99)	50	-

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company Law requires the Directors to prepare financial statements for each financial period 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 apply them consistently.
- Make reasonable and prudent judgements and estimates.
- Prepare financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

HYDROLOGIC SYSTEMS LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

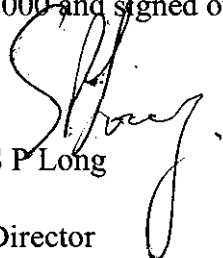
STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

Further, the Directors are responsible for:

- Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company.
- Ensuring that the Financial Statements comply with the Companies Act 1985.
- Safeguarding the company's assets.

SMALL COMPANY EXEMPTIONS

This report, which has been prepared taking advantage of special exemptions of Part VII of the Companies Act 1985 applicable to small companies, was approved by the Board on 28 April 2000 and signed on its behalf.


S P Long

Director

28/04/ 2000

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HYDROLOGIC SYSTEMS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 JANUARY 2000**

	<u>Note</u>	<u>£</u>
TURNOVER	1	57,562
Cost of sales		19,527
GROSS PROFIT		38,035
Distribution costs		(4,418)
Administrative expenses		(31,095)
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	2,522
TAX ON PROFIT ON ORDINARY ACTIVITIES	3	424
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION, RETAINED FOR THE PERIOD		2,098
RETAINED PROFIT BROUGHT FORWARD		-
RETAINED PROFIT CARRIED FORWARD		2,098

There were no acquisitions of or discontinued operations during the current period.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit for the period.

The notes on pages 6 to 10 form part of these Financial Statements.

HYDROLOGIC SYSTEMS LIMITED**BALANCE SHEET AS AT 31 JANUARY 2000**

	<u>Note</u>	<u>£</u>	<u>£</u>
FIXED ASSETS			
Tangible Assets	5		4,377
CURRENT ASSETS			
Stocks	6	12,120	
Debtors	7	3,159	
Cash at bank and in hand		8,809	
		24,088	
CREDITORS: amounts falling due within one year	8	26,267	
NET CURRENT LIABILITIES			(2,179)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,198
CAPITAL AND RESERVES			
Called up share capital	11		100
Profit and Loss Account			2,098
EQUITY SHAREHOLDERS' FUNDS	12		2,198

The notes on pages 6 to 10 form part of these Financial Statements.

HYDROLOGIC SYSTEMS LIMITED

BALANCE SHEET AS AT 31 JANUARY 2000 (CONTINUED)

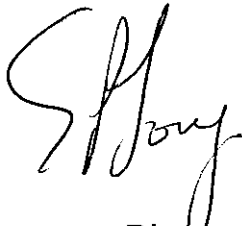
The Directors have taken advantage in the preparation of these financial statements of the special provisions of Part VII of the Companies Act 1985 relating to small companies.

For the period in question the company was entitled to the exemption conferred by subsection (1) of Section 249A.

No notice has been deposited under subsection (2) of section 249B in relation to its Accounts for the financial period.

The Directors acknowledge their responsibility for:

1. Ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
2. Preparing Accounts 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 financial period in accordance with the requirements of Section 226, and which otherwise comply with the requirements of the Act relating to Accounts, so far as applicable to the company.



S P Long Director

Approved by the Board

28/04/ 2000

The notes on pages 6 to 10 form part of these Financial Statements.

HYDROLOGIC SYSTEMS LIMITED

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

FINANCIAL REPORTING STANDARD NUMBER 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

TURNOVER

Turnover represents sales and services provided, net of value added tax.

TANGIBLE FIXED ASSETS

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

Plant, furniture and equipment	25%
Computer software	33.33%

STOCKS

Stocks are valued at the lower of cost and net realisable value, on a first in, first out basis.

WORK IN PROGRESS

Long term work in progress is valued at cost plus the Directors' best estimate of profits attributable to the work performed to date. For this purpose the Directors' estimate of attributable profits will include a proportion of total profits anticipated to be made on each contract, to the extent that their realisation is reasonably foreseeable and after making provision for all future costs. Each contract is valued individually.

Other work in progress is valued at the cost of direct materials and labour plus attributable overheads based on a normal level of activity.

DEFERRED TAXATION

Deferred taxation is provided for, at the current rate of tax, on income and expenditure dealt with for taxation purposes in periods different from those for accounting purposes, to the extent that, in the opinion of the Directors, those differences will give rise to tax liabilities or reliefs in the foreseeable future.

LEASING

Rentals paid under operating leases are charged to profit and loss account on a straight-line basis over the lease term.

HYDROLOGIC SYSTEMS LIMITED

ACCOUNTING POLICIES (CONTINUED)

WARRANTIES

Provision is only made in respect of warranties granted by the company to the extent that a reasonable estimate of the financial impact can be made. No general provision is made in respect of warranties.

TAXATION

Corporation Tax payable is provided on taxable profits at the current rate.

HYDROLOGIC SYSTEMS LIMITED**NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 JANUARY 2000****1. TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the Company and arose wholly in the United Kingdom.

2. OPERATING PROFIT £

The operating profit is stated after charging:

Depreciation of owned tangible fixed assets	910
Director's emoluments	15,161

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

U.K. Corporation Tax based on the adjusted result for the period	424
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U.K Corporation Tax is charged at 21% for financial year 1998, and at 20% for financial year 1999.

4. CAPITAL COMMITMENTS

Capital expenditure that has been contracted for but has not been provided for in the Accounts.	Nil
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5. TANGIBLE FIXED ASSETS

	<u>Plant & Machinery</u>	<u>Office Furniture and Equipment</u>	<u>Computer Equipment & Software</u>	<u>Total</u>
	£	£	£	£
COST				
Additions	25	654	4,608	5,287
At 31 January 2000	25	654	4,608	5,287
DEPRECIATION				
Charge for the period	5	100	805	910
At 31 January 2000	5	100	805	910
NET BOOK AMOUNT				
At 31 January 2000	20	554	3,803	4,377

HYDROLOGIC SYSTEMS LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 JANUARY 2000 (CONTINUED)

6.	STOCKS	£	
	Raw materials and consumables	5,695	
	Work in progress	6,425	
			12,120
7.	DEBTORS		
	Trade debtors	2,890	
	Prepayments and accrued income	269	
			3,159
8.	CREDITORS: amounts falling due within one year		
	Trade creditors	11,457	
	Taxation	424	
	Social security and other taxes	2,001	
	Other creditors	10,635	
	Accruals and deferred income	1,750	
			26,267
9.	OPERATING LEASE COMMITMENTS		
	The company's operating lease commitments for the following financial year are as follows:		
			Motor vehicle
			£
	For leases expiring between 2 and 5 years		4,669
10.	DEFERRED TAXATION		
	Deferred taxation provided in the Accounts and the amounts not provided are as follows:		
		<u>Provided</u>	<u>Not Provided</u>
		£	£
	Accelerated capital allowances	-	241

There were no movements in the deferred taxation provision in the period.

HYDROLOGIC SYSTEMS LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31 JANUARY 2000 (CONTINUED)

11.	CALLED UP SHARE CAPITAL	<u>£</u>
	Authorised:	
	100 Ordinary shares of £1 each	100
	Allotted, Issued & Fully Paid:	
	100 Ordinary shares of £1 each	100
12.	SHARE ALLOTMENTS	
	During the period the company allotted 100 £1 ordinary shares at par.	
13.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	
	Profit for the financial period	2,098
	Other recognised gains and losses relating to the year:	
	New share capital subscribed	100
	Net addition to shareholders' funds	2,198
	Opening shareholders' funds	-
	Closing shareholders' funds	2,198
	Equity Interests	2,198
14.	CONTINGENT LIABILITIES	
	No contingent liabilities exist.	