HYDROLOGIC SYSTEMS LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 JANUARY 2003



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 year ended 31 January 2003.

PRINCIPAL ACTIVITY

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

DIRECTORS

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

	Number of Ordinary Shares of £1 each	
	At 31.1.03	At 1.2.02
S P Long	50	50
G Robertson	50	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.

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.

REPORT OF THE DIRECTORS (CONTINUED)

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 27 November 2003 and signed on its behalf.

S P Long

Director

27 November 2003

ACCNR105

HYDROLOGIC SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2003

	Note	2003 £	2002 £
TURNOVER	1	151,528	183,053
Cost of sales		52,185	62,672
GROSS PROFIT		99,343	120,381
Distribution costs		(5,435)	(6,074)
Administrative expenses		(103,744)	(82,546)
OPERATING (LOSS)/PROFIT	2	(9,836)	31,761
Interest receivable and similar income		11	-
Interest payable and similar charges		(120)	(147)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(9,945)	31,614
TAX ON LOSS (2002: PROFIT) ON ORDINARY ACTIVITIES	3	(2,916)	6,039
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(7,029)	25,575
DIVIDENDS	5	-	15,300
RETAINED (DEFICIT)/PROFIT FOR THE YEAR		(7,029)	10,275
RETAINED PROFIT BROUGHT FORWARD		16,130	5,855
RETAINED PROFIT CARRIED FORWARD		9,101	16,130

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

The notes on pages 6 to 13 form part of these Financial Statements.

HYDROLOGIC SYSTEMS LIMITED

BALANCE SHEET AS AT 31 JANUARY 2003

	Note	2003 £	2003 £	2002 £	2002 £
FIXED ASSETS					
Tangible Assets	6		10,726		6,106
CURRENT ASSETS					
Stocks	7	22,600		14,399	
Debtors	8	9,351		8,345	
Cash at bank and in hand		50		5,314	
		32,001		28,058	
CREDITORS: amounts falling due within one year	9	33,526		17,482	
NET CURRENT (LIABILITIES)/ ASSETS			(1,525)		10,576
TOTAL ASSETS LESS CURRENT LIABILITIES			9,201		16,682
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	11		-		452
			9,201		16,230
CAPITAL AND RESERVES					
Called up share capital	12		100		100
Profit and Loss Account			9,101		16,130
EQUITY SHAREHOLDERS' FUNDS	13		9,201		16,230

The notes on pages 6 to 13 form part of these Financial Statements.

BALANCE SHEET AS AT 31 JANUARY 2003 (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.

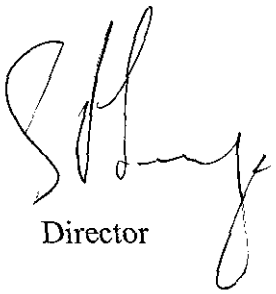
For the period in question the company was entitled to the exemption conferred by subsection (1) of Section 249A.

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 27 November 2003

The notes on pages 6 to 13 form part of these Financial Statements.

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 & equipment	25%
Motor vehicle	25%
Computer equipment & 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 rate of tax applicable when the timing difference is expected to reverse, on income and expenditure dealt with for taxation purposes in periods different from those for accounting purposes. Deferred taxation liabilities are provided in full; deferred taxation assets are provided to the extent that it is likely that they will be recovered.

LEASING

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

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.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2003

1. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the Company and the turnover arose as follows:

	2003	2002
U .K.	98%	
Rest of the World	2%	

2. OPERATING LOSS (2002: PROFIT)

	£	£
The operating loss (2002: profit) is stated after charging:		
Depreciation of owned tangible fixed assets	3,713	1,898
Directors' emoluments	28,492	32,618

3. TAX ON LOSS (2002: PROFIT) ON ORDINARY ACTIVITIES

	2003		2002	
	£	£	£	£
Analysis of charge in the year:				
Current taxation:				
U.K. Corporation Tax based on the adjusted result for the year		(2,518)		5,755
Under/(over)provision in respect of previous years		54		(168)
		(2,464)		5,587
Deferred taxation:				
Arising on origination and reversal of timing differences	305		40	
Arising on changes in taxation laws and rates	(757)		-	
Arising on adjustments to estimated amounts in previous periods	-		412	
		(452)		452
Tax on result on ordinary activities		(2,916)		6,039

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2003 (CONTINUED)

3. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)	2003 £	2002 £
Factors affecting tax charge for the year:		
The tax assessed for the period is different from the rate of corporation tax in the U.K. The difference is explained below:		
(Loss)/profit on ordinary activities before taxation	(9,836)	31,614
Taxation at the average small company rate applicable in the U.K. on the result on ordinary activities (2002: credit at 22.5%, 2002: 18.5%)	(2,213)	5,755
Effects of timing differences:		
Excess capital allowances	305	40
Changes in taxation laws and rates	(757)	-
(Over)/underprovisions in respect of previous years	(251)	244
Current tax (credit)/charge for the year	(2,916)	6,039

4. CAPITAL COMMITMENTS		
Capital expenditure that has been contracted for but has not been provided for in the Accounts.	Nil	Nil

5. DIVIDENDS		
Dividends paid	-	15,300

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2003 (CONTINUED)

6. TANGIBLE FIXED ASSETS

	Plant & Equipment £	Motor Vehicle £	Computer Equipment & Software £	Total £
COST				
At 1 February 2002	2,685	2,000	6,034	10,719
Additions	6,964	-	1,634	8,598
Disposals	(472)	-	-	(472)
At 31 January 2003	9,177	2,000	7,668	18,845
DEPRECIATION				
At 1 February 2002	1,136	688	2,789	4,613
Charge for the year	2,059	328	1,326	3,713
Disposals	(207)	-	-	(207)
At 31 January 2003	2,988	1,016	4,115	8,119
NET BOOK AMOUNT				
At 31 January 2003	6,189	984	3,553	10,726
At 31 January 2002	1,549	1,312	3,245	6,106

7. STOCKS

	2003 £	2002 £
Raw materials and consumables	16,600	11,899
Work in progress	6,000	2,500
	22,600	14,399

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2003 (CONTINUED)

8. DEBTORS

	2003 £	2002 £
Trade debtors	4,296	7,947
Other debtors	3,894	100
Prepayments and accrued income	1,161	298
	9,351	8,345

9. CREDITORS: amounts falling due within one year

Bank overdraft	2,313	-
Trade creditors	9,024	7,405
Taxation	-	2,534
Social security and other taxes	4,173	2,673
Other creditors	14,934	3,120
Accruals and deferred income	3,082	1,750
	33,526	17,482

10. OPERATING LEASE COMMITMENTS

The company's operating lease commitments for the following financial year are as follows:

	Motor Vehicle £
For leases expiring:	
Within 1 year	9,145
Within 2 to 5 years	10,669
	19,814

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2003 (CONTINUED)

11. DEFERRED TAXATION

Deferred taxation provided is as follows:

	2003 £	2002 £
Accelerated capital allowances	-	452

	2003 £	2003 £	2002 £	2002 £
Movements in the year are as follows:				
At 1 February 2002		452		-
Increase in accelerated capital allowances	305		40	
Changes in taxation laws and rates	(757)		-	
Underprovisions in previous years	-		412	
Net movement in the year		(452)		452
At 31 January 2003		(452)		452

12. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised:		
100 Ordinary shares of £1 each	100	100
Allotted, Issued & Fully Paid:		
100 Ordinary shares of £1 each	100	100

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2003 (CONTINUED)

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2003 £	2002 £
(Loss)/profit for the financial year	(7,029)	25,575
Dividends	-	15,300
Net (reduction in)/addition to shareholders' funds	(7,029)	10,275
Opening shareholders' funds	16,230	5,955
Closing shareholders' funds	9,201	16,230
Equity Interests	9,201	16,230

14. CONTINGENT LIABILITIES

No contingent liabilities exist.

15. RELATED PARTIES

S P Long and G Robertson, Directors and major shareholders of the company, are the controlling parties.