3709321

HYDROLOGIC SYSTEMS LIMITED

REPORT AND UNAUDITED ACCOUNTS

FOR THE YEAR ENDED

31 JANUARY 2004

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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 2004.

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 31.1.04	At 1.2.03
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.

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 22 November 2004 and signed on its behalf.

S P Long

Director

22 Nov 2004

ACCNR.HYDROLOGICSYSTEMSLTD310104

CHARTERED ACCOUNTANT'S REPORT TO THE BOARD OF DIRECTORS ON THE UNAUDITED ACCOUNTS OF HYDROLOGIC SYSTEMS LIMITED

As described on the balance sheet you are responsible for the preparation of the accounts for the company for the year ended 31 January 2004 set out on pages 4 to 14, and you consider that the company is exempt from an audit under the Companies Act 1985. In accordance with your instructions, we have compiled these accounts in order to assist you to fulfil your statutory responsibilities, from the accounting records and the information and explanations supplied to us.

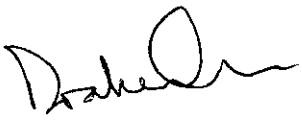
In accordance with the engagement letter dated 6 October 2004, and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of the company which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses 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 Board of Directors, 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 Board of Directors 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 Board of Directors, 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 complied 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 January 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.



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

27 November 2004

HYDROLOGIC SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2004

	Note	2004 £	2003 £
TURNOVER	1	217,810	151,528
Cost of sales		122,976	84,829
GROSS PROFIT		94,834	66,699
Distribution costs		(5,629)	(5,435)
Administrative expenses		(80,940)	(71,100)
OPERATING PROFIT/(LOSS)	2	8,265	(9,836)
Interest receivable and similar income		86	11
Interest payable and similar charges		-	(120)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		8,351	(9,945)
TAX ON PROFIT (2003: LOSS) ON ORDINARY ACTIVITIES	3	519	(2,916)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		7,832	(7,029)
DIVIDENDS	5	16,400	-
RETAINED DEFICIT FOR THE YEAR		(8,568)	(7,029)
RETAINED PROFIT BROUGHT FORWARD		9,101	16,130
RETAINED PROFIT CARRIED FORWARD		533	9,101

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 7 to 14 form part of these Financial Statements.

HYDROLOGIC SYSTEMS LIMITED

BALANCE SHEET AS AT 31 JANUARY 2004

	Note	2004 £	2004 £	2003 £	2003 £
FIXED ASSETS					
Tangible Assets	6		8,291		10,726
CURRENT ASSETS					
Stocks	7	23,145		22,600	
Debtors	8	13,966		9,351	
Cash at bank and in hand		2,838		50	
		39,949		32,001	
CREDITORS: amounts falling due within one year	9	47,088		33,526	
NET CURRENT LIABILITIES			(7,139)		(1,525)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,152		9,201
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	11		519		-
			633		9,201
CAPITAL AND RESERVES					
Called up share capital	12		100		100
Profit and Loss Account			533		9,101
EQUITY SHAREHOLDERS' FUNDS	13		633		9,201

The notes on pages 7 to 14 form part of these Financial Statements.

BALANCE SHEET AS AT 31 JANUARY 2004 (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.

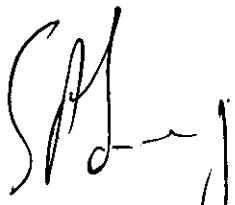
For the period in question the company was entitled to the exemption conferred by subsection (1) of Section 249A.

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 22 Nov. 2004

The notes on pages 7 to 14 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 & 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 2004

1. TURNOVER

The turnover and profit (2003: loss) before taxation are attributable to the one principal activity of the Company and the turnover arose as follows:

	2004	2003
U .K.	100%	98%
Rest of the World	-	2%

2. OPERATING PROFIT (2003: LOSS)

The operating profit (2003: loss) is stated after charging:

	2004 £	2003 £
Depreciation of owned tangible fixed assets	2,790	3,713
Directors' emoluments	29,406	28,492

3. TAX ON PROFIT (2003: LOSS) ON ORDINARY ACTIVITIES

	2004		2003	
	£	£	£	£
Analysis of charge in the year:				
Current taxation:				
U.K. Corporation Tax based on the adjusted result for the year		-		(2,518)
Under provision in respect of previous years		-		54
		-		(2,464)
Deferred taxation:				
Arising on origination and reversal of timing differences	(204)		305	
Arising on changes in taxation laws and rates	723		(757)	
Arising on adjustments to estimated amounts in previous periods	-		-	
		519		(452)
Tax on result on ordinary activities		519		(2,916)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2004 (CONTINUED)

3. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)	2004 £	2003 £
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:		
Profit/(loss) on ordinary activities before taxation	8,351	(9,945)
Taxation at the average small company rate applicable in the U.K. on the result on ordinary activities (2004: 0%, 2003: credit at 22.5%)	-	(2,238)
Effects of timing differences:		
Excess capital allowances	(204)	305
Changes in taxation laws and rates	723	(757)
Overprovisions in respect of previous years	-	(226)
Current tax charge/(credit) for the year	519	(2,916)

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	16,400	-

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2004 (CONTINUED)

6. TANGIBLE FIXED ASSETS

	Plant & Equipment £	Motor Vehicle £	Computer Equipment & Software £	Total £
COST				
At 1 February 2003	9,177	2,000	7,668	18,845
Additions	826	-	513	1,339
Disposals	-	(2,000)	-	(2,000)
At 31 January 2004	10,003	-	8,181	18,184
DEPRECIATION				
At 1 February 2003	2,988	1,016	4,115	8,119
Charge for the year	1,753	-	1,037	2,790
Disposals	-	(1,016)	-	(1,016)
At 31 January 2004	4,741	-	5,152	9,893
NET BOOK AMOUNT				
At 31 January 2004	5,262	-	3,029	8,291
At 31 January 2003	6,189	984	3,553	10,726

7. STOCKS

	2004 £	2003 £
Raw materials and consumables	11,795	16,600
Work in progress	11,350	6,000
	23,145	22,600

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2004 (CONTINUED)

8. DEBTORS

	2004 £	2003 £
Trade debtors	4,592	4,296
Other debtors	8,923	3,894
Prepayments and accrued income	451	1,161
	13,966	9,351

9. CREDITORS: amounts falling due within one year

Bank overdraft	-	2,313
Trade creditors	7,486	9,024
Social security and other taxes	3,704	4,173
Other creditors	29,175	14,934
Accruals and deferred income	6,723	3,082
	47,088	33,526

10. OPERATING LEASE COMMITMENTS

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

	Property £	Other £
For leases expiring:		
Within 1 year	400	-
Within 2 to 5 years	-	6,097
	400	6,097

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2004 (CONTINUED)

11. DEFERRED TAXATION

Deferred taxation provided is as follows:

	2004 £	2003 £
Accelerated capital allowances	519	-

	2004		2003	
	£	£	£	£
Movements in the year are as follows:				
At 1 February 2003		-		452
Accelerated capital allowances	(204)		305	
Changes in taxation laws and rates	723		(757)	
Under provisions in previous years	-		-	
Net movement in the year		519		(452)
At 31 January 2004		519		-

12. CALLED UP SHARE CAPITAL

	2004 £	2003 £
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 2004 (CONTINUED)

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2004 £	2003 £
Profit/(loss) for the financial year	7,832	(7,029)
Dividends	16,400	-
Net reduction in shareholders' funds	(8,568)	(7,029)
Opening shareholders' funds	9,201	16,230
Closing shareholders' funds	633	9,201
Equity Interests	633	9,201

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.