

Report of the Directors and
Financial Statements for the Year Ended 31 December 2002
for
Dri-Eaz Products Limited



Dri-Eaz Products Limited

Contents of the Financial Statements
for the Year Ended 31 December 2002

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Financial Statements	6
Trading and Profit and Loss Account	10

Dri-Eaz Products Limited

Company Information
for the Year Ended 31 December 2002

DIRECTORS:

Miss V Blackburn
C Blackburn

SECRETARY:

Ad Valorem Company Secretarial Limited

REGISTERED OFFICE:

2-3 Bassett Court
Broad Street
Newport Pagnell
Bucks
MK16 0JN

REGISTERED NUMBER:

03657539 (England and Wales)

AUDITORS:

Ad Valorem
Registered Auditor
2-3 Bassett Court
Broad Street
Newport Pagnell
Buckinghamshire
MK16 0JN

Dri-Eaz Products Limited

Report of the Directors
for the Year Ended 31 December 2002

The directors present their report with the financial statements of the company for the year ended 31 December 2002.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the provision of industrial and commercial humidifiers.

DIRECTORS

The directors during the year under review were:

Miss V Blackburn
C Blackburn

The beneficial interests of the directors holding office on 31 December 2002 in the issued share capital of the company were as follows:

	31.12.02	1.1.02
Ordinary £1 shares		
Miss V Blackburn	-	1
C Blackburn	-	1

STATEMENT OF 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 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 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.

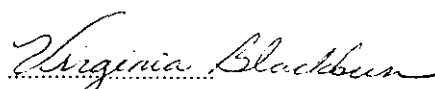
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Ad Valorem, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:


Miss V Blackburn - DIRECTOR

Dated: 26 March, 2003

Dri-Eaz Products Limited

Report of the Independent Auditors to the Shareholders of
Dri-Eaz Products Limited

We have audited the financial statements of Dri-Eaz Products Limited for the year ended 31 December 2002 on pages four to nine. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Report of the Directors 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 the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit 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 the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ad Valorem
Registered Auditor
2-3 Bassett Court
Broad Street
Newport Pagnell
Buckinghamshire
MK16 0JN

Dated: 16/04/03.

Dri-Eaz Products Limited

Profit and Loss Account
for the Year Ended 31 December 2002

	Notes	31.12.02 £	31.12.01 £
TURNOVER		2,411,260	1,338,326
Cost of sales		<u>1,966,984</u>	<u>1,086,192</u>
GROSS PROFIT		444,276	252,134
Administrative expenses		<u>155,057</u>	<u>173,500</u>
OPERATING PROFIT	3	289,219	78,634
Interest receivable and similar income		<u>762</u>	<u>1,512</u>
		289,981	80,146
Interest payable and similar charges	4	<u>3</u>	<u>5</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		289,978	80,141
Tax on profit on ordinary activities	5	<u>57,373</u>	<u>16,579</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		232,605	63,562
Retained profit brought forward		<u>74,124</u>	<u>10,562</u>
RETAINED PROFIT CARRIED FORWARD		<u>£306,729</u>	<u>£74,124</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

Dri-Eaz Products Limited

Balance Sheet

31 December 2002

	Notes	31.12.02 £	£	31.12.01 £	£
FIXED ASSETS:					
Tangible assets	6		35,290		24,129
CURRENT ASSETS:					
Stocks	7	495,685		172,954	
Debtors	8	456,117		239,425	
Cash at bank and in hand		134,812		206,695	
		1,086,614		619,074	
CREDITORS: Amounts falling due within one year	9	600,365		355,834	
NET CURRENT ASSETS:			486,249		263,240
TOTAL ASSETS LESS CURRENT LIABILITIES:			521,539		287,369
CREDITORS: Amounts falling due after more than one year	10		(213,243)		(213,243)
PROVISIONS FOR LIABILITIES AND CHARGES:	11		(1,565)		-
			£306,731		£74,126
CAPITAL AND RESERVES:					
Called up share capital	12		2		2
Profit and loss account			306,729		74,124
SHAREHOLDERS' FUNDS:	15		£306,731		£74,126

ON BEHALF OF THE BOARD:



Miss V Blackburn - DIRECTOR



C Blackburn - DIRECTOR

Approved by the Board on

1. ACCOUNTING POLICIES

Accounting convention

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

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 net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 20% on cost
Fixtures and fittings	- 20% on cost
Motor vehicles	- 20% on cost

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at 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 transaction. Exchange differences are taken into account in arriving at the operating result.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. STAFF COSTS

	31.12.02	31.12.01
	£	£
Wages and salaries	83,492	59,732
Social security costs	8,148	5,772
Other pension costs	3,110	1,346
	<u>94,750</u>	<u>66,850</u>

The average monthly number of employees during the year was as follows:

	31.12.02	31.12.01
Sales & administration	<u>3</u>	<u>2</u>

Notes to the Financial Statements
for the Year Ended 31 December 2002

3. OPERATING PROFIT

The operating profit is stated after charging:

	31.12.02	31.12.01
	£	£
Depreciation - owned assets	9,954	9,402
Auditors' remuneration	<u>2,500</u>	<u>2,750</u>
Directors' emoluments	<u>-</u>	<u>-</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	31.12.02	31.12.01
	£	£
Bank interest	<u>3</u>	<u>5</u>

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	31.12.02	31.12.01
	£	£
Current tax:		
UK corporation tax	55,808	16,579
Deferred tax:		
Deferred taxation	<u>1,565</u>	<u>-</u>
Tax on profit on ordinary activities	<u>57,373</u>	<u>16,579</u>

6. TANGIBLE FIXED ASSETS

	Plant and machinery	Fixtures and fittings	Motor vehicles	Totals
	£	£	£	£
COST:				
At 1 January 2002	7,938	7,553	32,076	47,567
Additions	<u>4,761</u>	<u>-</u>	<u>16,354</u>	<u>21,115</u>
At 31 December 2002	<u>12,699</u>	<u>7,553</u>	<u>48,430</u>	<u>68,682</u>
DEPRECIATION:				
At 1 January 2002	894	4,406	18,138	23,438
Charge for year	<u>1,749</u>	<u>1,512</u>	<u>6,693</u>	<u>9,954</u>
At 31 December 2002	<u>2,643</u>	<u>5,918</u>	<u>24,831</u>	<u>33,392</u>
NET BOOK VALUE:				
At 31 December 2002	<u>10,056</u>	<u>1,635</u>	<u>23,599</u>	<u>35,290</u>
At 31 December 2001	<u>7,044</u>	<u>3,147</u>	<u>13,938</u>	<u>24,129</u>

3. **OPERATING PROFIT**

The operating profit is stated after charging:

	31.12.02	31.12.01
	£	£
Depreciation - owned assets	9,954	9,402
Auditors' remuneration	2,500	2,750
	<u> </u>	<u> </u>
Directors' emoluments	-	-
	<u> </u>	<u> </u>

4. **INTEREST PAYABLE AND SIMILAR CHARGES**

	31.12.02	31.12.01
	£	£
Bank interest	3	5
	<u> </u>	<u> </u>

5. **TAXATION**

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	31.12.02	31.12.01
	£	£
Current tax:		
UK corporation tax	55,808	16,579
Deferred tax:		
Deferred taxation	1,565	-
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	57,373	16,579
	<u> </u>	<u> </u>

6. **TANGIBLE FIXED ASSETS**

	Plant and machinery	Fixtures and fittings	Motor vehicles	Totals
	£	£	£	£
COST:				
At 1 January 2002	7,938	7,553	32,076	47,567
Additions	4,761	-	16,354	21,115
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2002	12,699	7,553	48,430	68,682
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
DEPRECIATION:				
At 1 January 2002	894	4,406	18,138	23,438
Charge for year	1,749	1,512	6,693	9,954
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2002	2,643	5,918	24,831	33,392
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET BOOK VALUE:				
At 31 December 2002	10,056	1,635	23,599	35,290
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001	7,044	3,147	13,938	24,129
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

6. TANGIBLE FIXED ASSETS - continued

There is an unlimited debenture in the bank's standard form charging all assets and undertakings of the company and incorporating a right of set-off dated 05 July 2001.

7. STOCKS

	31.12.02	31.12.01
	£	£
Stock	495,685	172,954

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.02	31.12.01
	£	£
V.A.T.	44,835	8,136
Trade debtors	392,734	216,146
Other debtors	7,498	7,498
Prepayments	11,050	7,645
	456,117	239,425

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.02	31.12.01
	£	£
Trade creditors	499,671	270,792
Other creditors	8,414	33,935
Social security & other taxes	2,347	1,609
Taxation	55,336	15,699
Accrued expenses	34,597	33,799
	600,365	355,834

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.02	31.12.01
	£	£
Other creditors	213,243	213,243

11. PROVISIONS FOR LIABILITIES AND CHARGES

	31.12.02	31.12.01
	£	£
Deferred taxation	1,565	-
	Deferred tax	
	£	
Accelerated capital allowances	1,565	
Balance at 31 December 2002	1,565	

Notes to the Financial Statements
for the Year Ended 31 December 2002

12. CALLED UP SHARE CAPITAL

Authorised:		Nominal value:	31.12.02	31.12.01
Number:	Class:		£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>
Allotted, issued and fully paid:		Nominal value:	31.12.02	31.12.01
Number:	Class:		£	£
2	Ordinary	£1	<u>2</u>	<u>2</u>

13. ULTIMATE PARENT COMPANY

During the year the issued share capital of the company was transferred from the directors to Dri-Eaz Products Inc. Dri-Eaz Products Inc. is a company owned by Mr Claude Blackburn, a director of Dri-Eaz Products Limited.

14. RELATED PARTY DISCLOSURES

During the year the company undertook transactions with Dri-Eaz Products Inc. A company that is owned by Mr Claude Blackburn, a director and shareholder of the company.

Transactions with Dri-Eaz Products Inc during the year amounted to purchases of £1,894,655 and sales of £13,902. At the year end £499,671 was outstanding from trade and is included within trade creditors. A further long term liability of £213,243 remains outstanding at the year end and is included within long term creditors.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.02	31.12.01
	£	£
Profit for the financial year	<u>232,605</u>	<u>63,562</u>
Net addition to shareholders' funds	232,605	63,562
Opening shareholders' funds	<u>74,126</u>	<u>10,564</u>
Closing shareholders' funds	<u>306,731</u>	<u>74,126</u>
Equity interests	<u>306,731</u>	<u>74,126</u>

Dri-Eaz Products Limited

Trading and Profit and Loss Account
for the Year Ended 31 December 2002

	31.12.02		31.12.01	
	£	£	£	£
Sales		2,411,260		1,338,326
Cost of sales:				
Purchases	1,822,481		877,032	
Packaging materials	405		225	
Carriage	181,603		97,198	
Management fee	8,958		-	
Commission	103,145		31,992	
Other direct costs	62,472		36,535	
	<u>2,179,064</u>		<u>1,042,982</u>	
Increase / decrease in stock	(212,080)		43,210	
		<u>1,966,984</u>		<u>1,086,192</u>
GROSS PROFIT		444,276		252,134
Other income:				
Deposit account interest	752		1,029	
Interest received on debtors	-		483	
Corporation tax interest	10		-	
	<u>762</u>		<u>-</u>	
		445,038		253,646
Expenditure:				
Wages and salaries	83,492		59,732	
Social security	8,148		5,772	
Pensions	3,110		1,346	
Temporary staff and recruitment	277		179	
Telephone and fax	3,047		3,758	
Post, stationery and printing	3,639		1,978	
Travel and subsistence	4,738		4,584	
Motor expenses	8,770		5,925	
Licences & insurance	1,277		1,436	
Training	711		-	
Repairs & renewals	5,953		1,050	
Health insurance	3,075		694	
Household & cleaning	619		448	
Foreign exchange adjustments	(45,040)		18,247	
Subscriptions	824		992	
Sundry expenses	(1)		(4)	
Auditors remuneration	2,500		2,750	
Accountancy	1,489		3,927	
Consultancy fees	1,500		532	
Legal and professional fees	1,661		3,775	
Advertising & PR	12,365		14,393	
Entertainment	40		160	
Bad debts	8,616		(132)	
Promotion & exhibitions	4,024		904	
Rent	14,995		15,531	
	<u>129,829</u>	<u>445,038</u>	<u>147,977</u>	<u>253,646</u>
Carried forward				

This page does not form part of the statutory financial statements

Dri-Eaz Products Limited

Trading and Profit and Loss Account
for the Year Ended 31 December 2002

	31.12.02		31.12.01	
	£	£	£	£
Brought forward	129,829	445,038	147,977	253,646
Rates & water	5,162		6,656	
Insurance	460		419	
Light & heat	814		903	
Repairs to property	613		1,030	
		136,878		156,985
		308,160		96,661
Finance costs:				
Bank interest	3		5	
Bank charges	8,225		7,049	
Interest on Corporation Tax	-		64	
		8,228		7,118
		299,932		89,543
Depreciation:				
Plant & machinery	1,749		894	
Fixtures & fittings	1,512		1,512	
Motor vehicles	6,693		6,996	
		9,954		9,402
NET PROFIT		£289,978		£80,141