

Registered number: 05698169
England and Wales

Surrey Aquatechnology Limited
Report and accounts
for the year ended 31 December 2008

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Surrey Aquatechnology Limited

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Surrey Aquatechnology Limited Company information

**Principal business address
and registered office:**

Bramley House
The Guildway
Old Portsmouth Road
Guildford, Surrey GU3 1LR

Independent auditors:

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
First Point, Buckingham Gate
Gatwick RH6 0PP

Surrey Aquatechnology Limited

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2008.

Principal activities

The company's principal activity is the development of technology to purify saltwater and other liquid in an efficient and cost-effective manner. During the year the company continued development of the technology.

Review of the business, research and development and future developments

The company has taken advantage of the small company exemption regarding enhanced business reviews and hence this report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The profit and loss account is set out on page 6. The loss for the year was £444,003 (2007: £392,498). The directors are unable to recommend the payment of a dividend (2007: £nil). Further details of the company's performance for the year and future developments, including research and development activity, are set out in the Business Review on pages 8 to 11 of the Annual Report of Modern Water plc.

Going concern

The directors have received confirmation that the parent company, Modern Water plc, will continue to support the company for at least a year following the date of this report and hence believe that the going concern assumption of the basis of preparation of the accounts remains appropriate, notwithstanding the net current liabilities position of the company.

Directors

The directors in office in the year and up to the date of signing the financial statements, were as follows:

Dr A O Sharif
K Robson
N McDougall
S Humphrey

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Directors' statement as to disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Signed on behalf of the board



Simon Humphrey
Director
28 April 2009

Surrey Aquatechnology Limited

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ((United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.



Simon Humphrey
Director
28 April 2009

Surrey Aquatechnology Limited

Independent auditors' report to the members of Surrey Aquatechnology Limited

We have audited the financial statements of Surrey Aquatechnology Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Gatwick
28 April 2009

Surrey Aquatechnology Limited
Financial statements
Profit and loss account for the year ended 31 December 2008

	Note	2008	2007
		£	£
Administrative expenses		(447,095)	(416,127)
Operating loss	3	(447,095)	(416,127)
Interest receivable and similar income	5	3,092	23,946
Loss on ordinary activities before taxation		(444,003)	(392,181)
Tax on loss on ordinary activities	6	-	(317)
Loss for the financial year	12	(444,003)	(392,498)

All results derive from continuing operations.

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical equivalents.

The company has no recognised gains and losses other than the losses above and therefore no statement of total recognised gains and losses has been presented.

Surrey Aquatechnology Limited
Financial statements
Balance sheet as at 31 December 2008

	Note	2008	2007
		£	£
Fixed assets			
Intangible assets	7	471,632	470,633
Tangible assets	8	395,136	15,730
		866,768	486,363
Current assets			
Debtors	9	12,168	35,476
Cash at bank and in hand		2,363	264,005
		14,531	299,481
Creditors : amounts falling due within one year	10	(720,716)	(181,258)
Net current (liabilities)/assets		(706,185)	118,223
Total assets less current liabilities		160,583	604,586
Capital and reserves			
Called up share capital	11	100	100
Share premium	12	1,011,612	1,011,612
Profit and loss account	12	(851,129)	(407,126)
Total shareholders' funds	13	160,583	604,586

The financial statements on pages 6 to 11 were approved by the board of directors on 28 April 2009 and signed on its behalf by:



Simon Humphrey
Director
28 April 2009

Surrey Aquatechnology Limited

Financial statements

Notes to the financial statements

I. Accounting policies

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

b) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Cost includes expenditure that is attributable to the acquisition of the items. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Plant and machinery	3 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

c) Intangible fixed assets

Patents

Acquired patents are initially recognised at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful economic lives of 20 years from filing.

Research and development

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Any internally generated development intangible fixed asset is recognised only if all of the following are met:

- The related expenditure is clearly identifiable and is part of a defined project
- Future economic benefits are reasonably certain to be generated by the project and
- Adequate resources exist, or are reasonably expected to exist, to enable the completion of the project.

Where no internally generated intangible fixed asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred. Internally generated intangible fixed assets are amortised on a straight line basis over three years.

Know-how

The ordinary share capital subscribed for by the technology inventors (A Sharif and University of Surrey) has been fair valued based on the subscription price paid by third parties to acquire shares in the company at the same date. The difference between the fair value and the price paid has been recognised as know how, an intangible fixed asset to be amortised on a straight line basis over five years.

The useful economic life of all intangible assets is reviewed at the balance sheet date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Surrey Aquatechnology Limited

Financial statements

2. Cash flow statement

As the results of the company are included in the accounts of Modern Water plc, the company is consequently exempt from the obligation to prepare a cash flow statement under the terms of Financial Reporting Standard 1.

3. Operating loss

The operating loss is stated after charging

	2008	2007
	£	£
Depreciation	5,755	1,537
Amortisation of intangible fixed assets	131,265	95,674
Research and development	211,333	194,402
Fees paid to the company's auditors and their associates		
- other services - taxation	11,175	-

The audit fee for the year has been borne by Modern Water Services Limited.

4. Directors' emoluments and staff costs

	2008	2007
	£	£
Wages and salaries	-	27,750
Social security	-	2,660

The average number of persons comprising executive directors employed by the company during the year was none (2007: 1)

5. Interest receivable and similar income

	2008	2007
	£	£
Bank deposit interest	3,092	23,946

6. Taxation

(a) Tax on loss on ordinary activities

	2008	2007
	£	£
UK corporation tax on profits for the year	-	-
Adjustment in respect of prior periods	-	317
Total current tax	-	317

The tax on the company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:

(b) Reconciliation of the current tax charge

	2008	2007
	£	£
Loss on ordinary activities before taxation	(444,003)	(392,181)
Loss on ordinary activities multiplied by the weighted average tax rate of 28.5% (2007: 30%)	(126,541)	(117,654)
Expenses not deductible for tax purposes	48	2,570
Depreciation in excess of capital allowances/(accelerated capital allowances)	1,640	(834)
Losses not utilised	124,853	115,918
Adjustment in respect of prior years	-	317
Current tax charge for the year	-	317

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The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

Deferred tax assets not recognised at 31 December 2008 will reduce the tax charge in future periods if subsequently recognised. Deferred tax assets of £231,407 (2007: £109,952) on losses and short term timing differences have not been recognised since their future utilisation is not yet sufficiently certain.

7. Intangible assets

	Know how £	Develop- ment costs £	Patent costs £	Total £
Cost				
At 1 January 2008	377,657	57,298	137,646	572,601
Additions	-	73,668	58,172	131,840
At 31 December 2008	377,657	130,966	196,242	704,865
Accumulated amortisation				
At 1 January 2008	81,826	3,183	16,959	101,968
Charge for the year	75,531	40,578	15,156	131,265
At 31 December 2008	157,357	43,761	32,115	233,233
Net book value				
At 31 December 2008	220,300	87,206	164,127	471,632
At 31 December 2007	295,831	54,115	120,687	470,633

8. Tangible assets

	Plant & machinery £
Cost	
At 1 January 2008	17,267
Additions	385,161
At 31 December 2008	402,428
Accumulated depreciation	
At 1 January 2008	1,537
Charge for the year	5,755
At 31 December 2008	7,292
Net book value	
At 31 December 2008	395,136
At 31 December 2007	15,730

9. Debtors

	2008 £	2007 £
Other debtors	12,168	17,211
Prepayments	-	18,265
	12,168	35,476

Surrey Aquatechnology Limited

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10. Creditors: amounts falling due within one year

	2008	2007
	£	£
Trade creditors	77,190	-
Amounts due to parent and group undertakings	538,693	80,941
Taxation and social security	-	317
Accruals	104,833	100,000
	<u>720,716</u>	<u>181,258</u>

11. Called up share capital

	Number of shares	2008	2007
		£	£
Authorised ordinary £0.001 shares	100,000	<u>100</u>	<u>100</u>
Allotted and fully paid ordinary £0.001 shares	100,000	<u>100</u>	<u>100</u>

12. Reserves

	Share premium	Profit and loss account
	£	£
At 1 January 2008	1,011,612	(407,126)
Loss for the financial year	-	(444,003)
At 31 December 2008	<u>1,011,612</u>	<u>(851,129)</u>

13. Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
Opening shareholders' funds	604,586	997,084
Loss for the financial year	(444,003)	(392,498)
Closing shareholders' funds	<u>160,583</u>	<u>604,586</u>

14. Related party transactions

The company has taken advantage of the exemption under paragraph 3c of Financial Reporting Standard 8 in not disclosing details of transactions with other 90% owned members of the Modern Water plc group.

15. Ultimate controlling party

The immediate and ultimate controlling party is Modern Water plc, a company registered in England & Wales. Modern Water plc holds 100% of the authorised ordinary share capital of the company.

The results of the company are included in the consolidated financial statements of Modern Water plc, copies of which are available from the Company Secretary, Modern Water plc, Bramley House, The Guildway, Old Portsmouth Road, Guildford, Surrey GU3 1LR.