

Company Registration No. 1210198 (England and Wales)

SPIROFLOW GROUP LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2004



SPIROFLOW GROUP LIMITED

DIRECTORS AND ADVISERS

Directors	M Podevyn C Podevyn
Secretary	A Wilson
Company number	1210198
Registered office	Lincoln Way Clitheroe Lancashire BB7 1QG
Registered auditors	Pierce C.A. Limited Mentor House Ainsworth Street Blackburn Lancashire BB1 6AY
Bankers	Lloyds TSB Bank plc 7 Church Street Clitheroe Lancashire BB7 2DD
Solicitors	Taylors Rawlings House, Exchange Street Blackburn Lancashire BB1 7JN

SPIROFLOW GROUP LIMITED

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SPIROFLOW GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

Directors

The following directors have held office since 1 January 2004:

M Podevyn	
C Podevyn	
D Heys	(Deceased 20 March 2005)
M Ranson	(Resigned 19 November 2004)

Principal activities and review of the business

The principal activity of the group and the company continued to be that of the development, future manufacture and sale of automatic metering, blending and conveying systems.

The directors are satisfied with the results for the year.

Results and dividends

The consolidated profit and loss account for the year is set out on page 4.

The directors recommend payment of an ordinary dividend amounting to £50,000.

Future developments

The directors anticipate further growth during the next year.

Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below:

Spiroflow Group Limited

	Ordinary shares of £ 1 each	
	31 December 2004	1 January 2004
M Podevyn	36,600	36,600
C Podevyn	13,200	13,200
D Heys	1,000	1,000

Spiroflow Limited

	Ordinary shares of £ 1 each	
	31 December 2004	1 January 2004
D Heys	-	-
M Podevyn	-	-
C Podevyn	-	-

Spiroflow Powder Handling Limited

	Ordinary shares of £ 1 each	
	31 December 2004	1 January 2004
M Podevyn	-	-
D Heys	-	-
C Podevyn	-	-

SPIROFLOW GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

Auditors

The company's previous auditors, Pierce, have transferred their business to Pierce C.A. Limited on 1 June 2004. Accordingly the directors have appointed Pierce C.A. Limited as auditors and a resolution confirming the appointment is to be proposed at the Annual General Meeting of the company.

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 group and of the profit or loss of the group 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

.....
M Podewyn

Director

.....
15/9/05

SPIROFLOW GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SPIROFLOW GROUP LIMITED

We have audited the financial statements of Spiroflow Group Limited on pages 4 to 20 for the year ended 31 December 2004. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the 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 directors' report 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 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 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 and the group'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 and the group's affairs as at 31 December 2004 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Pierce C.A. Ltd
Pierce C.A. Limited

15 September 2005

Registered Auditor

Mentor House
Ainsworth Street
Blackburn
Lancashire
BB1 6AY

SPIROFLOW GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

		Year ended 31 December 2004 £	Year ended 31 December 2003 £
	Notes		
Turnover	2	2,272,142	1,936,945
Cost of sales		(1,078,733)	(926,463)
Gross profit		1,193,409	1,010,482
Distribution costs		(388,772)	(367,115)
Administrative expenses		(1,021,366)	(1,216,520)
Other operating income		323,824	525,639
Operating profit/(loss)		107,095	(47,514)
Other interest receivable and similar income		1,358	-
Amounts written off investments	3	-	(75,000)
Interest payable and similar charges	4	(11,209)	(15,546)
Profit/(loss) on ordinary activities before taxation		97,244	(138,060)
Tax on profit/(loss) on ordinary activities	5	(14,477)	-
Profit/(loss) on ordinary activities after taxation		82,767	(138,060)
Dividends	7	(50,000)	-
Retained profit/(loss) for the year	15	32,767	(138,060)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SPIROFLOW GROUP LIMITED

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2004

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
Profit/(loss) for the financial year	82,767	(138,060)
Unrealised (deficit)/surplus on revaluation of properties	-	128,080
Total recognised gains and losses relating to the year	<u>82,767</u>	<u>9,980</u>

Note of historical cost profits and losses

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
Reported profit/(loss) on ordinary activities before taxation	97,244	(138,060)
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	-	2,216
Historical cost profit/(loss) on ordinary activities before taxation	<u>97,244</u>	<u>135,844</u>
Historical cost profit/(loss) for the year retained after taxation, extraordinary items and dividends	<u>32,767</u>	<u>135,844</u>

SPIROFLOW GROUP LIMITED

BALANCE SHEETS AS AT 31 DECEMBER 2004

		Group		Company	
	Notes	2004	2003	2004	2003
		£	£	£	£
Fixed assets					
Tangible assets	8	547,729	545,846	547,729	545,846
Investments	9	165,000	165,004	165,004	165,004
		<u>712,729</u>	<u>710,850</u>	<u>712,733</u>	<u>710,850</u>
Current assets					
Stocks	10	273,610	271,092	-	-
Debtors	11	660,815	623,574	43,471	162,739
Cash at bank and in hand		12,008	6,035	1,510	1,510
		<u>946,433</u>	<u>900,701</u>	<u>44,981</u>	<u>164,249</u>
Creditors: amounts falling due within one year	12	(929,325)	(914,477)	(265,954)	(295,415)
Net current assets/(liabilities)		<u>17,108</u>	<u>(13,776)</u>	<u>(220,973)</u>	<u>(131,166)</u>
Total assets less current liabilities		<u>729,837</u>	<u>697,074</u>	<u>491,760</u>	<u>579,684</u>
Capital and reserves					
Called up share capital	14	100,000	100,004	100,000	100,000
Revaluation reserve	15	234,109	236,617	234,109	236,617
Profit and loss account	15	395,728	360,453	157,651	243,067
Shareholders' funds - equity interests	16	<u>729,837</u>	<u>697,074</u>	<u>491,760</u>	<u>579,684</u>

The financial statements were approved by the board on 15/1/05

M Polevyn
Director

SPIROFLOW GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

	Year ended 31 December 2004		Year ended 31 December 2003	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		204,412		(25,843)
Returns on investments and servicing of finance				
Interest received	1,358		-	
Interest paid	(11,209)		(15,546)	
Net cash outflow for returns on investments and servicing of finance		(9,851)		(15,546)
Taxation		-		(8,629)
Capital expenditure				
Payments to acquire tangible assets	(60,478)		-	
Receipts from sales of tangible assets	4,600		-	
Net cash outflow for capital expenditure		(55,878)		-
Net cash inflow/(outflow) before management of liquid resources and financing		138,683		(50,018)
Increase/(decrease) in cash in the year		138,683		(50,018)

SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

1	Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities	2004	2003
		£	£
	Operating profit/(loss)	107,095	(47,514)
	Depreciation of tangible assets	58,595	63,938
	Profit on disposal of tangible assets	(4,600)	-
	(Increase)/decrease in stocks	(2,518)	672
	(Increase)/decrease in debtors	(37,241)	343,301
	Increase/(decrease) in creditors within one year	83,081	(386,240)
	Net cash inflow/(outflow) from operating activities	204,412	(25,843)

2	Analysis of net debt	1 January 2004	Cash flow	Other non-cash changes	31 December 2004
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	6,035	5,973	-	12,008
	Bank overdrafts	(311,755)	132,710	-	(179,045)
		(305,720)	138,683	-	(167,037)
	Net debt	(305,720)	138,683	-	(167,037)

3	Reconciliation of net cash flow to movement in net debt	2004	2003
		£	£
	Increase/(decrease) in cash in the year	138,683	(50,018)
	Movement in net debt in the year	138,683	(50,018)
	Opening net debt	(305,720)	(255,702)
	Closing net debt	(167,037)	(305,720)

SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

1.2 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its UK subsidiary undertakings made up to 31 December 2004. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

The results of Spiroflow Powder Handling Incorporated have been excluded from the consolidation on the basis that the group's investment in the company is held exclusively for resale purposes only.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2% per annum on valuation
Plant and machinery	15% per annum - reducing balance
Fixtures, fittings & equipment	15% per annum - reducing balance
Motor vehicles	15% per annum - reducing balance/ 25% per annum - straight line

The part of the annual depreciation charge on revalued assets which relates to the revaluation surplus is transferred from the revaluation reserve to the profit and loss account.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock

Stock is valued at the lower of cost and net realisable value.

1.8 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.9 Deferred taxation

Deferred tax is provided in full in respect of timing differences between the certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

(continued)

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Amounts written off investments

2004	2003
£	£

Amounts written off fixed asset investments:

- temporary diminution in value

-	75,000
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4 Interest payable

2004	2003
£	£

On bank loans and overdrafts

11,209	15,546
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SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

5 Taxation

	£	£
Domestic current year tax		
U.K. corporation tax	14,477	-
Current tax charge	<u>14,477</u>	<u>-</u>
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	97,244	(138,060)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.13% (2003: 0.00%)	18,603	-
Effects of:		
Non deductible expenses	572	-
Depreciation add back	10,329	-
Capital allowances	(8,482)	-
Tax losses utilised	(6,282)	-
Other tax adjustments	(263)	-
	<u>(4,126)</u>	<u>-</u>
Current tax charge	<u>14,477</u>	<u>-</u>

6 (Loss)/profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The (loss)/profit for the financial year is made up as follows:

	2004 £	2003 £
Holding company's (loss)/profit for the financial year	<u>(37,924)</u>	<u>22,707</u>

7 Dividends

	2004 £	2003 £
Ordinary final proposed	<u>50,000</u>	<u>-</u>

SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

8 Tangible fixed assets

Group

	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2004	475,000	318,155	15,648	167,046	975,849
Additions	-	-	15,555	44,923	60,478
Disposals	-	-	-	(28,049)	(28,049)
At 31 December 2004	475,000	318,155	31,203	183,920	1,008,278
Depreciation					
At 1 January 2004	-	303,198	13,955	112,850	430,003
On disposals	-	-	-	(28,049)	(28,049)
Charge for the year	9,500	13,435	3,568	32,092	58,595
At 31 December 2004	9,500	316,633	17,523	116,893	460,549
Net book value					
At 31 December 2004	465,500	1,522	13,680	67,027	547,729
At 31 December 2003	475,000	14,957	1,693	54,196	545,846

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 January 2004 & at 31 December 2004	349,624
Depreciation based on cost	
At 1 January 2004	86,162
Charge for the year	6,992
At 31 December 2004	93,154
Net book value	
At 31 December 2004	256,470
At 31 December 2003	263,462

SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

8 Tangible fixed assets (continued)

Company

	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2004	475,000	318,155	15,648	167,046	975,849
Additions	-	-	15,555	44,923	60,478
Disposals	-	-	-	(28,049)	(28,049)
At 31 December 2004	475,000	318,155	31,203	183,920	1,008,278
Depreciation					
At 1 January 2004	-	303,198	13,955	112,850	430,003
On disposals	-	-	-	(28,049)	(28,049)
Charge for the year	9,500	13,435	3,568	32,092	58,595
At 31 December 2004	9,500	316,633	17,523	116,893	460,549
Net book value					
At 31 December 2004	465,500	1,522	13,680	67,027	547,729
At 31 December 2003	475,000	14,957	1,693	54,196	545,846

The company's freehold premises at Lincoln Way, Clitheroe were valued at a current market value of £475,000 in April 2003. This valuation has been incorporated into the financial statements.

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 January 2004 & at 31 December 2004	349,624
Depreciation based on cost	
At 1 January 2004	86,162
Charge for the year	6,992
At 31 December 2004	93,154
Net book value	
At 31 December 2004	256,470
At 31 December 2003	263,462

SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

9 Fixed asset investments

Group

	Unlisted investments £	Total £
Cost or valuation		
At 1 January 2004 & at 31 December 2004	165,000	165,000
At 31 December 2003	165,000	165,004

9 Fixed asset investments

Company

	Unlisted investments £	Shares in group undertakings £	Total £
Cost or valuation			
At 1 January 2004 & at 31 December 2004	165,000	396,430	561,430
Provisions for diminution in value			
At 1 January 2004 & at 31 December 2004	-	396,426	396,426
Net book value			
At 31 December 2004	165,000	4	165,004
At 31 December 2003	165,000	4	165,004

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

	Directors' valuation £	Total £
At 31 December 2004	165,000	165,000
At 31 December 2003	165,000	165,000

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Spiroflow Powder Handling Inc.	USA	Common	64

SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

9 Fixed asset investments

(continued)

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Spiroflow Powder Handling Inc.	Manufacture and sale of automatic metering, blending and conveying systems

Unlisted investments represent shares held by the company in Astroscale Limited.

Astroscale Limited acts as a corporate trustee to administer the Employee Benefit Trust of Spiroflow Limited, a wholly-owned subsidiary of Spiroflow Group Limited.

Astroscale Limited owns 25,000 ordinary shares of £1 each in the company.

10 Stocks

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Finished goods and goods for resale	273,610	271,092	-	-

11 Debtors

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	502,801	271,033	-	-
Amounts owed by group undertakings	115,436	306,372	36,616	151,337
Corporation tax	7,362	7,362	-	-
Other debtors	24,052	22,152	3,862	8,254
Prepayments and accrued income	11,164	16,655	2,993	3,148
	660,815	623,574	43,471	162,739

SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

12 Creditors : amounts falling due within one year

	Group 2004 £	2003 £	Company 2004 £	2003 £
Bank loans and overdrafts	179,045	311,755	79,463	110,216
Trade creditors	254,206	160,087	8,580	15,482
Amounts owed to group undertakings	24,019	229,865	41,699	136,541
Corporation tax	14,477	-	-	-
Taxes and social security costs	83,352	52,321	37,576	8,201
Other creditors	209,599	106,300	-	-
Accruals and deferred income	114,627	54,149	48,636	24,975
Proposed dividend	50,000	-	50,000	-
	<u>929,325</u>	<u>914,477</u>	<u>265,954</u>	<u>295,415</u>

The bank overdrafts of the group are secured by:

- 1) A first legal charge over the freehold land and buildings,
- 2) A debenture over the group's assets.

13 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

Defined contribution

	2004 £	2003 £
Contributions payable by the company for the year	<u>50,980</u>	<u>21,926</u>

14 Share capital

	2004 £	2003 £
Authorised		
100,000 Ordinary shares of each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
100,000 Ordinary shares of each	<u>100,000</u>	<u>100,000</u>

SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

15 Statement of movements on reserves

Group

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2004	236,617	360,453
Retained profit for the year	-	32,767
Transfer from revaluation reserve to profit and loss account	(2,508)	2,508
Balance at 31 December 2004	<u>234,109</u>	<u>395,728</u>

Company

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2004	236,617	243,067
Retained loss for the year	-	(87,924)
Transfer from revaluation reserve to profit and loss account	(2,508)	2,508
Balance at 31 December 2004	<u>234,109</u>	<u>157,651</u>

SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

16 Reconciliation of movements in shareholders' funds Group	2004 £	2003 £
Profit/(Loss) for the financial year	82,767	(138,060)
Dividends	(50,000)	-
	32,767	(138,060)
Other recognised gains and losses	-	128,080
	32,767	(9,980)
Net addition to/(depletion in) shareholders' funds	697,074	707,054
Opening shareholders' funds		
Closing shareholders' funds	729,837	697,074
	2004	2003
	£	£
Company		
(Loss)/Profit for the financial year	(37,924)	22,707
Dividends	(50,000)	-
	(87,924)	22,707
Other recognised gains and losses	-	128,080
	(87,924)	150,787
Net (depletion in)/addition to shareholders' funds	579,684	428,897
Opening shareholders' funds		
Closing shareholders' funds	491,760	579,684

17 Contingent liabilities

The company has given a guarantee, supported by a first legal charge over its freehold land and buildings and a debenture over its assets, in respect of a joint overdraft facility of £325,000 provided by the company's bankers to its subsidiary companies; Spiroflow Limited and Spiroflow Powder Handling Limited. At 31 December 2004 the company had a contingent liability of £99,582 (2003: £109,931) in respect of this guarantee.

SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

18 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

2004	2003
Number	Number
30	30

Employment costs

	£	£
Wages and salaries	713,477	732,730
Social security costs	85,892	80,759
Other pension costs	50,980	21,926
	850,349	835,415

19 Control

The group is under the control of the directors by virtue of their shareholdings in Spiroflow Group Limited.

SPIROFLOW GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

20 Related party transactions

Group

Transactions with Spiroflow Systems Incorporated (a subsidiary of Spiroflow Group Limited) include amounts invoiced to Spiroflow Systems Incorporated of £280,304 (2003: £252,395) of which £9,780 (2003: £12,092) has been credited to turnover and £270,524 (2003: £240,303) has been credited to operating charges. Amounts charged by Spiroflow Systems Incorporated totalled £32,177 (2003: £15,851) which are included with cost of sales.

At 31 December 2004 there was an amount of £73,754 (2003: £58,885) due from Spiroflow Systems Incorporated.

At 31 December 2004 there was an amount of £17,663 (2003: £17,622) due from Oxo, a company which has a common director.

Company

Transactions with Spiroflow Systems Incorporated (a subsidiary of Spiroflow Group Limited) include amounts invoiced to Spiroflow Systems Incorporated of £120,244 (2003: £108,252) of which £120,244 (2003: £108,252) has been credited to operating charges.

At December 2003, there was an amount of £10,964 (2003: £40,390) due from Spiroflow Systems Incorporated.

At 31 December 2004, there was an amount of £17,663 (2003: £17,623) due from Oxo, a company which has a common director.

At 31 December 2004, there was an amount of £7,989 (2003: £93,324) due from Spiroflow Powder Handling Limited (a subsidiary of Spiroflow Group Limited).

At 31 December 2004, there was an amount of £41,699 (2003: £136,541) due to Spiroflow Limited (a subsidiary of Spiroflow Group Limited).

At 31 December 2004, there was an amount due from M Podevyn, a director of the company, of £nil (2003: £2,638). This amount is included within debtors.

All of the above transactions were at normal commercial rates.