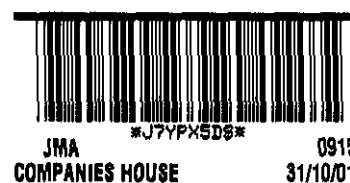


SPIROFLOW GROUP LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2000



SPIROFLOW GROUP LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2000

Company registration number: 1210198

Registered office: Lincoln Way
Clitheroe
Lancashire
BB7 1QG

Directors: M Podevyn
C Podevyn
D Heys
M Ranson

Secretary: D Heys

Bankers: Lloyds TSB Bank plc

Solicitors: Taylors
Rawlings House
Exchange Street
Blackburn
Lancashire
BB1 7JN

Auditors: Grant Thornton
Registered auditors
Chartered accountants
Heron House
Albert Square
Manchester
M60 8GT

SPIROFLOW GROUP LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2000

INDEX

PAGE

Report of the directors	1 - 2
Report of the auditors	3
Principal accounting policies	4 - 5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 - 17

SPIROFLOW GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 2000.

Principal activities

The company is principally engaged in the development, manufacture and sale of automatic metering, blending and conveying systems.

The company transferred its trade to its two subsidiaries on 1 October 2000. The company changed its name from Spiroflow Limited to Spiroflow Group Limited on 6 October 2000.

Business review

There was a loss for the year after taxation amounting to £267,598 (1999: profit £76,128). The directors do not recommend payment of a dividend.

Directors

The present membership of the Board is set out below. All directors served throughout the year.

The interests of the directors and their families in the shares of the company as at 31 December 2000 and 1 January 2000 were as follows:

	Ordinary shares	
	31 December 2000	1 January 2000
M Podevyn	36,600	36,600
C Podevyn	13,200	13,200
D Heys	1,000	1,000
M Ranson	-	-

In addition to the interests shown above, M J G F Podevyn and D Heys are directors of Astroscale Limited, the company which administers the Employee Benefit Trust, which holds 25,000 ordinary shares in the company.

Directors' responsibilities for the financial statements

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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SPIROFLOW GROUP LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'D Heys', is written over a horizontal line.

D Heys
Secretary
29 October 2001

**REPORT OF THE AUDITORS TO THE MEMBERS OF
SPIROFLOW GROUP LIMITED**

We have audited the financial statements on pages 4 to 17 which have been prepared under the accounting policies set out on pages 4 to 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

MANCHESTER
29 October 2001

SPIROFLOW GROUP LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention except that certain freehold land and buildings are shown at their revalued amounts. During the year the company has adopted FRS 15 and has followed the transitional provisions of paragraph 104a of the FRS.

The company is exempt from preparing consolidated financial statements on the grounds that, taken together with its subsidiaries, it qualifies as a medium-sized group under section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Freehold buildings	2% on valuation
Demonstration equipment	15% on a reducing balance basis
Plant and machinery	15% on a reducing balance basis
Plant and machinery	15% on a reducing balance basis
Fixtures and fittings/office equipment	15% on a reducing balance basis / 25% on cost
Motor vehicles	15% on a reducing balance basis

INVESTMENTS

Investments are included at cost less amounts written off.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

SPIROFLOW GROUP LIMITED

PRINCIPAL ACCOUNTING POLICIES

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

SPIROFLOW GROUP LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	1	1,928,602	2,932,312
Cost of sales		(952,942)	(1,434,880)
Gross profit		975,660	1,497,432
Other operating income and charges	2	(953,662)	(1,396,829)
Operating profit		21,998	100,603
Income from other fixed asset investments	3	-	18,750
Amounts written off investments	9	(271,426)	-
Net interest	4	(12,871)	(10,258)
Loss on ordinary activities before taxation	1	(262,299)	109,095
Tax on loss on ordinary activities	6	(5,299)	(32,967)
Loss transferred from reserves	15	(267,598)	76,128

There were no recognised gains or losses other than the loss for the financial year.

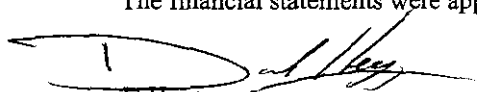
The accompanying accounting policies and notes form an integral part of these financial statements.

SPIROFLOW GROUP LIMITED

BALANCE SHEET AT 31 DECEMBER 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	8	424,212	500,319
Investments	9	290,004	561,426
		<u>714,216</u>	<u>1,061,745</u>
Current assets			
Stocks	10	75,000	367,181
Debtors	11	386,181	587,812
Cash at bank and in hand		34,472	34,491
		<u>495,653</u>	<u>989,484</u>
Creditors: amounts falling due within one year	12	<u>(510,540)</u>	<u>(1,034,421)</u>
Net current liabilities		<u>(14,887)</u>	<u>(44,937)</u>
Total assets less current liabilities		<u>699,329</u>	<u>1,016,808</u>
Creditors: amounts falling due after more than one year	13	-	(49,881)
		<u>699,329</u>	<u>966,927</u>
Capital and reserves			
Called up share capital	14	100,000	100,000
Revaluation reserve	15	110,753	110,753
Profit and loss account	15	488,576	756,174
Shareholders' funds	16	<u>699,329</u>	<u>966,927</u>

The financial statements were approved by the Board of Directors on 29 October 2001.


D Heys

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

SPIROFLOW GROUP LIMITED**CASH FLOW STATEMENT**

For the year ended 31 December 2000

	Note	2000 £	1999 £
Net cash outflow from operating activities	17	(135,136)	260,270
Returns on investments and servicing of finance			
Interest received		736	745
Interest paid		(13,607)	(11,003)
Dividends received		-	18,750
Net cash outflow from returns on investments and servicing of finance		(12,871)	8,492
Taxation		3,586	(53,523)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,029)	(106,542)
Sale of tangible fixed assets		11,000	32,406
Net cash inflow from capital expenditure and financial investment		7,971	(74,136)
Acquisitions and disposals			
Purchase of investments		(4)	(165,002)
Net cash outflow from acquisitions and disposals		(4)	(165,002)
Decrease in cash	18	(136,454)	(23,899)

The accompanying accounting policies and notes form an integral part of these financial statements.

SPIROFLOW GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and loss before taxation are attributable to the company's principal activity.

An analysis of turnover by geographical market is given below:

	2000 £	1999 £
United Kingdom	1,267,515	2,027,556
Rest of World	661,087	904,756
	<u>1,928,602</u>	<u>2,932,312</u>

The loss on ordinary activities is stated after:

	2000 £	1999 £
Auditors' remuneration	6,000	4,750
Depreciation and amortisation:		
Tangible fixed assets, owned	48,019	71,769
Write-downs of fixed asset investments	271,426	-
	<u>271,426</u>	<u>-</u>

2 OTHER OPERATING INCOME AND CHARGES

	2000 £	1999 £
Distribution costs	367,243	421,258
Administrative expenses	642,419	997,897
Other operating income	(56,000)	(22,326)
	<u>953,662</u>	<u>1,396,829</u>

3 INCOME FROM OTHER FIXED ASSET INVESTMENTS

	2000 £	1999 £
From shares in group undertakings	-	18,750
	<u>-</u>	<u>18,750</u>

SPIROFLOW GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

4 NET INTEREST

	2000 £	1999 £
Other interest payable and similar charges	13,607	11,003
Other interest receivable and similar income	(736)	(745)
	<u>12,871</u>	<u>10,258</u>

5 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2000 £	1999 £
Wages and salaries	564,819	821,989
Social security costs	52,958	81,302
Other pension costs	26,510	33,226
	<u>644,287</u>	<u>936,517</u>

The average number of employees of the company during the year was 29 (1999: 43).

Remuneration in respect of directors was as follows:

	2000 £	1999 £
Emoluments	186,067	198,305
Pension contributions to money purchase pension schemes	18,103	19,650
	<u>204,170</u>	<u>217,955</u>

During the year 4 directors (1999: 4) participated in money purchase pension schemes.

6 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge represents:

	2000 £	1999 £
UK Corporation tax at 20% (1999: 24.35%)	5,299	36,246
Adjustments in respect of prior periods:		
Corporation tax	-	(3,279)
	<u>5,299</u>	<u>32,967</u>

SPIROFLOW GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

8 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation						
At 1 January 2000	379,235	103,384	251,249	14,420	217,559	965,847
Additions	-	-	-	377	2,652	3,029
Disposals	-	-	(61,712)	-	-	(61,712)
At 31 December 2000	379,235	103,384	189,537	14,797	220,211	907,164
Depreciation						
At 1 January 2000	78,430	78,346	119,067	12,095	177,590	465,528
Provided in the year	7,584	3,755	25,250	404	11,026	48,019
Eliminated on disposals	-	-	(30,595)	-	-	(30,595)
At 31 December 2000	86,014	82,101	113,722	12,499	188,616	482,952
Net book amount at 31 December 2000	<u>293,221</u>	<u>21,283</u>	<u>75,815</u>	<u>2,298</u>	<u>31,595</u>	<u>424,212</u>
Net book amount at 31 December 1999	<u>300,805</u>	<u>25,038</u>	<u>132,182</u>	<u>2,325</u>	<u>39,969</u>	<u>500,319</u>

The figures stated above for cost or valuation include valuations as follows:

	Freehold land and buildings	
	2000	1999
	£	£
At cost	54,235	54,235
At 1990 valuation	325,000	325,000
	<u>379,235</u>	<u>379,235</u>

The company has adopted FRS 15 for the first time and the transitional provisions of paragraph 104a of the FRS are being followed for the year ended 31 December 2000. The book amounts have been retained and the valuation has not been updated, the date of the last revaluation being 1990.

SPIROFLOW GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

If freehold land and buildings had not been revalued, they would have been included on the historical cost basis at the following amount:

	Freehold land and buildings £
Cost	240,800
Accumulated depreciation	50,748
Net book amount at 31 December 2000	190,052
Net book amount at 31 December 1999	194,868

9 FIXED ASSETS INVESTMENTS

	Shares in subsidiary undertakings £	Shares in associated undertakings £	Own shares £	Total £
Cost or valuation				
At 1 January 2000	396,426	617	165,000	562,043
Additions	4	-	-	4
Disposals	-	(617)	-	(617)
At 31 December 2000	396,430	-	165,000	561,430
Amounts written off				
At 1 January 2000	-	617	-	617
Provided during the year	271,426	-	-	271,426
Eliminated on disposals	-	(617)	-	(617)
At 31 December 2000	271,426	-	-	271,426
Net book amount at 31 December 2000	125,004	-	165,000	290,004
Net book amount at 31 December 1999	396,426	-	165,000	561,426

SPIROFLOW GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

At 31 December 2000 the company had interests in the following undertakings.

	Country of incorporation	Class of share capital held	Proportion held	Nature of business	Capital and reserves	(Loss)/Profit for the financial year
					£	£
Subsidiaries						
Spiroflow Systems Incorporated	USA	Ordinary	76.19%	Manufacture and sale of automatic metering, blending and conveying systems	169,763	(160,003)
Spiroflow Limited	United Kingdom	Ordinary	100%	Manufacture and sale of automatic metering, blending and conveying systems	3,331	3,329
Spiroflow Powder Handling Limited	United Kingdom	Ordinary	100%	Sale of parts for automatic metering, blending and conveying systems	1,277	1,275

10 STOCKS

	2000 £	1999 £
Raw materials	75,000	268,369
Short-term work in progress	-	98,812
	<u>75,000</u>	<u>367,181</u>

11 DEBTORS

	2000 £	1999 £
Trade debtors	103,483	483,418
Amounts owed by group undertakings	263,367	77,361
Other debtors	7,463	10,907
Prepayments and accrued income	11,868	16,126
	<u>386,181</u>	<u>587,812</u>

SPIROFLOW GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank loans and overdrafts	273,756	137,321
Payments received on account	14,737	301,043
Trade creditors	17,825	291,108
Amounts owed to group undertakings	91,865	-
Amounts owed to undertakings in which the company has a participating interest	-	3,335
Corporation tax	39,914	31,029
Social security and other taxes	10,274	45,382
Other creditors	37,813	191,002
Accruals and deferred income	24,356	34,201
	<u>510,540</u>	<u>1,034,421</u>

The bank overdraft is secured by a fixed and floating charge over the company's assets and first mortgage over land off Taylor Street, Clitheroe.

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Other creditors	-	49,881
	<u>-</u>	<u>49,881</u>

14 SHARE CAPITAL

	2000 £	1999 £
Authorised 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid 100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

SPIROFLOW GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

15 RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 January 2000	110,753	756,174
Retained loss for the year	-	(267,598)
At 31 December 2000	<u>110,753</u>	<u>488,576</u>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Loss for the financial year	(267,598)	76,128
Shareholders' funds at 1 January 2000	966,927	890,799
Shareholders' funds at 31 December 2000	<u>699,329</u>	<u>966,927</u>

17 NET CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	21,998	100,603
Depreciation	48,019	71,769
Loss on sale of tangible fixed assets	20,117	13,132
Decrease in stocks	292,181	(31,076)
Decrease in debtors	201,631	(132,682)
Decrease in creditors	(719,082)	238,524
Net cash outflow from continuing operating activities	<u>(135,136)</u>	<u>260,270</u>

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £	1999 £
Decrease in cash in the year	(136,454)	(23,899)
Net debt at 1 January 2000	(102,830)	(78,931)
Net debt at 31 December 2000	<u>(239,284)</u>	<u>(102,830)</u>

SPIROFLOW GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

19 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2000 £	Cash flow £	At 31 December 2000 £
Cash in hand and at bank	34,491	(19)	34,472
Overdrafts	(137,321)	(136,435)	(273,756)
	<u>(102,830)</u>	<u>(136,454)</u>	<u>(239,284)</u>

20 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2000 or 31 December 1999.

21 CONTINGENT ASSETS/LIABILITIES

There were no contingent liabilities at 31 December 2000 or 31 December 1999.

22 PENSIONS

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

SPIROFLOW GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

23 TRANSACTIONS WITH RELATED PARTIES

Transaction with Spiroflow Systems Incorporated (a subsidiary of Spiroflow Group Limited) include amounts invoiced to Spiroflow Systems Incorporated of £157,963 of which £90,090 (1999:£24,468) is included within turnover, recharged expenses of £41,873 (1999:£50,089) credited to operating charges and management charges of £26,000 (1999:£22,326). Amounts totalling £23,311 have been invoiced by Spiroflow Systems Incorporated of which £21,885 (1999:£15,958) is included in cost of sales and £1,426 included in operating charges.

At 31 December 2000, there was an amount of £10,204 (1999:£77,361) due to Spiroflow Systems Incorporated.

At 31 December 2000, there was an amount of £20,531 due from Oxo.

Transactions with Spiroflow Powder Handling Limited (a subsidiary of Spiroflow Group Limited) include amounts invoiced to Spiroflow Powder Handling Limited of £235,454 of which £195,628 has been credited to cost of sales and recharged expenses of £39,826 of credited to operating charges.

At 31 December 2000, there was an amount of £242,836 due from Spiroflow Powder Handling Limited.

Transactions with Spiroflow Limited (a subsidiary of Spiroflow Group Limited) include amounts invoiced to Spiroflow Limited of £90,219 of which £49,503 has been credited to cost of sales and £40,716 credited to operating charges. Cost of sales include £55,753 of purchases from Spiroflow Limited.

At 31 December 2000, there was an amount of £81,661 due to Spiroflow Limited.

The company paid rent of £Nil (1999:£2,695) to M J G F Podevyn (a director) for the use of an export office. The company also paid amounts of £25,785 (1999:£16,204) to Acre Hill Farm, a business in which M J G F Podevyn is a partner, for research and development and fuel, oil and derv, secretarial fees and mileage.

All of the above transactions were at normal commercial rates.

At 31 December 2000, the company owed £37,811 (1999:£131,881) to the Spiroflow (1986) Pension Fund, of which M J C F Podevyn and C Podevyn are trustees. The loan is repayable in monthly instalments of £7,500 and interest is payable quarterly at 1.95% above bank base rate.