

SPIROFLOW LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 1996

Company Number : 1210198



SPIROFLOW LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

Company registration number:

1210198

Registered office:

Upbrooks
Clitheroe
Lancashire
BB7 1QG

Directors:

M J G F Podevyn
C A M Podevyn
R Halliwell
L Smith
D Heys

Secretary:

D Heys

Bankers:

Lloyds Bank plc

Solicitors:

Taylors
Harrison Drury

Auditors:

Grant Thornton
Registered Auditors
Chartered Accountants
Manchester

SPIROFLOW LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

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SPIROFLOW LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1996.

Principal activity

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

Business review

There was a profit for the year after taxation amounting to £113,528 (1995 : £154,867). The directors recommend dividends absorbing £40,000 leaving £73,528 retained.

Directors

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

M J G F Podevyn

C A M Podevyn

R Halliwell

L Smith

D Heys

The interests of the directors in the shares of the company as at 1 January 1996 and 31 December 1996, were as follows:

	Ordinary shares of £1 each 1996 and 1995
M J G F Podevyn	36,600
C A M Podevyn	13,200
R Halliwell	19,600
L Smith	-
D Heys	-

In addition to the interests shown above, M J G F Podevyn, C A M Podevyn and R Halliwell are trustees and members of the Spiroflow Pension Fund 1986 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 :

- i select suitable accounting policies and then apply them consistently
- ii make judgements and estimates that are reasonable and prudent
- iii 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SPIROFLOW LIMITED

REPORT OF THE DIRECTORS

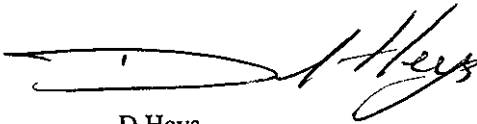
Charitable contributions

Donations to charitable organisations amounted to £875.

Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with Section 385(2) 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

15 September 1997

REPORT OF THE AUDITORS

TO THE DIRECTORS OF SPIROFLOW LIMITED

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 4 to 16 together with the full financial statements of Spiroflow Limited prepared under Section 226 of the Companies Act 1985 for the year ended 31 December 1996.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with the provisions of Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts in accordance with those provisions and whether the abbreviated accounts have been properly prepared in accordance with those provisions.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to prepare abbreviated accounts, and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion, the company is entitled to deliver abbreviated accounts prepared in accordance with 246A(3) of the Companies Act 1985 and the abbreviated accounts on pages 4 to 15 have been properly prepared in accordance with that provision.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER**

15 September 1997

SPIROFLOW LIMITED

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention except that freehold land and buildings are shown at their revalued amounts.

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

Group accounts

The directors have taken advantage of Section 248 of the Companies Act 1985 in not preparing group accounts on the basis that the group qualifies as medium sized.

Turnover

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

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 land and buildings	2% on valuation
Demonstration equipment	15% on reducing balance
Plant and machinery	15% on reducing balance
Fixtures and fittings	15% on reducing balance
Motor vehicles	25% on reducing balance
Office equipment	15% on reducing balance and 25% on cost

Investments

Investments are included at cost.

Goodwill

Purchased goodwill is eliminated from the financial statements by immediate write-off on acquisition against reserves.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value.

SPIROFLOW LIMITED

PRINCIPAL ACCOUNTING POLICIES

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.

Pensions

The company operates a defined contribution pension scheme. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Hire purchase and leasing commitments

Assets held under hire purchase contracts or finance leases are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

SPIROFLOW LIMITED**ABBREVIATED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 1996**

	Note	1996 £	1995 £
Gross profit		1,454,371	1,440,495
Other operating income and charges	2	<u>1,254,658</u>	<u>1,231,482</u>
Operating profit		199,713	209,013
Amounts written off investments	8	<u>22,373</u>	<u>-</u>
		177,340	209,013
Net interest	3	<u>413</u>	<u>10,024</u>
Profit on ordinary activities before taxation	1	177,753	219,037
Tax on profit on ordinary activities	5	<u>64,225</u>	<u>64,170</u>
Profit on ordinary activities after taxation		113,528	154,867
Dividends	6	40,000	64,000
Profit retained	14	<u><u>73,528</u></u>	<u><u>90,867</u></u>

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

The accompanying accounting policies and notes form an integral part of these abbreviated accounts.

SPIROFLOW LIMITED**ABBREVIATED BALANCE SHEET AT 31 DECEMBER 1996**

	Note	1996 £	1995 £
Fixed assets			
Tangible assets	7	542,897	545,839
Investments	8	<u>328,309</u>	<u>23,332</u>
		871,206	569,171
Current assets			
Stocks	9	298,148	175,418
Debtors	10	468,911	724,935
Cash at bank		<u>4,530</u>	<u>130,402</u>
		771,589	1,030,755
Creditors : amounts falling due within one year	11	<u>890,274</u>	<u>824,637</u>
Net current (liabilities)/assets		<u>(118,685)</u>	<u>206,118</u>
Total asset less current liabilities		752,521	775,289
Provisions for liabilities and charges	12	<u>3,704</u>	<u>-</u>
		<u>748,817</u>	<u>775,289</u>
Capital and reserves			
Called up share capital	13	100,000	100,000
Revaluation reserve	14	119,057	121,825
Profit and loss account	14	<u>529,760</u>	<u>553,464</u>
Shareholders' funds	15	<u>748,817</u>	<u>775,289</u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

The abbreviated accounts were approved by the Board on 15 September 1997.


M J G F Porevyn

Director

The accompanying accounting policies and notes form an integral part of these abbreviated accounts.

SPIROFLOW LIMITED**ABBREVIATED CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 1996**

	Note	1996 £	1995 £
Net cash inflow from operating activities	16	338,515	270,471
Returns on investments and servicing of finance			
Interest received		2,455	10,087
Interest paid		(2,042)	(63)
Dividends paid		<u>(40,000)</u>	<u>(64,000)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(39,587)</u>	<u>(53,976)</u>
Taxation			
UK corporation tax paid		(62,553)	(41,370)
Investing activities			
Purchase of tangible fixed assets		(94,896)	(81,399)
Purchase of goodwill		(100,000)	-
Purchase of investments		(327,350)	(22,789)
Sale of tangible fixed assets		<u>21,600</u>	<u>4,975</u>
Net cash outflow from investing activities		<u>(500,646)</u>	<u>(99,213)</u>
Net cash (outflow)/inflow before financing		(264,271)	75,912
Financing			
Capital element of finance lease rentals	17	<u>-</u>	<u>(2,796)</u>
Net cash outflow from financing		-	(2,796)
(Decrease)/increase in cash and cash equivalents	18	<u><u>(264,271)</u></u>	<u><u>73,116</u></u>

The accompanying accounting policies and notes for an integral part of these abbreviated accounts.

SPIROFLOW LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

1 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996	1995
	£	£
The profit on ordinary activities before taxation is stated after :		
Exceptional item - bad debt	43,499	-
Exchange differences	237	253
Depreciation, owned assets	75,963	67,836
Loss on disposal of fixed assets	275	1,538
Auditors' remuneration	<u>4,000</u>	<u>3,709</u>

The exceptional item relates to the debts due from Schutte-Spiroflow GmbH, its associated undertaking, which are considered to be doubtful by the company.

2 OTHER OPERATING INCOME AND CHARGES

	1996	1995
	£	£
Distribution costs	354,636	353,304
Administrative expenses	919,356	878,178
Other operating income	(19,334)	-
	<u>1,254,658</u>	<u>1,231,482</u>

3 NET INTEREST

	1996	1995
	£	£
On bank overdrafts	(2,042)	(63)
Other interest receivable	2,455	10,087
	<u>413</u>	<u>10,024</u>

SPIROFLOW LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

4 DIRECTORS AND EMPLOYEES

	1996 £	1995 £
Staff costs during the year were as follows :		
Wages and salaries	795,691	681,685
Social security costs	80,138	71,483
Other pension costs	40,982	39,453
	<u>916,811</u>	<u>792,621</u>

The average number of employees of the company during the year was 42 (1995 : 38).

	1996 £	1995 £
Remuneration in respect of directors was as follows :		

Management remuneration (including pension contributions)	<u>269,383</u>	<u>220,776</u>
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The emoluments of the directors, excluding pension contributions, were as follows:

The chairman and highest paid director	<u>60,759</u>	<u>47,516</u>
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	1996 Number	1995 Number
Other directors		
£30,001 to £35,000	-	2
£40,001 to £45,000	3	2
£50,001 to £55,000	<u>1</u>	<u>-</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £	1995 £
The tax charge represents :		
UK corporation tax @ 24.25% (1995 : 25%)	60,968	69,000
Deferred tax	3,704	-
Adjustment in respect of prior year	(447)	(4,830)
	<u>64,225</u>	<u>64,170</u>

6 DIVIDENDS

	1996 £	1995 £
Interim dividend of 40p per share paid 20 December 1996 (1995 : 64p)	<u>40,000</u>	<u>64,000</u>

SPIROFLOW LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

7 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Demonstration equipment £	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Office equipment £	Totals £
Cost or valuation							
At 1 January 1995	379,235	60,801	36,997	14,420	201,159	165,398	858,010
Additions	-	-	1,556	-	72,798	20,542	94,896
Disposals	-	-	-	-	(70,998)	-	(70,998)
At 31 December 1996	<u>379,235</u>	<u>60,801</u>	<u>38,553</u>	<u>14,420</u>	<u>202,959</u>	<u>185,940</u>	<u>881,908</u>
Depreciation							
At 1 January 1995	48,094	32,215	24,719	9,967	110,422	86,754	312,171
Provided in the year	7,584	4,287	2,074	667	35,411	25,940	75,963
Disposals	-	-	-	-	(49,123)	-	(49,123)
At 31 December 1996	<u>55,678</u>	<u>36,502</u>	<u>26,793</u>	<u>10,634</u>	<u>96,710</u>	<u>112,694</u>	<u>339,011</u>
Net book amount							
At 31 December 1996	<u>323,557</u>	<u>24,299</u>	<u>11,760</u>	<u>3,786</u>	<u>106,249</u>	<u>73,246</u>	<u>542,897</u>
Net book amount							
At 31 December 1995	<u>331,141</u>	<u>28,586</u>	<u>12,278</u>	<u>4,453</u>	<u>90,737</u>	<u>78,644</u>	<u>545,839</u>

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

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

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

	£
Cost	240,800
Accumulated depreciation	<u>31,484</u>
Net book amount at 31 December 1996	<u>209,316</u>
Net book amount at 31 December 1995	<u>214,132</u>

SPIROFLOW LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

8 FIXED ASSET INVESTMENTS

	£
Cost	
At 1 January 1996	23,332
Additions	327,350
At 31 December 1996	<u>350,682</u>
Amounts written off	
At 1 January 1996	-
Provided in the year	22,373
At 31 December 1996	<u>22,373</u>
Net book amount	
At 31 December 1996	<u>328,309</u>
At 31 December 1995	<u>23,332</u>

Interests in associated undertakings

At 31 December 1996 the company had interests in the following associated undertakings :

Company name	Country of incorporation	Class of share capital held	Holding by company	Nature of business
Spiroflow Orthos Systems Incorporated	USA	Ordinary	50.00	Development, manufacture and sale of automatic metering, blending and conveying systems
Schutte-Spiroflow GmbH	Germany	Ordinary	49.50	Development, manufacture and sale of automatic metering, blending and conveying systems
Spiroflow SA (Proprietary) Limited	South Africa	Ordinary	24.00	Development, manufacture and sale of automatic metering, blending and conveying systems
Spiroflow System Australia Pty Limited	Australia	Ordinary	49.00	Development, manufacture and sale of automatic metering, blending and conveying systems
Spiroflow NZ Limited	New Zealand	Ordinary	49.00	Development, manufacture and sale of automatic metering, blending and conveying systems

The following details relating to associated companies are disclosed in accordance with the Companies Act 1985 :

Spiroflow Orthos Systems Incorporated

The aggregate of the capital and reserves of the undertaking at 31 March 1996 (being the relevant year ending in the year ended 31 December 1996) was £215,342 and its profit for the year ended 31 March 1996 was £44,035.

SPIROFLOW LIMITED**NOTES TO THE ABBREVIATED ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 1996****9 STOCKS**

	1996 £	1995 £
Raw materials	267,966	145,146
Work in progress	30,182	30,272
	<u>298,148</u>	<u>175,418</u>

10 DEBTORS

	1996 £	1995 £
Trade debtors	415,386	619,244
Other debtors	55	7,170
Amounts owed by associated companies	37,469	69,961
Prepayments and accrued income	16,001	28,560
	<u>468,911</u>	<u>724,935</u>

Included in amounts owed by associated companies are amounts due after more than one year totalling £Nil (1995 : £14,240).

11 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Bank overdraft	138,399	-
Payments received on account	129,414	314,514
Trade creditors	465,418	355,812
Corporation tax	50,968	53,000
Social security and other taxes	42,644	85,003
Other creditors	201	-
Accruals and deferred income	63,230	16,308
	<u>890,274</u>	<u>824,637</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.

SPIROFLOW LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

12 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation for which provision has been made in the financial statements and the amounts for which no provision has been made, are as follows :

	Deferred taxation £
At 1 January 1996	-
Provided during year	3,704
At 31 December 1996	<u>3,704</u>

The balance on the deferred taxation represents the full potential liability for the company on the difference between the capital allowances claimed on fixed assets for taxation purposes compared to those amounts charged in the financial statements for depreciation. Deferred tax of £1,534 (1995 : £3,151) has not been provided in respect of unrealised capital gains arising from the revaluation of the land and buildings because it is unlikely that this timing difference will reverse in the foreseeable future.

13 SHARE CAPITAL

	1996 £	1995 £
Authorised, allotted, issued and fully paid 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

14 RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 January 1996	121,825	553,464
Retained profit for the year	-	73,528
Transfer from revaluation reserve to profit and loss account	(2,768)	2,768
Goodwill written off	-	(100,000)
At 31 December 1996	<u>119,057</u>	<u>529,760</u>

SPIROFLOW LIMITED**NOTES TO THE ABBREVIATED ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 1996****15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1996 £	1995 £
Profit for the financial year	113,528	154,867
Dividends and other appropriations	(40,000)	(64,000)
	<u>73,528</u>	<u>90,867</u>
Goodwill written off to reserves	(100,000)	-
Net (decrease)/increase in shareholders' funds	(26,472)	90,867
Shareholders' funds at 1 January 1996	775,289	684,422
Shareholders' funds at 31 December 1996	<u>748,817</u>	<u>775,289</u>

16 NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £	1995 £
Operating profit	199,713	209,013
Depreciation	75,963	67,836
Loss on sale of tangible fixed assets	275	1,538
(Increase)/decrease in stock	(122,730)	10,414
(Decrease)/increase in debtors	256,024	(303,102)
(Decrease)/increase in creditors	(70,730)	284,772
Net cash inflow from operating activities	<u>338,515</u>	<u>270,471</u>

17 ANALYSIS OF CHANGES IN FINANCING

	Amounts due under finance leases	
	1996 £	1995 £
At 1 January 1996	-	2,796
Net cash outflow from financing	-	(2,796)
At 31 December 1996	<u>-</u>	<u>-</u>

SPIROFLOW LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

18 CHANGES IN CASH AND CASH EQUIVALENTS

	£
At 1 January 1996	130,402
Net cash outflow	(264,271)
At 31 December 1996	<u>(133,869)</u>

Cash and cash equivalents comprise :

	1996 £	1995 £	1994 £	Change in 1996 £	Change in 1995 £
Cash at bank and in hand	4,530	130,402	57,286	(125,872)	73,116
Bank overdrafts	(138,399)	-	-	(138,399)	-
	<u>(133,869)</u>	<u>130,402</u>	<u>57,286</u>	<u>(264,271)</u>	<u>73,116</u>

19 CAPITAL COMMITMENTS

At 31 December 1996 the company had contracted but not provided for £Nil (1995 : £325,330).

20 PENSIONS

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. The pension cost charge represents contributions payable by the company to the fund and amounted to £40,982 (1995 : £39,453).

21 TRANSACTIONS WITH RELATED PARTIES

Transactions with Spiroflow Orthos Systems Incorporated (an associated undertaking of Spiroflow Limited) include £72,998 within turnover and include within other operating income and charges £18,333 relating to management charges made by Spiroflow Limited to Spiroflow Orthos Systems Incorporated. Within costs of sales is £34,663 relating to purchases from Spiroflow Orthos Systems Incorporated.

Transactions with Schutte Spiroflow GmbH (an associated undertaking of Spiroflow Limited) include £52,448 within turnover.

The company paid rent to M J G F Podevyn (a director) for the use of an export office of £4,620. The company also paid amounts of £10,000 and £6,832 to Acre Hill Farm, a business in which M J G F Podevyn is a partner, for the provision of research and development facilities and labour, and fuel oil/derv respectively.

All of the above transactions were at normal commercial rates.