

Company Registration No. 1210198 (England and Wales)

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005



SPIROFLOW 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	Taylor Rawlings House, Exchange Street Blackburn Lancashire BB1 7JN

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
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SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Directors

The following directors have held office since 1 January 2005:

M Podevyn

C Podevyn

D Heys

(Deceased 20 March 2005)

Principal activities and review of the business

The company changed its name by special resolution to Spiroflow Limited on 13 January 2006. On the same date its wholly owned subsidiary, Spiroflow Limited, changed its name to Spiroflow UK Limited.

On 31 October 2005 the trade of the two subsidiary companies Spiroflow UK Limited and Spiroflow Powder Handling Limited were transferred to the parent company and on 31 December 2005 the net assets of the two subsidiaries were also transferred to the parent company. The two subsidiaries have not traded since the date of transfer.

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 5.

An interim ordinary dividend was paid amounting to £50,000. The directors do not recommend payment of a final dividend.

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 Limited

Ordinary shares of £ 1 each

31 December 2005 1 January 2005

M Podevyn

24,900

36,600

C Podevyn

24,900

13,200

Spiroflow UK Limited

Ordinary shares of £ 1 each

31 December 2005 1 January 2005

M Podevyn

-

-

C Podevyn

-

-

Spiroflow Powder Handling Limited

Ordinary shares of £ 1 each

31 December 2005 1 January 2005

M Podevyn

-

-

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

C Podevyn

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Pierce C.A. Limited be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 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 Podevyn

Director

30 June 2006

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SPIROFLOW LIMITED

We have audited the financial statements of Spiroflow Limited for the year ended 31 December 2005 set out on pages 5 to 21. These financial statements have been prepared under 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 auditors' 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 or 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 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.

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE SHAREHOLDERS OF SPIROFLOW LIMITED

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 and the group's affairs as at 31 December 2005 and of the group's loss for the year then ended ; and
- have been properly prepared in accordance with the Companies Act 1985.

Pierce C.A. Limited

Pierce C.A. Limited

30 June 2006
.....

Chartered Accountants
Registered Auditor

Mentor House
Ainsworth Street
Blackburn
Lancashire
BB1 6AY

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Turnover	2	2,587,395	2,272,143
Cost of sales		(1,344,203)	(1,078,734)
Gross profit		1,243,192	1,193,409
Distribution costs		(430,104)	(388,772)
Administrative expenses		(755,904)	(721,366)
Other operating income		72,848	23,824
Operating profit	3	130,032	107,095
Other interest receivable and similar income		-	1,358
Interest payable and similar charges	4	(10,723)	(11,209)
Profit on ordinary activities before taxation		119,309	97,244
Tax on profit on ordinary activities	5	(33,691)	(14,477)
Profit on ordinary activities after taxation		85,618	82,767

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

There are no recognised gains and losses other than those passing through the profit and loss account.

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
BALANCE SHEETS
AS AT 31 DECEMBER 2005

		Group		Company	
		2005	2004	2005	2004
	Notes	£	£	£	£
Fixed assets					
Tangible assets	8 and 9	770,113	547,729	770,113	547,729
Investments	10	165,000	165,000	165,004	165,004
		<u>935,113</u>	<u>712,729</u>	<u>935,117</u>	<u>712,733</u>
Current assets					
Stocks	11	229,787	273,610	229,787	-
Debtors	12	556,637	660,814	556,637	43,469
Cash at bank and in hand		52,651	12,008	2,210	1,510
		<u>839,075</u>	<u>946,432</u>	<u>788,634</u>	<u>44,979</u>
Creditors: amounts falling due within one year	13	(1,008,733)	(929,324)	(958,297)	(265,954)
Net current (liabilities)/assets		<u>(169,658)</u>	<u>17,108</u>	<u>(169,663)</u>	<u>(220,975)</u>
Total assets less current liabilities		<u>765,455</u>	<u>729,837</u>	<u>765,454</u>	<u>491,758</u>
Capital and reserves					
Called up share capital	15	100,000	100,000	100,000	100,000
Revaluation reserve	16	231,601	234,109	231,601	234,109
Profit and loss account	16	433,854	395,728	433,853	157,649
Shareholders' funds	17	<u>765,455</u>	<u>729,837</u>	<u>765,454</u>	<u>491,758</u>

Approved by the Board and authorised for issue on 30 June 2006


M Podeszyn
Director

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005		2004	
	£	£	£	£
Net cash inflow from operating activities		200,498		204,412
Returns on investments and servicing of finance				
Interest received	-		1,358	
Interest paid	(10,723)		(11,209)	
Net cash outflow for returns on investments and servicing of finance		(10,723)		(9,851)
Taxation		(17,915)		-
Capital expenditure				
Payments to acquire tangible assets	(292,407)		(60,478)	
Receipts from sales of tangible assets	17,835		4,600	
Net cash outflow for capital expenditure		(274,572)		(55,878)
Equity dividends paid		(100,000)		-
(Decrease)/Increase in cash in the year		(202,712)		138,683

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	2005	2004
		£	£
	Operating profit	130,032	107,095
	Depreciation of tangible assets	62,373	58,595
	Profit on disposal of tangible assets	(10,185)	(4,600)
	Decrease/(increase) in stocks	43,823	(2,518)
	Decrease/(increase) in debtors	104,307	(37,240)
	(Decrease)/Increase in creditors within one year	(129,852)	83,080
	Net cash (outflow)/inflow from operating activities	200,498	204,412

2	Analysis of net debt	1 January 2005	Cash flow	Other non-cash changes	31 December 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	12,008	40,643	-	52,651
	Bank overdrafts	(179,045)	(243,355)	-	(422,400)
		(167,037)	(202,712)	-	(369,749)
	Net debt	(167,037)	(202,712)	-	(369,749)

3	Reconciliation of net cash flow to movement in net debt	2005	2004
		£	£
	(Decrease)/increase in cash in the year	(202,712)	138,683
	Movement in net debt in the year	(202,712)	138,683
	Opening net debt	(167,037)	(305,720)
	Closing net debt	(369,749)	(167,037)

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 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 2005. 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.

1.4 Turnover

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

1.5 Goodwill

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

1.6 Tangible fixed assets and depreciation

Tangible fixed assets include investment properties valued at their estimated current market value. Other tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost 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% - 25% per annum - straight line
Fixtures, fittings & equipment	15% per annum - straight line
Motor vehicles	25% - 33% 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.

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

(continued)

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

1.7 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

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

1.9 Stock and work in progress

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

1.10 Pensions

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.11 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.

1.12 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.

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

3	Operating profit	2005	2004
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	62,373	58,595
	Auditors' remuneration (company £7,425; 2004 - £2,901)	13,138	10,898
	Remuneration of auditors for non-audit work	1,565	-
	and after crediting:		
	Profit on disposal of tangible assets	(10,185)	(4,600)
	Profit on foreign exchange transactions	(32,847)	(23,823)
		<u></u>	<u></u>
4	Interest payable	2005	2004
		£	£
	On bank loans and overdrafts	10,723	11,209
		<u></u>	<u></u>
5	Taxation	2005	2004
		£	£
	Domestic current year tax		
	U.K. corporation tax	30,383	14,477
	Adjustment for prior years	3,308	-
		<u></u>	<u></u>
	Current tax charge	33,691	14,477
		<u></u>	<u></u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	119,309	97,244
		<u></u>	<u></u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.54% (2004 - 19.13%)	29,278	18,603
		<u></u>	<u></u>
	Effects of:		
	Non deductible expenses	3,328	572
	Depreciation add back	12,809	10,329
	Capital allowances	(14,869)	(8,482)
	Tax losses utilised	(169)	(6,282)
	Adjustments to previous periods	3,308	-
	Other tax adjustments	6	(263)
		<u></u>	<u></u>
		4,413	(4,126)
		<u></u>	<u></u>
	Current tax charge	33,691	14,477
		<u></u>	<u></u>

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

6 Profit/(loss) 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 for the financial year is made up as follows:

	2005 £	2004 £
Holding company's profit/(loss) for the financial year	323,696	(37,926)

7 Dividends

	2005 £	2004 £
Ordinary interim paid	50,000	-
Ordinary final proposed	-	50,000
	50,000	50,000

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

8 Tangible fixed assets
Group

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2005	475,000	333,710	15,648	183,920	1,008,278
Additions	-	24,545	2,431	51,206	78,182
Disposals	-	-	-	(39,563)	(39,563)
At 31 December 2005	475,000	358,255	18,079	195,563	1,046,897
Depreciation					
At 1 January 2005	9,500	318,927	15,236	116,886	460,549
On disposals	-	-	-	(31,913)	(31,913)
Charge for the year	13,700	9,594	778	38,301	62,373
At 31 December 2005	23,200	328,521	16,014	123,274	491,009
Net book value					
At 31 December 2005	451,800	29,734	2,065	72,289	555,888
At 31 December 2004	465,500	1,522	13,680	67,027	547,729

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

	£
Cost	
At 1 January 2005 & at 31 December 2005	349,624
Depreciation based on cost	
At 1 January 2005	93,154
Charge for the year	11,213
At 31 December 2005	93,154
Net book value	
At 31 December 2005	349,624
At 31 December 2004	349,624

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

Tangible fixed assets (continued)
Company

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2005	475,000	333,710	15,648	183,920	1,008,278
Additions	-	24,545	2,431	51,206	78,182
Disposals	-	-	-	(39,563)	(39,563)
At 31 December 2005	475,000	358,255	18,079	195,563	1,046,897
Depreciation					
At 1 January 2005	9,500	318,927	15,236	116,886	460,549
On disposals	-	-	-	(31,913)	(31,913)
Charge for the year	13,700	9,594	778	38,301	62,373
At 31 December 2005	23,200	328,521	16,014	123,274	491,009
Net book value					
At 31 December 2005	451,800	29,734	2,065	72,289	555,888
At 31 December 2004	465,500	1,522	13,680	67,027	547,729

The company's freehold premises at Lincoln Way, Clitheroe were valued at a current market value of £475,000 in April 2003 by Petty Chartered Surveyors. This valuation has been incorporated into the financial statements. The directors of the company are of the opinion that the current market value of the property is not materially different from the revalued amount.

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

	£
Cost	
At 1 January 2005 & at 31 December 2005	349,624
Depreciation based on cost	
At 1 January 2005	93,154
Charge for the year	11,213
At 31 December 2005	93,154
Net book value	
At 31 December 2005	349,624
At 31 December 2004	349,624

SPIROFLOW LIMITED**FORMERLY SPIROFLOW GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2005****9 Tangible fixed assets****Investment properties**

	Group	Company
	£	£
Cost or valuation		
At 1 January 2005	-	-
Additions	214,225	214,225
	<u>214,225</u>	<u>214,225</u>
At 31 December 2005	214,225	214,225
	<u>214,225</u>	<u>214,225</u>
Depreciation		
At 1 January 2005 & at 31 December 2005	-	-
	<u>-</u>	<u>-</u>
Net book value		
At 31 December 2005	214,225	214,225
	<u>214,225</u>	<u>214,225</u>
At 31 December 2004	-	-
	<u>-</u>	<u>-</u>

The company's investment property at The Coach House, Pimlico Road, Clitheroe is included in the accounts at its acquisition value at 31 December 2005.

The directors are of the opinion that this value represents the current market value of the property.

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

10 Fixed asset investments
Group

	Unlisted investments	Total
	£	£
Cost or valuation		
At 1 January 2005 & at 31 December 2005	165,000	165,000
At 31 December 2004	165,000	165,000

10 Fixed asset investments
Company

	Unlisted investments	Shares in group undertakings	Total
	£	£	£
Cost or valuation			
At 1 January 2005 & at 31 December 2005	165,000	396,430	561,430
Provisions for diminution in value			
At 1 January 2005 & at 31 December 2005	-	396,426	396,426
Net book value			
At 31 December 2005	165,000	4	165,004
At 31 December 2004	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.

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 UK Limited	England	Ordinary	100
Spiroflow Powder Handling Limited	England	Ordinary	100
Spiroflow Systems Inc.	USA	Common	64

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

10 Fixed asset investments

(continued)

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

	Principal activity
Spiroflow UK Limited	Ceased trading
Spiroflow Powder Handling Limited	Ceased trading
Spiroflow Systems Inc.	Manufacture and sale of 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.

11 Stocks and work in progress

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Raw materials and consumables	161,348	-	161,348	-
Work in progress	47,758	-	47,758	-
Finished goods and goods for resale	20,681	273,610	20,681	-
	<u>229,787</u>	<u>273,610</u>	<u>229,787</u>	<u>-</u>

12 Debtors

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	417,778	502,801	417,778	-
Amounts owed by group undertakings	111,279	115,435	111,279	36,615
Corporation tax	7,492	7,362	7,492	-
Other debtors	11,411	24,051	11,411	3,861
Prepayments and accrued income	8,677	11,165	8,677	2,993
	<u>556,637</u>	<u>660,814</u>	<u>556,637</u>	<u>43,469</u>

SPIROFLOW LIMITED
FORMERLY SPIROFLOW GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

13 Creditors : amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	422,400	179,045	206,758	79,463
Trade creditors	263,987	254,205	263,987	8,580
Amounts owed to group undertakings	12,500	24,019	200,406	41,699
Corporation tax	30,383	14,477	7,683	-
Taxes and social security costs	62,226	83,352	62,226	37,576
Other creditors	-	209,599	-	-
Accruals and deferred income	217,237	114,627	217,237	48,636
Proposed dividend	-	50,000	-	50,000
	<u>1,008,733</u>	<u>929,324</u>	<u>958,297</u>	<u>265,954</u>

The bank overdrafts of the group are secured by:

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

14 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

	2005	2004
	£	£
Contributions payable by the group for the year	<u>29,404</u>	<u>50,980</u>

15 Share capital

	2005	2004
	£	£
Authorised		
100,000 Ordinary of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
100,000 Ordinary of £1 each	<u>100,000</u>	<u>100,000</u>

SPIROFLOW LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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16 Statement of movements on reserves
Group

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2005	234,109	395,728
Profit for the year	-	85,618
Transfer from revaluation reserve to profit and loss account	(2,508)	2,508
Dividends paid	-	(50,000)
Balance at 31 December 2005	<u>231,601</u>	<u>433,854</u>

Company

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2005	234,109	157,649
Profit for the year	-	323,696
Transfer from revaluation reserve to profit and loss account	(2,508)	2,508
Dividends paid	-	(50,000)
Balance at 31 December 2005	<u>231,601</u>	<u>433,853</u>

SPIROFLOW LIMITED**FORMERLY SPIROFLOW GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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17 Reconciliation of movements in shareholders' funds	2005	2004
Group	£	£
Profit for the financial year	85,618	82,767
Dividends	(50,000)	(50,000)
Net addition to shareholders' funds	35,618	32,767
Opening shareholders' funds	729,837	697,070
Closing shareholders' funds	765,455	729,837
Company	2005	2004
	£	£
Profit/(Loss) for the financial year	323,696	(37,926)
Dividends	(50,000)	(50,000)
Net addition to/(depletion in) shareholders' funds	273,696	(87,926)
Opening shareholders' funds	491,758	579,684
Closing shareholders' funds	765,454	491,758
18 Directors' emoluments	2005	2004
	£	£
Emoluments for qualifying services	238,604	320,363
19 Employees		
Number of employees		
The average monthly number of employees (including directors) during the year was:		
	2005	2004
	Number	Number
	30	30
Employment costs	2005	2004
	£	£
Wages and salaries	797,623	713,477
Social security costs	93,924	85,892
Other pension costs	29,404	50,980
	920,951	850,349

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20 Control

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

21 Related party transactions

Group

Transactions with Spiroflow Systems Incorporated, as subsidiary of Spiroflow Group Limited, include amounts invoiced to Spiroflow Systems Incorporated of £68,111 (2004: £280,304) of which £62,920 (2004: £9,780) has been credited to turnover and £5,191 (2004: £270,524) has been credited to operating charges. Amounts charged by Spiroflow Systems Incorporated totalled £Nil (2004: £32,177) which are included with cost of sales.

At 31 December 2005 there was an amount of £94,402 (2004: £73,754) due from Spiroflow Systems Incorporated.

At 31 December 2005 there was an amount of £16,877 (2004: £17,663) due from Oxo, a company which has a common director.

Company

The company has taken advantage of the exemption in the Financial Reporting Standard No. 8 from the requirement not to disclose transactions with group companies on the grounds that consolidated accounts are to be prepared.

At December 2005, there was an amount of £94,402 (2004: £10,964) due from Spiroflow Systems Incorporated, a fellow subsidiary of Spiroflow Limited.

At 31 December 2005, there was an amount of £16,877 (2004: £17,663) due from Oxo, a company which has a common director.

At 31 December 2005, there was an amount of £63,047 (2004: £7,989 debtor) due to Spiroflow Powder Handling Limited, a subsidiary of Spiroflow Limited.

At 31 December 2005, there was an amount of £124,859 (2004: £41,699) due to Spiroflow UK Limited, a subsidiary of Spiroflow Limited.

All of the above transactions were at normal commercial rates.

In the opinion of the directors there are no further transactions that require disclosure under the Financial Reporting Standard No. 8.