

# **Spiroflow Group Limited**

Financial statements

For the year ended 31 December 2002

**Grant Thornton** 



**Company no.1210198**

## Company information

<b>Company registration number</b>	1210198
<b>Registered office</b>	Lincoln Way Clitheroe Lancashire BB7 1QG
<b>Directors</b>	M Podevyn C Podevyn D Heys M Ranson
<b>Secretary</b>	D Heys
<b>Bankers</b>	Lloyds TSB Bank plc
<b>Solicitors</b>	Taylor Rawlings House Exchange Street Blackburn Lancashire BB1 7JN
<b>Auditors</b>	Grant Thornton Chartered Accountants Registered Auditors Heron House Albert Square MANCHESTER M60 8GT

## Index to the financial statements

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## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2002.

### Principal activities and business review

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

### Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

### The directors and their interests in shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £ 1 each	
	At 31 December 2002	At 1 January 2002
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

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 7, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

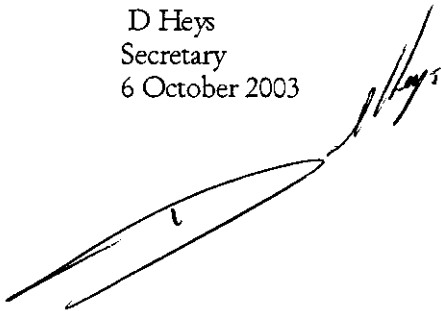
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

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

BY ORDER OF THE BOARD

D Heys  
Secretary  
6 October 2003

A handwritten signature in black ink, appearing to read 'D Heys', is written over a large, faint, stylized signature that spans across the bottom of the page.

## Report of the independent auditors to the members of Spiroflow Group Limited

We have audited the financial statements of Spiroflow Group Limited for the year ended 31 December 2002 which comprise the profit and loss account, balance sheet, cash flow statement and notes 1 to 18. 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**

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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 other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

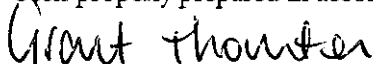
**Basis of opinion**

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 affairs of the company as at 31 December 2002 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

6 October 2003

## Principal accounting policies

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

### **Consolidation**

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

### **Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year.

### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold buildings	- 2% on valuation
Plant & Machinery	- 15% on reducing balance basis
Fixtures & Fittings	- 15% on reducing balance basis
Motor Vehicles	- 15% on reducing balance / 25% straight line basis
Equipment	- 15% on reducing balance / 25% straight line basis

### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.



## Profit and loss account

	Note	2002 £	2001 £
Turnover	1	(312)	98,216
Cost of sales		-	66,330
Gross (loss)/profit		(312)	31,886
Other operating income and charges	2	12,988	182,853
Operating loss	4	(13,300)	(150,967)
Interest receivable		-	1,584
Loss on disposal of investments		-	(50,000)
Interest payable	7	(4,325)	(18,386)
Loss on ordinary activities before taxation		(17,625)	(217,769)
Tax on loss on ordinary activities	8	1,307	(869)
Loss on ordinary activities after taxation		(18,932)	(216,900)
Dividends	9	-	34,600
Loss for the financial year		<u>(18,932)</u>	<u>(251,500)</u>

All of the activities of the company are classed as continuing.

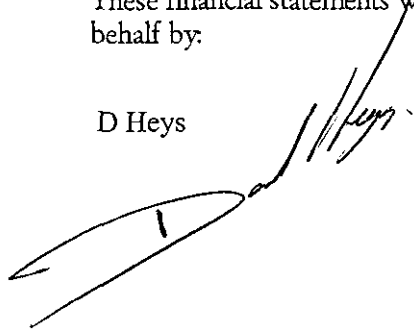
The company has no recognised gains or losses other than the results for the year as set out above.

## Balance sheet

	Note	2002 £	2001 £
<b>Fixed assets</b>			
Tangible assets	10	481,704	470,717
Investments	11	240,004	240,004
		<u>721,708</u>	<u>710,721</u>
<b>Current assets</b>			
Debtors	12	102,360	475,637
Cash at bank and in hand		2,024	19,867
		<u>104,384</u>	<u>495,504</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>397,195</u>	<u>758,396</u>
<b>Net current liabilities</b>		<u>(292,811)</u>	<u>(262,892)</u>
<b>Total assets less current liabilities</b>		<u>428,897</u>	<u>447,829</u>
<b>Capital and reserves</b>			
Called-up equity share capital	15	100,000	100,000
Revaluation reserve	16	110,753	110,753
Profit and Loss Account	16	218,144	237,076
<b>Shareholders' funds</b>	17	<u>428,897</u>	<u>447,829</u>

These financial statements were approved by the directors on 6 October 2003 and are signed on their behalf by:

D Heys



## Cash flow statement

	Note	2002 £	2001 £
Net cash inflow from operating activities	18	29,505	380,016
Returns on investments and servicing of finance			
Interest received		-	1,584
Interest paid		(4,325)	(18,386)
Net cash outflow from returns on investments and servicing of finance		(4,325)	(16,802)
Taxation		(1,685)	(38,667)
Capital expenditure			
Payments to acquire tangible fixed assets		(80,379)	(126,421)
Receipts from sale of fixed assets		11,444	26,526
Net cash outflow from capital expenditure		(68,935)	(99,895)
Equity dividends paid		-	(34,600)
(Decrease)/increase in cash	18	(45,440)	190,052

## Notes to the financial statements

### 1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2002	2001
	£	£
United Kingdom	(312)	78,699
Overseas sales	-	19,517
	<u>(312)</u>	<u>98,216</u>

### 2 Other operating income and charges

	2002	2001
	£	£
Distribution costs	102,085	107,724
Administrative expenses	129,727	285,072
Other operating income	(218,824)	(209,943)
	<u>12,988</u>	<u>182,853</u>

### 3 Other operating income

	2002	2001
	£	£
Management charges receivable	218,400	120,000
Other operating income	424	89,943
	<u>218,824</u>	<u>209,943</u>

#### 4 Operating loss

Operating loss is stated after charging:

	2002	2001
	£	£
Depreciation	56,516	45,841
Loss on disposal of fixed assets	1,432	7,549
Auditors' remuneration:		
Audit fees	6,000	6,000
Net loss on foreign currency translation	<u>-</u>	<u>2,623</u>

#### 5 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2002	2001
	No	No
Number of administrative staff	<u>4</u>	<u>4</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	189,255	231,807
Social security costs	21,705	27,330
Other pension costs	7,282	16,415
	<u>218,242</u>	<u>275,552</u>

#### 6 Directors

Remuneration in respect of directors was as follows:

	2002	2001
	£	£
Emoluments receivable	203,430	246,815
Value of company pension contributions to money purchase schemes	8,769	15,988
	<u>212,199</u>	<u>262,803</u>

Emoluments of highest paid director:

	2002	2001
	£	£
Total emoluments (excluding pension contributions):	62,238	71,030
Value of company pension contributions to money purchase schemes	702	4,425
	<u>62,940</u>	<u>75,455</u>

## 6 Directors (continued)

The number of directors who are accruing benefits under company pension schemes was as follows:

	2002 No	2001 No
Money purchase schemes	<u>2</u>	<u>3</u>

## 7 Interest payable

	2002 £	2001 £
Interest payable on bank borrowing	<u>4,325</u>	<u>18,386</u>

## 8 Tax on loss on ordinary activities

Taxation

	2002 £	2001 £
Current tax:		
UK Corporation tax based on the results for the year at 20% (2001 - 20%)	-	1,135
Over/under provision in prior year	<u>1,307</u>	<u>(2,004)</u>
Total current tax	<u>1,307</u>	<u>(869)</u>

## 9 Dividends

No dividend has been recommended for the for the year ended 31 December 2002.

## 10 Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Equipmen t £	Total £
Cost or valuation						
At 1 Jan 2002	455,727	89,149	14,797	145,940	225,506	931,119
Additions	4,650	3,500	851	71,378	-	80,379
Disposals	-	-	-	(50,272)	-	(50,272)
At 31 Dec 2002	<u>460,377</u>	<u>92,649</u>	<u>15,648</u>	<u>167,046</u>	<u>225,506</u>	<u>961,226</u>
Depreciation						
At 1 Jan 2002	95,129	72,303	12,835	80,059	200,076	460,402
Charge for the year	9,120	5,873	300	32,364	8,859	56,516
On disposals	-	-	-	(37,396)	-	(37,396)
At 31 Dec 2002	<u>104,249</u>	<u>78,176</u>	<u>13,135</u>	<u>75,027</u>	<u>208,935</u>	<u>479,522</u>
Net book value						
At 31 Dec 2002	<u>356,128</u>	<u>14,473</u>	<u>2,513</u>	<u>92,019</u>	<u>16,571</u>	<u>481,704</u>
At 31 Dec 2001	<u>360,598</u>	<u>16,846</u>	<u>1,962</u>	<u>65,881</u>	<u>25,430</u>	<u>470,717</u>

## 11 Investments

	Shares in subsidiary undertakings £	Own shares £	Total £
Cost			
At 1 January 2002 and 31 December 2002	<u>396,430</u>	<u>165,000</u>	<u>561,430</u>
Amounts written off			
At 1 January 2002 and 31 December 2002	<u>321,426</u>	<u>-</u>	<u>321,426</u>
Net book value			
At 31 December 2002	<u>75,004</u>	<u>165,000</u>	<u>240,004</u>
At 31 December 2001	<u>75,004</u>	<u>165,000</u>	<u>240,004</u>

The company owns 100% of the issued share capital of the companies listed below:

	2002 £	2001 £
<b>Aggregate capital and reserves</b>		
Spiroflow Systems Incorporated	14,025	102,736
Spiroflow Limited	205,912	225,784
Spiroflow Powder Handling Limited	72,245	34,758
<b>Profit and (loss) for the year</b>		
Spiroflow Systems Incorporated	33,886	(12,354)
Spiroflow Limited	(19,962)	223,239
Spiroflow Powder Handling Limited	37,487	33,663

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

## 12 Debtors

	2002 £	2001 £
Trade debtors	145	2,085
Amounts owed by group undertakings	90,033	404,895
Other debtors	9,572	58,423
Prepayments and accrued income	<u>2,610</u>	<u>10,234</u>
	<u>102,360</u>	<u>475,637</u>

**13 Creditors: amounts falling due within one year**

	2002	2001
	£	£
Bank loans and overdrafts	96,696	69,099
Trade creditors	7,881	62,647
Amounts owed to group undertakings	278,084	563,368
Corporation tax	-	378
Other taxation and social security	6,927	4,422
Other creditors	-	17,302
Accruals and deferred income	7,607	41,180
	<u>397,195</u>	<u>758,396</u>

**14 Related party transactions**

Transactions with Spiroflow Systems Incorporated (a subsidiary of Spiroflow Group Limited) include amounts invoiced to Spiroflow Systems Incorporated of £39,713 (2001: £50,649) of which have been credited to operating charges. Loan notes of £Nil (2001: £56,313) were repaid by the company to Spiroflow Systems Incorporated and a loan of £Nil (2001: £30,058) was made to that company during the year. Amounts totalling £Nil (2001: £2,443) have been invoiced by Spiroflow Systems Incorporated and are included in operating charges.

At 31 December 2002, there was an amount of £69,634 (2001: £72,630) due from Spiroflow Systems Incorporated.

At 31 December 2002, there was an amount of £20,399 (2001: £21,719) due from Oxo (a company which has a common director).

Transactions with Spiroflow Powder Handling Limited (a subsidiary of Spiroflow Group Limited) includes amounts charged to Spiroflow Powder Handling Limited of £38,422 (2001: £38,971) which have been credited to operating charges. Cost of sales include £Nil (2001: £6,811) in respect of recharges from Spiroflow Powder Handling Limited.

At 31 December 2002, there was an amount of £59,720 (2001: £191,734 debtor) due to Spiroflow Powder Handling Limited.

Transactions with Spiroflow Limited (a subsidiary of Spiroflow Group Limited) include amounts charged to Spiroflow Limited of £120,949 (2001: £297,552) of which £Nil (2001: £62,150) has been credited to cost of sales, £120,949 (2001: £115,402) has been credited to operating charges and £Nil (2001: £120,000) of management charges is included within operating income. Cost of sales include £5,239 (2001: £15,493) of purchases from Spiroflow Limited.

At 31 December 2002, there was an amount of £203,364 (2001: £443,367) due to Spiroflow Limited.

At 31 December 2002, there was an amount due by M J G F Podevyn, a director of the company, of £4,538 (2001: £4,538). This amount is included within debtors.

Amounts due by M Ranson a director of the company were £1,000 (2001: £2,500) in respect of a car purchased from the company.

All of the above transactions were at normal commercial rates.



**15 Share capital**

Authorised share capital:

	2002	2001
	£	£
100,000 Ordinary shares of £1 each	100,000	100,000

Allotted, called up and fully paid:

	2002	2001
	£	£
Ordinary share capital	100,000	100,000

**16 Reserves**

	Revaluation reserve	Profit and loss account
	£	£
Balance brought forward	110,753	237,076
Loss for the year	-	(18,932)
Balance carried forward	110,753	218,144

**17 Reconciliation of movements in shareholders' funds**

	2002	2001
	£	£
Loss for the financial year	(18,932)	(216,900)
Dividends	-	(34,600)
	(18,932)	(251,500)
Opening shareholders' equity funds	447,829	699,329
Closing shareholders' equity funds	428,897	447,829

**18 Notes to the statement of cash flows**

**Reconciliation of operating loss to net cash outflow from operating activities**

	2002	2001
	£	£
Operating loss	(13,300)	(150,967)
Depreciation	56,516	45,841
Loss on disposal of fixed assets	1,432	7,549
Decrease in stocks	-	75,000
Decrease/(Increase) in debtors	373,277	(89,456)
(Decrease)/Increase in creditors	(388,420)	492,049
Net cash inflow from operating activities	29,505	380,016

**18 Notes to the statement of cash flows (continued)**

**Reconciliation of net cash flow to movement in net debt**

	2002 £	2001 £
(Decrease)/Increase in cash in the period	(45,440)	190,052
	<u>(45,440)</u>	<u>190,052</u>
Change in net debt	(45,440)	190,052
Net debt at 1 January 2002	(49,232)	(239,284)
Net debt at 31 December 2002	<u>(94,672)</u>	<u>(49,232)</u>

**Analysis of changes in net debt**

	At 1 Jan 2002 £	Cash flows £	At 31 Dec 2002 £
Cash in hand and at bank	19,867	(17,843)	2,024
Overdrafts	(69,099)	(27,597)	(96,696)
Net debt	<u>(49,232)</u>	<u>(45,440)</u>	<u>(94,672)</u>