

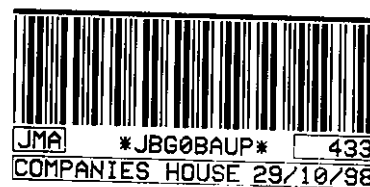
**SPIROFLOW LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1997

**Company Number : 1210198**



**SPIROFLOW LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

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Company registration number:

1210198

Registered office:

Upbrooks  
Clitheroe  
Lancashire  
BB7 1QG

Directors:

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

Secretary:

D Heys

Bankers:

Lloyds Bank plc

Solicitors:

Taylors  
Harrison Drury

Auditors:

Grant Thornton  
Registered Auditors  
Chartered Accountants  
Manchester

**SPIROFLOW LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

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# **SPIROFLOW LIMITED**

## **REPORT OF THE DIRECTORS**

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The directors present their report together with financial statements for the year ended 31 December 1997.

### **Principal activity**

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

### **Business review**

Following difficult trading conditions at the beginning of the year the company returned a profit for the year after taxation amounting to £111,619 (1996 : £113,528). The directors recommend dividends absorbing £40,000 leaving £71,619 retained.

The outlook for 1998 despite the strong pound which is seriously affecting our export market continues to be healthy. The company will continue to develop its range of equipment to ensure its position as the leading supplier of FIBC Transfer Systems and Process Conveyors into the 21st century.

### **Directors**

The present membership of the board is set out below. All directors served throughout the year. Mr L Smith resigned from the board on 2 May 1997.

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

The interests of the directors in the shares of the company as at 1 January 1997 and 31 December 1997, were as follows:

	<b>Ordinary shares of £1 each</b>	
	<b>1997</b>	<b>1996</b>
M J G F Podevyn	36,600	36,600
C A M Podevyn	13,200	13,200
R Halliwell	19,600	19,600
D Heys	1,000	-

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.

# SPIROFLOW LIMITED

## REPORT OF THE DIRECTORS

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### 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.

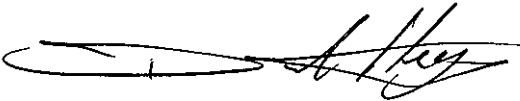
### Charitable contributions

Donations to charitable organisations amounted to £827.

### Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



D Heys  
Secretary

1 September 1998

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

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on pages 4 and 5.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

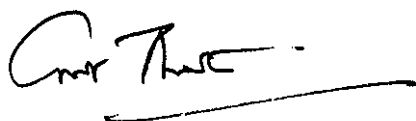
**Basis of opinion**

We conducted our audit in accordance with 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 at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
MANCHESTER**

**1 September 1998**

# **SPIROFLOW LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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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**

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#### **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****PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31 DECEMBER 1997

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	Note	1997 £	1996 £
Turnover	1	3,193,109	3,153,544
Cost of sales		<u>1,712,447</u>	<u>1,699,173</u>
<b>Gross profit</b>		1,480,662	1,454,371
Other operating income and charges	2	<u>1,307,787</u>	<u>1,254,658</u>
<b>Operating profit</b>		172,875	199,713
Amounts written off investments	8	<u>2,235</u>	<u>22,373</u>
		170,640	177,340
Net interest	3	<u>(7,365)</u>	<u>413</u>
<b>Profit on ordinary activities before taxation</b>	1	163,275	177,753
Tax on profit on ordinary activities	5	<u>51,656</u>	<u>64,225</u>
<b>Profit on ordinary activities after taxation</b>		111,619	113,528
Dividends	6	40,000	40,000
<b>Profit retained</b>	14	<u><u>71,619</u></u>	<u><u>73,528</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 financial statements.

SPIROFLOW LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Note	1997 £	1996 £
<b>Fixed assets</b>			
Tangible assets	7	533,489	542,897
Investments	8	<u>326,074</u>	<u>328,309</u>
		859,563	871,206
<b>Current assets</b>			
Stocks	9	378,517	298,148
Debtors	10	548,064	468,911
Cash at bank		<u>5,522</u>	<u>4,530</u>
		932,103	771,589
<b>Creditors : amounts falling due within one year</b>	11	<u>963,541</u>	<u>890,274</u>
<b>Net current liabilities</b>		<u>(31,438)</u>	<u>(118,685)</u>
<b>Total asset less current liabilities</b>		828,125	752,521
<b>Provisions for liabilities and charges</b>	12	<u>7,689</u>	<u>3,704</u>
		<u>820,436</u>	<u>748,817</u>
<b>Capital and reserves</b>			
Called up share capital	13	100,000	100,000
Revaluation reserve	14	116,289	119,057
Profit and loss account	14	<u>604,147</u>	<u>529,760</u>
<b>Shareholders' funds</b>	15	<u>820,436</u>	<u>748,817</u>

The financial statements were approved by the Board on 1 September 1998.

M J G F Podevyn

Director

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

**SPIROFLOW LIMITED****CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 1997

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	Note	1997 £	1996 £
<b>Net cash inflow from operating activities</b>	16	<u>321,557</u>	<u>338,515</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		1,110	2,455
Interest paid		<u>(8,475)</u>	<u>(2,042)</u>
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>		<u>(7,365)</u>	<u>413</u>
<b>Taxation</b>		(60,968)	(62,553)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(127,633)	(94,896)
Purchase of goodwill		-	(100,000)
Purchase of investments		-	(327,350)
Sale of tangible fixed assets		<u>53,800</u>	<u>21,600</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(73,833)</u>	<u>(500,646)</u>
Equity dividends paid		(40,000)	(40,000)
<b>Increase/(decrease) in cash</b>	17	<u><u>139,391</u></u>	<u><u>(264,271)</u></u>

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

# **SPIROFLOW LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

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### **1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The turnover is attributable to the company's principal activity.

An analysis of turnover by geographical market is given below :

	1997 £	1996 £
United Kingdom	2,575,199	2,489,647
Rest of World	617,910	663,897
	<u>3,193,109</u>	<u>3,153,544</u>

	1997 £	1996 £
The profit on ordinary activities is stated after :		
Exceptional item - bad debt	-	43,499
Exchange differences	-	237
Depreciation, owned assets	83,720	75,963
Auditors' remuneration	<u>4,250</u>	<u>4,000</u>

### **2 OTHER OPERATING INCOME AND CHARGES**

	1997 £	1996 £
Distribution costs	362,724	354,636
Administrative expenses	962,220	919,356
Other operating income	(17,157)	(19,334)
	<u>1,307,787</u>	<u>1,254,658</u>

### **3 NET INTEREST**

	1997 £	1996 £
On bank overdrafts	(8,475)	(2,042)
Other interest receivable	1,110	2,455
	<u>(7,365)</u>	<u>413</u>

# SPIROFLOW LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

### 4 DIRECTORS AND EMPLOYEES

	1997	1996
Staff costs during the year were as follows :	£	£
Wages and salaries	791,367	795,691
Social security costs	72,838	80,138
Other pension costs	48,285	40,982
	<u>912,490</u>	<u>916,811</u>

The average number of employees of the company during the year was 41 (1996 : 42).

	1997	1996
Remuneration in respect of directors was as follows :	£	£
Emoluments	182,376	243,926
Compensation for loss of office	30,000	-
Pension contributions	31,583	25,457
	<u>243,959</u>	<u>269,383</u>

During the year 5 directors (1996 : 5 directors) participated in money purchase pension schemes.

	1997	1996
The amounts set out above include remuneration in respect of the highest paid director as follows:	£	£
Emoluments	51,346	60,759
Pension contributions	8,334	5,000
	<u>59,680</u>	<u>65,759</u>

### 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997	1996
The tax charge represents :	£	£
Corporation tax @ 24.59% (1996 : 24.25%)	48,148	60,968
Deferred tax	3,985	3,704
Adjustment in respect of prior year	(477)	(447)
	<u>51,656</u>	<u>64,225</u>

### 6 DIVIDENDS

	1997	1996
	£	£
Interim dividend of 40p per share paid 22 December 1997 (1996 : 40p)	<u>40,000</u>	<u>40,000</u>

# SPIROFLOW LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

### 7 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Demonstration equipment £	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Office equipment £	Totals £
<b>Cost or valuation</b>							
At 1 January 1997	379,235	60,801	38,553	14,420	202,959	185,940	881,908
Additions	-	-	879	-	125,145	1,609	127,633
Disposals	-	-	-	-	(104,867)	-	(104,867)
At 31 December 1997	<u>379,235</u>	<u>60,801</u>	<u>39,432</u>	<u>14,420</u>	<u>223,237</u>	<u>187,549</u>	<u>904,674</u>
<b>Depreciation</b>							
At 1 January 1997	55,678	36,502	26,793	10,634	96,710	112,694	339,011
Provided in the year	7,584	3,644	1,896	568	44,515	25,513	83,720
Disposals	-	-	-	-	(51,546)	-	(51,546)
At 31 December 1997	<u>63,262</u>	<u>40,146</u>	<u>28,689</u>	<u>11,202</u>	<u>89,679</u>	<u>138,207</u>	<u>371,185</u>
<b>Net book amount</b>							
At 31 December 1997	<u>315,973</u>	<u>20,655</u>	<u>10,743</u>	<u>3,218</u>	<u>133,558</u>	<u>49,342</u>	<u>533,489</u>
<b>Net book amount</b>							
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>

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>36,300</u>
Net book amount at 31 December 1997	<u>204,500</u>
Net book amount at 31 December 1996	<u>209,316</u>

**SPIROFLOW LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 1997

**8 FIXED ASSET INVESTMENTS**

	Shares in subsidiary undertakings £	Shares in associated undertakings £	Total £
<b>Cost</b>			
At 1 January 1997	-	350,682	350,682
Reclassification of associated undertaking as subsidiary undertaking	325,873	(325,873)	-
At 31 December 1997	<u>325,873</u>	<u>24,809</u>	<u>350,682</u>
<b>Amounts written off</b>			
At 1 January 1997	-	22,373	22,373
Provided in the year	-	2,235	2,235
At 31 December 1997	<u>-</u>	<u>24,608</u>	<u>24,608</u>
<b>Net book amount</b>			
At 31 December 1997	<u>325,873</u>	<u>201</u>	<u>326,074</u>
At 31 December 1996	<u>-</u>	<u>328,309</u>	<u>328,309</u>

**Interests in associated undertakings**

At 31 December 1997 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
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

# **SPIROFLOW LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

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### **FIXED ASSET INVESTMENTS (continued)**

#### **Interests in subsidiary undertakings**

At 31 December 1997 the company had interests in the following subsidiary undertakings :

Company name	Country of incorporation	Class of share capital held	Holding by company %	Nature of business
Spiroflow Orthos Systems Incorporated	USA	Ordinary	55.56	Development, manufacture and sale of automatic metering, blending and conveying systems

The aggregate of the capital and reserves of the undertaking at 31 March 1997 (being the relevant year ending in the year ended 31 December 1997) was £251,205 and its profit for the year ended 31 March 1997 was £51,010.

The company became a 100% subsidiary in March 1997 as the shares of the other shareholders were redeemed. In April 1997 shares were issued to three other shareholders leaving the current holding by the company.

### **9 STOCKS**

	1997 £	1996 £
Raw materials	279,774	267,966
Work in progress	98,743	30,182
	<u>378,517</u>	<u>298,148</u>

### **10 DEBTORS**

	1997 £	1996 £
Trade debtors	435,314	415,386
Other debtors	5,297	55
Amounts owed by group companies	48,564	-
Amounts owed by associated companies	39,402	37,469
Prepayments and accrued income	19,487	16,001
	<u>548,064</u>	<u>468,911</u>



# **SPIROFLOW LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

### **11 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1997	1996
	£	£
Bank overdraft	-	138,399
Payments received on account	324,509	129,414
Trade creditors	489,888	465,418
Amounts owed to associated company	201	201
Corporation tax	37,671	50,968
Social security and other taxes	49,508	42,644
Other creditors	24,000	-
Accruals and deferred income	37,764	63,230
	<u>963,541</u>	<u>890,274</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.

### **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 1997	3,704
Provided during year	3,985
At 31 December 1997	<u>7,689</u>

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 £6,738 (1996 : £1,534) 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**

	1997	1996
	£	£
Authorised, allotted, issued and fully paid 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

# **SPIROFLOW LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

### **14 RESERVES**

	Revaluation reserve £	Profit and loss account £
At 1 January 1997	119,057	529,760
Retained profit for the year	-	71,619
Transfer from revaluation reserve to profit and loss account	(2,768)	2,768
At 31 December 1997	<u>116,289</u>	<u>604,147</u>

### **15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1997 £	1996 £
Profit for the financial year	111,619	113,528
Dividends and other appropriations	(40,000)	(40,000)
	<u>71,619</u>	<u>73,528</u>
Goodwill written off to reserves	-	(100,000)
Net increase/(decrease) in shareholders' funds	71,619	(26,472)
Shareholders' funds at 1 January 1997	748,817	775,289
Shareholders' funds at 31 December 1997	<u>820,436</u>	<u>748,817</u>

### **16 NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1997 £	1996 £
Operating profit	172,875	199,713
Depreciation	83,720	75,963
(Profit)/loss on sale of tangible fixed assets	(479)	275
Increase in stock	(80,369)	(122,730)
(Increase)/decrease in debtors	(79,153)	256,024
Increase/(decrease) in creditors	224,963	(70,730)
Net cash inflow from operating activities	<u>321,557</u>	<u>338,515</u>

### **17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	1997 £	1996 £
Increase/(decrease) in cash in year	139,391	(264,271)
Net (debt)/funds at 1 January 1997	(133,869)	130,402
Net funds/(debt) at 31 December 1997	<u>5,522</u>	<u>(133,869)</u>

# **SPIROFLOW LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

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### **18 ANALYSIS OF CHANGES IN NET (DEBT)/FUNDS**

	At 1 January 1997 £	Cashflow £	At 31 December 1997 £
Cash in hand and at bank	4,530	992	5,522
Overdrafts	(138,399)	138,399	-
	<u>(133,869)</u>	<u>139,391</u>	<u>5,522</u>

### **19 CAPITAL COMMITMENTS**

At 31 December 1997 the company had contracted but not provided for £Nil (1996 : £Nil).

### **20 CONTINGENT LIABILITIES**

Under a standby letter of credit dated 8 April 1997, the company have guaranteed, in the event of default US\$ 200,000 on behalf of Spiroflow Orthos Systems Incorporated (a subsidiary undertaking of Spiroflow Limited). This letter of credit expires on 8 July 1998.

### **21 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 £48,285 (1996 : £40,982).

### **22 TRANSACTIONS WITH RELATED PARTIES**

Transactions with Spiroflow Orthos Systems Incorporated (a subsidiary undertaking of Spiroflow Limited) include £75,219 within turnover and include within other operating income and charges £17,668 relating to management charges made by Spiroflow Limited to Spiroflow Orthos Systems Incorporated. Within costs of sales is £28,583 relating to purchases from Spiroflow Orthos Systems Incorporated.

Transactions with Schutte Spiroflow GmbH (an associated undertaking of Spiroflow Limited) include £22,745 within turnover.

Transactions with Spiroflow System Australia Pty Limited (an associated undertaking of Spiroflow Limited) include £41,006 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 £10,832 and £2,737 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.