

Specialist Energy Group plc
(“Specialist Energy Group”, the “Group” or the “Company”)

Audited Year End Accounts for Southbank UK plc

Specialist Energy Group Plc (AIM: SEGR.L), the niche engineering and manufacturing group focused on the energy sector, is today pleased to announce the audited results of its subsidiary, Southbank UK plc (“Southbank”) for the twelve months to 31 December 2009. It should be noted that these accounts relate to the period prior to the reverse takeover of Southbank by the Company.

Financial Highlights

- Revenues up 11% to £36.8m
 - Gross profit increased by 117% to £10.8m
 - Gross profit margins nearly doubled to 29%
 - Operating profit* of £2.3m, a positive swing of £4.5m from £2.2m loss in 2008
 - Profit after tax* of £1.6m, a positive swing of £6.0m from £4.4m loss in 2008
 - Order book at £30.1m
- (*Adjusted for non-recurring items)

Operational Highlights

- Secured new orders for 18 boiler circulating pumps (total value circa £5m) for export to India
- Over 80% of revenues overseas led
- In the UK, successfully delivered high integrity gate valves for Thames Water’s London ring water main and delivered remote maintenance pumps to Sellafield for nuclear waste management
- In Europe, won a new order from Vetco Gray Scandinavia AS (a General Electric Company oil and gas business) for a major deep submersible motor
- Continued nuclear success through new orders and continuing service and spares enhancements building on the US division’s ‘Nuclear’ stamp
- Continued successes across markets in ‘green’ energy including waste to heat power plants, solar energy power plants and a tidal energy development project
- Winner of Exporter of the Year Award 2009 from the Sino-Anglo business network, ‘48 Group Club’ for exports to China

Ewan Lloyd-Baker, CEO of Specialist Energy Group, commented:

“We are delighted by Southbank’s strong performance in 2009 – particularly when set against the backdrop of some of the most challenging trading and financial conditions in living memory. We believe Hayward Tyler’s strategy of focusing on key growth export markets and providing essential equipment to the conventional, nuclear and renewable power markets – as well as supporting deep sea oil exploration – will allow the business to continue to grow.”

Specialist Energy Group also announces today that the audited accounts for the Company for the 3 month period to 31 December 2009 (which relate to the business of the Company prior to the reverse takeover) are expected to be published by the end of April. It notes however that the cash balances of the Company at 31 December 2009 were £2.7m. The Board’s strategy continues to be to look for ways to monetise the Company’s original technologies (including Vertus and Microrelease) in as timely and profitable a manner as possible.

For further information:

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The Financial Results for Southbank UK plc are reproduced below:

Chairman and Chief Executive's Statement

Dear Shareholder,

It gives us great pleasure to announce the audited results for Southbank UK plc ("Southbank" or the "Company") for the twelve month period ended 31 December 2009.

As you will know, your Company successfully completed the reverse into Nviro Cleantech plc, which has since been renamed Specialist Energy Group plc ("SEG"), on 20 January 2010 and readmission of the enlarged group to AIM (Ticker: SEGR.L). As part of this transaction £4 million was raised from a number of institutional shareholders, £3 million of which was used to repay borrowings from Lloyds Banking Group. As a result, Southbank is now in a much stronger position with the bank, having committed banking facilities going out to early 2012. In addition, Nviro Cleantech plc ("Nviro") had cash of £2.7 million as at 31 December 2009, the balance of which, post transaction costs, will be used to fund the on going working capital and growth prospects of our main subsidiary business, Hayward Tyler Group Limited ("Hayward Tyler"), a market leader in the design, manufacture and service of critical application pumps and motors to the power generation and oil and gas markets.

To put these figures into greater historical context and to better understand the strong progress made by Hayward Tyler in the last twelve months, we would refer shareholders to Nviro's Admission Document of 23 December 2009, available for download from SEG's website, www.segroupplc.com.

Southbank 2009 Overview

The calendar year 2009 provided some of the most challenging trading and financial conditions in living memory for UK businesses. Against that backdrop, Southbank's performance was particularly encouraging. Indeed, its subsidiary business, Hayward Tyler, was able to profitably grow revenues by remaining focused on the export growth markets of the US, China and India. As a result, Southbank was able to report a swing into profit, with an operating profit of £2.3 million (adjusted for non-recurring items) for 2009 against an operating loss of £2.2 million (adjusted for non-recurring items) for 2008.

However, as first highlighted in Southbank's interims, it has to be stated that this growth was nevertheless hampered by the turbulence in the financial markets, tightening of liquidity across the banking sector (including Lloyds Banking Group) that included a withdrawal of foreign exchange credit facilities, withdrawn credit insurance and limited government support or intervention.

As highlighted in the financial review SEG also took steps to strengthen its financial position by raising £4 million capital in January 2010. The financial statements include a pro forma statement of financial position to demonstrate the impact of the capital raised (excludes the cash balance of Nviro) on the net asset position of the Group, which is increased to £2.3 million and £5.1 million excluding pension obligations.

Drivers for Growth

The Board believes that the business of Hayward Tyler stands out from its peer group in that it operates across some very exciting sectors, including subsea oil & gas and nuclear power generation, and geographies, including China and India. This diversification by market type and geography has served Hayward Tyler well during 2009.

Nuclear

Nuclear continued to grow in importance (in revenue terms) and save for Hayward Tyler's success in providing secondary propulsion units to the British Navy's nuclear submarine fleet and providing remote maintenance pumps to Sellafield, the majority of nuclear related revenues were driven by the USA. In North America, Hayward Tyler has previously installed equipment in over 70% of all the nuclear power stations and over half of its revenues in the USA are nuclear related. In addition to the strong service and spares element, it was encouraging towards the end of 2009 to win several new unit orders worth in excess of \$1.5 million. Whilst the directors do not believe this signifies the start of a complete nuclear revival, the fact that over 400 new sites are being built globally, planned or proposed by 2030 means that companies which have experience and expertise in the nuclear sector are well poised for growth.

China and India

Whilst the majority of the G20 countries saw stuttering GDP growth in 2009 both China and India continued to grow significantly with China outperforming expectations. Exports to China by Hayward Tyler remained constant at £6.6 million whilst exports to India increased to £1.1 million with almost £5 million of orders won for delivery in 2010. In total, export revenues continued to account for over 80% of the Group total with the USA being the main overseas market (helped by having a strong local USA manufacturing and service facility) providing 31% of total revenues. Looking forward, with China's GDP growth forecast to be 9.5% and that of India slightly higher at 10%, the ongoing trends and correlation between power demand and continued economic growth look encouraging.

Subsea Oil & Gas

Having shipped three of the world's largest subsea water-glycol filled motors in 2007 and 2008, we were delighted to win an order from General Electric Company for a 2.5 Megawatt deep submersible motor in 2009. With industry estimates suggesting that enhanced oil recovery can increase oil production by 10% and with over 2,000 subsea wells worldwide, the scope for future growth in demand for this technology is potentially very significant.

Prospects

Given Hayward Tyler's strong presence in the markets outlined above, the Company is expecting continued growth through 2010 driven by its current order book. In terms of future order intake the outlook for 2010 suggests that the levels are likely to be at or near those achieved in 2009, which equates to 12 to 15 months of committed revenues for the manufacturing businesses and around 6 months for the service businesses.

Hayward Tyler's operational management team, the majority of which were appointed in 2008, have continued to drive margins higher through improvements and are confident of continuing this trend at both the gross and operating margin levels in 2010. Management will continue to focus on improving the underlying performance of Hayward Tyler both in terms of the profitability and working capital management.

Now that the reverse into Nviro is complete your Board looks forward to announcing the first consolidated interim accounts for the period to 30 June 2010 for SEG in September 2010.

John May – Chairman
Ewan Lloyd-Baker – Chief Executive
30 March 2010

Financial Review

Post balance sheet event

On 20 January 2010 Southbank UK plc completed the reverse into Nviro Cleantech plc ("Nviro") with Nviro becoming the ultimate parent company of the Group and new capital of £4 million before expenses being raised. The enlarged group was admitted to AIM and Nviro was re-named Specialist Energy Group plc (SEG).

Basis of reporting

The Group financial statements in this report have been prepared in accordance with International Financial Reporting Standards (IFRSs) to be consistent with future reporting by SEG. This is the first annual report of the Group to be reported on this basis and, accordingly, the comparative figures for 2008 have been restated from UK GAAP that was reported last year.

Results overview

The Group has delivered an excellent set of results. Revenue increased by 11% to £36.8 million (2008: £33.1 million), driven by the services operations of Hayward Tyler, and in particular its US business. Gross profit margin increased to 29% (2008: 15%), which delivered a recurring operating profit of £2.3 million (2008: a loss of £2.2 million). The Group incurred non-recurring charges of £1.2 million, mainly related to the costs of the reverse into Nviro, which are provided in 2009.

The Group is exposed to the US Dollar through its operating business in the USA and from UK exports to China. Of the 11% increase in revenue from 2008 to 2009, 6% related to underlying growth of the business and 5% related to the strengthening of the US Dollar against Pound Sterling.

The recurring profit before tax was £1.3 million (2008: loss of £3.4 million excluding the impact of fair valuing derivatives), which is stated after interest costs of £1.0 million (2008: £1.2 million). Non-recurring bank charges were £2.0 million that relate to the costs of new two year committed borrowing facilities, substantially all of which are provided in 2009.

Taxation

There is a tax credit for the year of £0.7 million (2008: tax credit £1.8 million), which represents tax payable of £1.0 million (2008: £0.7 million) and deferred tax credit of £1.7 million (2008: £2.5 million). The Group generates taxable profits in the USA. The Group has tax losses of £4.3 million in the UK, which are available to offset future taxable profits of Hayward Tyler's UK operations.

Order book

Hayward Tyler's order book, which represents all outstanding projects that have been contracted but not yet delivered, was £30.1 million at 31 December 2009 (2008: £43.7 million). The order book is made-up of £20.2 million relating to the manufacture of new units, which represents around 12 to 15 months of revenue, and £9.9 million relating to the services operations, which represents around six months of revenue.

The number of months' orders represents close to optimal levels. In the case of the manufacture of new units, there has been a deliberate reduction of the order book from December 2008 as the business focuses on taking in higher margin contracts and reducing the lead time for shipments. In the case of the services operations, management have to balance the requirement to remain responsive to the needs of customers with the security of a strong order book.

Cash flow and treasury

Cash flow and working capital management is a key area of focus for Group and operational management. The need for this focus was reinforced by the turbulence in the financial markets and the tightening of credit across the industry during 2009, which imposed

unprecedented pressures on companies such as Southbank. The Group has suffered the knock-on impact in terms of worsening credit terms, withdrawn credit insurance and a general squeeze on working capital availability. However, strong working capital management and the improving performance helped to mitigate this impact.

The foreign exchange risk management policy of the Group is to hedge its transaction exposures (i.e. cash flows from UK exports and imports together with the repatriation of net profits from the operating business in the USA) on a rolling 12 month basis. Gains and losses relating to movements in fair values of the hedging products are recorded in the income statement. Such a gain has occurred during the financial year and the effect has been excluded in arriving at recurring profit before tax in the consolidated income statement.

Borrowings

Net debt at 31 December 2009 was £13.7 million (2008: £12.4 million), which includes term borrowings of £10.4 million (2008: £10.5 million). The term borrowings include £3.7 million at a fixed rate of interest of 6.515% and £6.1 million with an interest rate swap attached that converts borrowings to a fixed rate of interest of 5.87%. The remaining term borrowings of £0.6 million have a floating rate of interest. Gains and losses relating to movements in fair values of the hedging instruments associated with the fixed rate borrowings are recorded in the income statement.

As part of the reverse into Nviro, £3 million of the current portion of term borrowings was prepaid and two year committed borrowing facilities were provided to the Group. These facilities, which are made-up of a revolving borrowing facility of £4.35 million and term debt of £6.835 million, replace the on demand facilities previously provided to the Group. Immediately following the reverse into Nviro the net debt of the enlarged group was around £8.9 million and headroom, which represents cash plus undrawn committed borrowing facilities, was £2.9 million.

In addition, the Group has a number of other facilities including a local overdraft arrangement, bonds and guarantees and foreign exchange facilities.

Pensions

Within the UK the Group operates a defined benefit plan, with benefits linked to final salary, and a defined contribution plan. With effect from 1 June 2003 the defined benefit plan was closed to accruals and new UK employees offered membership of the defined contribution plan. The majority of UK employees are members of one of these arrangements.

A full valuation of the defined benefit plan is produced every three years (the last one being as at 1 January 2008) and updated annually to 31 December by independent qualified actuaries. The net obligation has widened in the year to £2.8 million from £0.7 million at 31 December 2008. This is due largely to the reduction in the discount rate and increase in the inflation rate used to value the scheme liabilities.

Details of pensions and employee obligations are given in note 24 to the financial statements.

Statement of financial position

Total equity reduced by £2.4 million in the year reflecting the tightening of credit and the widening of the net obligation under the pension scheme.

A pro forma statement of financial position has been prepared to demonstrate the impact of the new capital of £4 million net of expenses.

N Flanagan
Finance Director
30 March 2010

Report of the Directors

JOHN MAY CHAIRMAN

John May is a principal of a boutique chartered accountancy practice, focusing on advising companies on finance raising, mergers and acquisitions, business strategies and entry onto PLUS Markets and AIM. He was previously a senior partner at Horwath Clark Whitehill, a UK accountancy firm, for 17 years, including 8 years on the managing board. Mr May is the policy director and deputy chairman of the Small Business Bureau Limited and deputy chairman of the Genesis Initiative, which are lobbying groups to Government on behalf of small businesses. He is also a Conservative Borough Councillor.

Mr May qualified as a Chartered Accountant in 1974 having previously gained his DIA at the University of Bath Management School in 1970 and his BA from the University of London in 1969. He was previously Finance Director of AIM listed London & Boston Investments Plc and a Non-Executive Director of AIM listed Croma Group Plc. Mr May joined the Southbank board in 2006.

EWAN LLOYD-BAKER CHIEF EXECUTIVE

Ewan Lloyd-Baker has worked in corporate finance both as a principal and adviser for the past 15 years. He started his career at Arthur Andersen working in corporate recovery and corporate turnaround with a number of privately owned and publicly listed companies. As a principal he was part of the management team in a venture capital backed start up which was ultimately sold to Reuters. He then helped set up a FTSE100 corporate incubator before completing his Masters of Business Administration.

Mr Lloyd-Baker is a partner in Lloyd-Baker & Associates, a merger and acquisition boutique, and for the past nine years has focused on acquiring a number of companies on behalf of his clients in deals ranging from £1 million to £20 million with a particular focus on the engineering and manufacturing sectors.

Mr Lloyd-Baker was responsible for finding the original Hayward Tyler opportunity, setting up Southbank, broking the deal, managing the finance raising process, floating Southbank on the CISX and then recruiting the new management team into Hayward Tyler.

NICHOLAS FLANAGAN FINANCE DIRECTOR

Nicholas Flanagan is a graduate engineer from Imperial College and a Chartered Accountant, having qualified with Coopers & Lybrand in 1987. Before joining Southbank in 2008 he spent the previous 14 years in the engineering and manufacturing sectors where he held a number of senior financial roles, initially with Trafalgar House PLC followed by Kvaerner ASA and Jeyes Group Limited. Prior to that he spent six years in corporate treasury with Saatchi & Saatchi Company PLC.

Mr Flanagan's experience includes financial planning and development, commercial and operational support, capital raising, change management, reporting, mergers and acquisitions and all aspects of treasury management including foreign exchange hedging.

NICHOLAS WINKS NON-EXECUTIVE DIRECTOR

Nicholas Winks is Chairman of a number of private equity-backed businesses and has previously been a director of several quoted businesses. With a background in industry he has extensive experience across a wide range of sectors and is the co-owner of two private businesses, one a distributor of engineering parts and the other a telemarketing business. Mr Winks joined the Southbank board in May 2009.

The directors present their report and the financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The primary business activity of the Group is niche engineering. A review of the business and future developments is given in the Chairman and Chief Executive's Statement and the Financial Review. There was a profit for the year after taxation amounting to £133,000.

RESULTS AND DIVIDENDS

The trading results for the year and the Group's financial position at the end of the year are shown in the attached financial statements. The directors have not recommended a dividend.

POST BALANCE SHEET EVENTS

Subsequent to the year-end the following events occurred:

The Board reached agreement on the terms of a recommended offer received from Nviro Cleantech plc ("Nviro") to acquire the entire issued share capital of the Company. Completion of the acquisition took place on 20 January 2010.

On 19 January 2010, Nviro changed its name to Specialist Energy Group plc and issued 5,263,200 new ordinary shares of 1p each at a price of 76p per share, which raised proceeds of £4 million before expenses.

On 25 January 2010 £3 million of these proceeds were used to repay borrowings of Redglade Investments Limited, a wholly owned subsidiary of the Company.

DIRECTORS

Biographical details of the directors are set out on page 7.

DIRECTORS' REMUNERATION

The elements of remuneration received by each director in respect of the year ended 31 December 2009 were as follows:

	Fees and salaries paid by a Group company £000	Fees and salaries paid by a related party* £000	Total 2009 £000	Fees and salaries paid by a Group company £000	Fees and salaries paid by a related party* £000	Total 2008 £000
Executive						
E Lloyd-Baker	110	52	162	75	52	127
N Flanagan	130	-	130	67	-	67
K McGovern**	-	-	-	61	-	61
Non-Executive						
J May	60	-	60	36	-	36
N Winks	48	-	48	-	-	-

* First Merchant Capital UK Limited

** Resigned 31 December 2008

RELATED PARTY TRANSACTIONS

Details of related party transactions are given in note 28 to the financial statements.

DIRECTORS AND THEIR INTERESTS

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 0.02p each	31 December 2009	31 December 2008
E Lloyd-Baker	95,550,000	95,550,000
J May	3,000,000	3,000,000
N Flanagan (appointed 5 January 2009)	-	-
N Winks (appointed 7 May 2009)	-	-

EMPLOYEES

The Company is an equal opportunity employer with particular reference to non-discrimination and non-harassment on the basis of ethnic origin, religion, gender, age, disability and sexual orientation. The Group gives disabled people the same consideration as other individuals. Matters which affect the Group are communicated to employees through formal and informal meetings, internal announcements and regular contact with directors and senior management.

POLICY ON THE PAYMENT OF CREDITORS

It is the Company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and abide by them.

Trade creditors at the year end amount to 49 days (2008 – 62 days) of average supplies for the year.

MAJOR INTERESTS IN SHARES

At 31 December 2009 the following parties had a significant direct or indirect holding in the securities of the Company.

	Number of shares	Percentage at date of notification
Prism	132,942,223	17.16
Apsley Estates Limited	99,750,000	12.88
Ewan Lloyd-Baker	95,550,000	12.33
John McIntyre	62,176,000	8.02
JM Finn Nominees Limited	56,944,444	7.35
Hayward Tyler Pension Plan	30,000,000	3.87
Tristan Lloyd-Baker	24,200,000	3.12

CORPORATE GOVERNANCE

The Group is committed to developing and adhering to high standards of corporate governance. As a C1SX listed company, it was not required to comply with the Combined Code as issued by the UK's Listing Authority. However, it seeks to follow the principles of good governance as far as management believes it is practical for a Group of its size, nature and circumstances.

FINANCIAL RISK MANAGEMENT POLICIES

The details of the Group's financial risk management policies are detailed in note 25 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to a number of risks and uncertainties that could have a material impact on its performance and financial position. The directors have identified the following as being the principal risks.

Competition

If the Group fails to keep up with technological change then its products, services and technologies could become less competitive. Competitors, which include large international companies, local companies and in-house service operations, may develop products, services or technologies that are more effective or less expensive than those developed by the Group. To remain competitive the Group invests in key employees, its manufacturing operations, product development, procurement and key customer relationships. A key objective for the business is "Customer First".

Credit environment and working capital

The ability of the Group to fund working capital, make payments and refinance existing borrowings will depend on its future operating performance and ability to generate sufficient cash. Additionally, it will depend on the general economic and financial factors including inter alia the availability of credit.

Maintaining a sufficient level of working capital, including stage payments from customers on longer term and working capital intensive contracts, is essential to enable the Group to meet its foreseeable obligations and achieve its proposed strategy. The Group's standard terms and conditions of a manufacturing contract require a customer to make stage payments that fund the working capital on the contract. Senior management approval is required to accept a contract where a customer is unable or unwilling to make such payments. In addition, the Group closely monitors and controls its working capital position, which includes inter alia Key Performance Indicators for operational management.

Currency

The Group operates and sells in overseas markets that may utilise currencies other than those in which its principal costs are denominated. The exposure to foreign exchange rate fluctuations may, as a result, affect the Group's cash flow. The Group's policy is to hedge its transaction exposures (i.e. cash flows from UK exports and imports as well as the repatriation of net profits from the operating business in the USA) on a rolling 12 month basis.

Global economic slowdown

The Global economic slowdown has impacted businesses across a wide range of sectors and geographies. Should these recessionary conditions continue to prevail, they may adversely impact the liquidity needs, terms of trade and the financial performance of the Group.

Products

The Group's businesses design, manufacture and service highly technical products that are mission critical to the end user. The failure of the Group to satisfy its contractual obligations or the subsequent failure of the products could expose the Group to losses. Furthermore any delays in the manufacturing process could lead to a backlog of orders that prevent the Group's businesses from winning further orders due to increased lead times. The Group has introduced engineering, manufacturing and testing processes together with regular contract reviews to deliver high quality and reliable products.

GOING CONCERN

As outlined in the post balance sheet events section of this directors' report, there was a reverse into Nviro of Nviro by the Company on 20 January 2010. As part of that transaction Nviro raised £4 million of new capital, repaid £3 million of borrowings in the Group and secured committed bank borrowing facilities for two years. The Company's projections demonstrate that these facilities, together with the cash in the business and the cash generating ability of Hayward Tyler are adequate for its needs. Accordingly, the financial statements have been prepared on the going concern basis.

The Company's ability to generate cash will depend on its future operating performance and ability to maintain a sufficient level of working capital, which includes receiving stage payments from customers on longer term manufacturing contracts. Additionally, it will also depend to some extent on general economic, competitive, market and other factors that may be beyond its control. Hayward Tyler operates in the power generation and energy sectors. The buoyancy in those markets together with Hayward Tyler's strong order book, improving margins in its manufacturing division and the ability of its services business to generate profits, provide confidence in the business's future performance.

AUDITORS

Grant Thornton UK LLP have expressed a willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed.

By the order of The Board
Claire Gray
COMPANY SECRETARY

Corporate Governance Report

GENERAL PRINCIPLES

The Board of Southbank UK plc supports the principles and is committed to achieving high standards of corporate governance. As a CISX listed company it was not required to comply with the Combined Code but notwithstanding this seeks to comply with those provisions which are most appropriate given the size of the Group and the nature of its operations.

BOARD OF DIRECTORS

The Board presently consists of two executive directors and two non-executive directors. The Board meets on a regular basis and is responsible for the strategy and development of the Group and the efficient management of its resources. It is supplied in a timely manner prior to meetings with information on financial, business and corporate matters which enables it to discharge its duties. Appropriate training is given as and when required. There are also procedures in place for the non-executive director to obtain independent legal or other professional advice at the Group's expense. The Group has a schedule of matters which are reserved for decision by the Board.

AUDITOR INDEPENDENCE

The Board meets as a whole to review the nature and extent of non-audit services supplied by the external auditors to the Group, seeking to balance objectivity and value for money. In determining the policy, the Board has taken into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and does not agree to the auditor providing a service if, having regard to the ethical guidance, the result is that:

- the external auditor audits its own firm's work;
- the external auditor makes management decisions for the Group;
- a mutuality of interest is created; or
- the external auditor is put in the role of advocate for the Group.

The Board as a whole reviews accounting matters, financial reporting and internal controls together with the interim and annual results announcements.

REMUNERATION

The Board as a whole reviews and makes recommendations regarding the terms and conditions of employment of the executive directors including performance related bonuses and share options, and set the framework for the remuneration of other senior executives.

INTERNAL CONTROL

The Board of directors is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system, however, is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established a continuous process for identifying, evaluating and managing the Group's significant risks. This process involves the monitoring of all controls including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from senior management and professional advisers to ensure that any significant weaknesses are promptly remedied and to indicate a need for more extensive monitoring.

RELATIONSHIP WITH SHAREHOLDERS

The Board attaches a high importance to maintaining good relationships with shareholders and seeks to keep them fully updated on the Group's performance, strategy and management. In addition the Board has welcomed as many shareholders as possible to attend its annual general meetings and encouraged open discussion after the formal proceedings.

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have elected to prepare the parent company financial statements in

accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable IFRSs and United Kingdom Accounting Standards in respect of the Group and parent company financial statements respectively, 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

In so far as each of the directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

N Flanagan
Director

Report of the Independent Auditors to the Members of Southbank UK plc

We have audited the financial statements of Southbank UK plc for the year ended 31 December 2009 which comprise the group statement of financial position and parent company balance sheet, the group statement of comprehensive income, the group statement of cash flows, the group statement of changes in equity, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in

accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements. Matters on which we are required to report by exception.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Malcolm A Gomersall
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes
30 March 2010

Consolidated Statement of Financial Position

		At	At	At
		31 December	31 December	31 December
		2009	2009	2008
		Pro forma*		
Note		£000	£000	£000
Non-current assets				
Goodwill	13	2,219	2,219	2,288
Other intangible assets	14	1,243	1,243	1,351
Property, plant and equipment	15	10,270	10,270	10,341
Deferred tax assets	18	5,872	5,872	3,591
Other receivables	17	36	36	98
		—	—	—
		19,640	19,640	17,669
		—	—	—
Current assets				
Inventories	16	6,114	6,114	5,532
Trade and other receivables	17	9,345	9,345	10,545
Current tax assets	11	82	82	21
Cash and cash equivalents	19	4,581	781	989
		—	—	—
		20,122	16,322	17,087
		—	—	—
		—	—	—
Total assets				
		39,762	35,962	34,756
		—	—	—
Current liabilities				
Trade and other payables	20	5,122	5,122	6,378
Borrowings	27	7,509	7,509	3,428
Provisions	22	1,350	1,350	1,928
Current tax liabilities	11	25	25	187
Other liabilities	21	11,901	11,901	7,876
Financial liabilities - derivatives	27	1,763	1,763	

* Pro forma statement of financial position demonstrates the impact of the post balance sheet event on the Group. Refer to note 2.2 for further details

Consolidated Statement of Financial Position (continued)

	At 31 December 2009 Pro forma £000	At 31 December 2009 £000	At 31 December 2008 £000
Note			

Non-current liabilities

* Pro forma statement of financial position demonstrates the impact of the post balance sheet event on the Group. Refer to note 2.2 for further details

The accounts were approved by the board of directors on 30 March 2010 and were signed on its behalf by:

E Lloyd-Baker
Director

N Flanagan
Director

Company registration number: 5474162

Consolidated Income Statement

		Year ended 31 December 2009 Recurring £000	Year ended 31 December 2009 Non-Recurring £000	Year ended 31 December 2009 Total £000	Year ended 31 December 2008 Total £000
	Note				
Revenue	6	36,807	-	36,807	33,087
Cost of sales		(26,052)	-	(26,052)	(28,132)
		10,755	-	10,755	4,955
<i>Gross profit</i>					
Other income		20	-	20	20
Operating charges		(8,442)	(1,187)	(9,629)	(7,301)
Operating profit/(loss)	7	2,333	(1,187)	1,146	(2,326)
Finance income	9	20	-	20	196
Finance costs	9	(999)	(715)	(1,714)	(4,092)

Profit/(loss) before tax		1,354	(1,902)	(548)	(6,221)
Taxation	10	290	391	681	1,774
		<u>1,644</u>	<u>(1,511)</u>	<u>133</u>	<u>(4,447)</u>
Profit/(loss) for the year		<u><u>1,644</u></u>	<u><u>(1,511)</u></u>	<u><u>133</u></u>	<u><u>(4,447)</u></u>
Earnings/(loss) share (expressed in pence)					
- basic	12	0.26	(0.25)	0.02	(0.57)
		<u>0.26</u>	<u>(0.25)</u>	<u>0.02</u>	<u>(0.57)</u>
- diluted	12	0.22	(0.25)	0.01	(0.57)
		<u>0.22</u>	<u>(0.25)</u>	<u>0.01</u>	<u>(0.57)</u>

Consolidated Statement of other Comprehensive Income

		2009	2008
		£000	£000
Profit /(loss) for the year		133	(4,447)
Other comprehensive income/(loss):			
Exchange differences on translating foreign operations		(890)	725
Actuarial (losses)/gains on post-retirement employee benefits		(2,205)	174
Deferred tax relating to post-retirement employee benefits		585	(48)
		<u>(2,377)</u>	<u>851</u>
Other comprehensive (losses)/income for the year net of tax		<u>(2,377)</u>	<u>851</u>
		<u><u>(2,377)</u></u>	<u><u>(3,596)</u></u>
Total comprehensive loss for the year		<u><u>(2,377)</u></u>	<u><u>(3,596)</u></u>
Attributable to			
Equity shareholders of the Company		(2,377)	(3,596)
		<u><u>(2,377)</u></u>	<u><u>(3,596)</u></u>

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

Consolidated Statement of Changes in Equity

	Share Capital £000	Share Premium £000	Retained Earnings £000	Translation Reserve £000	Total £000
Balance at 1 January 2008	155	5,531	(1,142)	(49)	4,495

Loss for the period	-	-	(4,447)	-	(4,447)
Other comprehensive income/(loss):					
Actuarial gain for the period on pension scheme (see note 24)	-	-	174	-	174
Deferred tax on actuarial movement on pension scheme	-	-	(48)	-	(48)
Profit on translation of overseas subsidiaries	-	-	-	725	725
Total comprehensive loss	-	-	126	725	851
Balance at 31 December 2008	155	5,531	(5,463)	676	899
Profit for the period	-	-	133	-	133
Other comprehensive income/(loss):					
Actuarial loss for the period on pension scheme (see note 24)	-	-	(2,205)	-	(2,205)
Deferred tax on actuarial movement on pension scheme	-	-	585	-	585
Loss on translation of overseas subsidiaries	-	-	-	(890)	(890)
Total comprehensive loss	-	-	(1,620)	(890)	(2,510)
Balance at 31 December 2009	155	5,531	(6,950)	(214)	(1,478)

Consolidated Statement of Cashflows

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Cash flows from operating activities		
Profit / (loss) after taxation	133	(4,447)
Adjustments for:		
Depreciation and amortisation of non-financial assets	631	574
Loss on disposal of property, plant & equipment	62	-
Revision to contingent consideration	69	-
Interest received	(20)	(196)
Foreign exchange differences	(2,214)	559
Tax expense	(681)	(1,774)
Finance costs	1,714	4,092
Change in inventories	(582)	(717)
Change in trade and other receivables	749	(3,754)
Change in trade and other payables	1,250	5,743
Change in provisions	(578)	893

Cash generated from operations	533	973
Taxes paid	(1,015)	(544)
Interest paid	(778)	(923)
Net cash used in operating activities	(1,260)	(494)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired and dividends due to former shareholders	(150)	(350)
Purchases of property, plant and equipment	(518)	(590)
Purchase of other intangible assets	(42)	(582)
Interest received	2	196
Net cash used in investing activities	(708)	(1,326)
Cash flows from financing activities		
Repayment of bank loans	-	(245)
Repayment of finance leases	(45)	(48)
Net cash used in financing activities	(45)	(293)
Net decrease in cash and cash equivalents	(2,013)	(2,113)
Cash and cash equivalents at beginning of period	(1,241)	872
Cash and cash equivalents at end of period	(3,254)	(1,241)

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Southbank UK plc was the Group's ultimate parent company as at the reporting date. The Company is incorporated and resident in Great Britain. The address of Southbank UK plc's registered office and principal place of business is 19 Crown Passage, St. James, London, SW1Y 6PP. Southbank UK plc's shares were listed on the Channel Island Stock Exchange.

On 20 January 2010 Southbank UK plc completed the reverse into Nviro Cleantech plc ("Nviro") with Nviro becoming the ultimate parent company of the Group and new capital of £4 million net of expenses being raised. The enlarged group was admitted to AIM and Nviro was re-named Specialist Energy Group plc. Of the proceeds, £3 million of the new capital was used to prepay borrowings of the Group. Following the reverse into Nviro the listing of Southbank UK plc's shares on the Channel Island Stock Exchange was cancelled on 22 March 2010.

Southbank UK's consolidated financial statements are presented in Pounds Sterling (£), which is also the functional currency of the ultimate parent company.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2010. The directors have not recommended a dividend.

Established in 1815 in the UK, the Hayward Tyler Group Limited (wholly owned subsidiary of Southbank UK plc) manufactures and services a comprehensive range of fluid filled electric motors and pumps. These units are custom designed to meet the most demanding of applications and environments. Focused on the power generation (conventional and nuclear), oil & gas (topside and deep subsea) and industrial markets, the Company is a market leader in its technology solutions. Furthermore, Hayward Tyler supplies and services a range of mission critical motors and pumps for the Royal Navy submarine fleet in the UK. The Company also undertakes service, overhaul and upgrading of third party motor and pump equipment across all sectors.

In addition to the head office in Luton, England, Hayward Tyler has manufacturing and service support facilities in Kunshan, China, Delhi, India, East Kilbride, Scotland and Vermont, USA.

These facilities and staff provide cover 24 hours 7 days a week for maintenance, overhaul and repair.

2. Summary of significant accounting policies

2.1 Going concern

As outlined in the post balance sheet events section of this directors' report, there was a reverse into Nviro of Nviro by the Company on 20 January 2010. As part of that transaction Nviro raised £4 million of new capital, repaid £3 million of borrowings in the Group and secured committed bank borrowing facilities for two years. The Company's projections demonstrate that these facilities, together with the cash in the business and the cash generating ability of Hayward Tyler are adequate for its needs. Accordingly, the financial statements have been prepared on the going concern basis.

The Company's ability to generate cash will depend on its future operating performance and ability to maintain a sufficient level of working capital, which includes receiving stage payments from customers on longer term manufacturing contracts. Additionally, it will also depend to some extent on general economic, competitive, market and other factors that may be beyond its control. Hayward Tyler operates in the power generation and energy sectors. The buoyancy in those markets together with Hayward Tyler's strong order book, improving margins in its manufacturing division and the ability of its services business to generate profits, provide confidence in the business's future performance.

2.2 Basis of preparation

The Group's financial statements for the year ended 31 December 2008 are the first annual financial statements that comply with International Financial Reporting Standards (IFRS). A copy of these financial statements can be found within the Nviro Prospectus on the Company's website www.southbankplc.com/shareholders. The transition date was 1 January 2007 in order to provide the necessary financial information required particular to the reverse into Nviro in January 2010. The Group prepared its opening IFRS balance sheet at that date.

When preparing the financial statements for the year ended 31 December 2008 the Group took advantage of certain exemptions available under IFRS 1 First Time Adoption of International Financial Reporting Standards. The exemptions applied are explained below.

Exemptions from full retrospective application elected by the Group
IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. The Group has applied the mandatory exemptions and certain optional exemptions, as described below.

Southbank UK plc has elected to apply the following optional exemptions from full retrospective application:

- (a) Business combinations prior to 1 January 2007, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 'Business Combinations'.
- (b) The Group has deemed the cumulative translation differences for foreign operations at the date of transition to be zero. Adjustments to give effect to this are recorded against opening equity. After the date of transition, translation differences arising on translation of foreign operations are recognised in the Statement of Income and included in a separate 'translation reserve' within equity.
- (c) The Group has elected to use facts and circumstances existing at the date of transition to determine whether an arrangement contains a lease.
- (d) The Group has used estimates under IFRS that are consistent with those applied under previous GAAP (with adjustment for accounting policy differences) unless there is objective evidence those estimates were in error.

The consolidated financial statements for the year ended 31 December 2009 have been prepared in accordance with IFRS as adopted by the European Union. The financial statements have been prepared under the historical cost basis for the purposes of inclusion in this document with the exception of some financial instruments which are carried at fair value

(see note 27). The accounting policies set out below have been consistently applied to all the years presented, with the exception of changes referred to in note 2.3 below.

Pro forma statement of financial position

The financial statements include a pro forma statement of financial position to demonstrate the impact of the post balance sheet event on the net debt position of the Group. As part of the transaction Nviro (renamed Specialist Energy Group plc), the new parent company of Southbank, raised funding of £4 million through the issue of 5,263,000 ordinary shares of £0.01 each at a premium of £0.75 per share. Of the £4 million proceeds £3 million was used to repay an element of Group borrowings. The impact on the statement of financial position is as follows:

- Increase in cash and cash equivalents of £0.8 million, being the £4 million proceeds raised from the share issue net of issue costs of £0.2 million and repayment of debt of £3.0 million
- Reduction in borrowings of £3.0 million as a result of repayment from the proceeds
- Increase in share capital of £53,000 reflecting the nominal value of the shares issued
- Increase in share premium of £3,947,000 reflecting the premium paid

The pro forma statement of financial position only reflects the impact on net debt as a result of the fund raise and does not demonstrate the impact of the transaction as a whole.

2.3 Changes in accounting policies

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant and effective for the Group's financial statements for the annual period beginning 1 January 2009.

- IAS 1 Presentation of Financial Statements (Revised 2007)
- IFRS 8 Operating segments

The adoption of IAS1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosure. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however, some items that were recognised directly in equity are now recognised in other comprehensive income. IAS1 (Revised 2007) affects the presentation of owner changes in equity and introduces a "statement of comprehensive income". Further, a "statement of changes in equity" is presented.

The adoption of IFRS 8 requires segments to be identified by reference to internal management reporting information that is regularly reviewed by the chief operating decision maker.

This has not resulted in a change in the operating segments reported.

2.4 Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2009. Subsidiaries are entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.5 Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in

exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The operating segments follow the Group's service lines.

2.7 Foreign currency translation

The consolidated financial statements are presented in Pounds Sterling, which is the Company's functional and presentation currency.

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). In the Group's financial statements, all assets, liabilities and transactions of the Group entities, with a functional currency other than the Pound Sterling (the Group's presentation currency) are translated into Pounds Sterling upon consolidation. The functional currencies of the entities in the Group have remained unchanged during the reporting period.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

(c) Foreign subsidiaries

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the reporting date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Translation Reserve" in equity. On disposal of a foreign operation the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal.

2.8 Property, plant and equipment

Land held for use in production or administration is stated at historical cost. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Property and equipment held under finance leases are capitalised and included in property, plant and equipment. Such assets are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

Buildings, equipment and furniture and fittings are stated at cost less depreciation and impairment losses. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Buildings - 4%
Patterns and moulds - 20%
Plant & equipment - 10%
Fixtures & fittings - 20%
Leasehold improvements - over period of lease
Office equipment - 20%

Material residual value estimates and estimates of the useful life are updated as required, but at least annually, whether or not the asset is re-valued.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within 'other income' or 'other expenses'.

2.9 Leased assets

In accordance with IAS 17 Leases, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance leasing liability is reduced by lease payments, less finance charges, which are expensed as part of finance costs.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

2.10 Goodwill

Goodwill represents the excess of the acquisition cost in a business combination over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.11 Other intangible assets

Other intangible assets include capitalised development costs used in respect of the development of subsea motor technology.

Expenditure on research is recognised as an expense in the period in which it is incurred.

Costs that are directly attributable to the development phase of subsea motor technology are recognised as an intangible asset, provided they meet the following recognition requirements:

- completion of the intangible to the development phase of the pump is technically feasible, so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there be a market for the output from the intangible asset or for the

intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;

- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on the development along with an appropriate portion of relevant overheads. Development costs recognised as an intangible asset are subject to the same subsequent measurement method as externally acquired intangible assets. However, until completion of the development project, the assets are subject to impairment testing only as described below in the note on impairments.

2.12 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represents the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and the value in use of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, where an impairment loss for an asset (or cash-generating unit) subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. The reversal of an impairment loss is recognised as income immediately.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the direct purchase price, including all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The foreign currency translation reserve represents differences arising on the retranslation of net investments in overseas subsidiary undertakings, based on the rate of exchange ruling at the balance sheet date.

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date.

2.16 Taxation

The tax expense recognised in profit or loss represents the sum of the current tax and deferred tax, not recognised in the income statement.

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, provided that they are enacted or substantially enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in the income statement (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in the income statement or equity, respectively.

2.17 Post employment benefits

The Group provides post employment benefits through defined benefit plans as well as various defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The contributions are recognised as an employee benefit expense when they are due.

Plans that do not meet the definition of a defined contribution plan are defined benefit plans. The defined benefit plans sponsored by the Group defines the amount of pension benefit that an employee will receive on retirement by reference to length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

Management estimates the defined benefit obligation annually with the assistance of independent actuaries. The estimate of its post-retirement benefit obligations is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are recognised in the statement of other comprehensive income. Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Interest expenses related to pension obligations and expected return on plan assets are included net in other finance costs in profit or loss. All other post employment benefit expenses are included in 'employee benefits expense'.

Short-term employee benefits, including holiday entitlement, are current liabilities included in 'pension and other employee obligations', measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.18 Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

Where employees are rewarded using share-based payments, the fair values of the employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to 'retained earnings'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment

is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

2.19 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount provided for cannot be measured reliably, no liability is recognised, unless it was assumed in the course of a business combination. In a business combination contingent liabilities are recognised in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisation.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

2.20 Revenue recognition

Revenue comprises revenue from the sale of goods and the rendering of services.

Revenue is measured at the fair value of consideration received or receivable and represents amounts obtained through trading activities, net of value added tax and trade discounts. The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales or service transaction in order to reflect the substance of the transaction. The consideration received from these transactions is allocated to the separately identifiable component by taking into account the relative fair value of each component.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group's different activities has been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are described below.

(a) Sale of goods

Sale of goods comprises the sale of spare parts and scrap metal, and is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods supplied. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

(b) Pump and motor manufacture

The Group provides pumps and motors specifically customised to each customer. These contracts specify a fixed price for the development and installation of pumps and motors.

When the outcome can be assessed reliably, contract revenue and associated costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity.

When the Group cannot measure the outcome of a contract reliably, revenue is recognised only to the extent of the contract costs incurred and to the extent that such revenue is recoverable. Contract costs are recognised in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately in profit or loss.

The stage of completion of any contract is assessed by management by taking into consideration all information available at the reporting date. The percentage of completion is calculated by comparing costs incurred to date with the total estimated costs of the contract.

The gross amount due from customers for contract work is presented as an asset within 'trade and other receivables' for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. The gross amount due to customers for contract work is presented as a liability within 'other liabilities' for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less losses).

(a) Interest income

Interest income and expenses are recorded on an accrual basis using the effective interest method.

(b) Rental income

Rental income from operating leases of the Group's properties is recognised on a straight-line basis over the term of the lease.

2.21 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

2.22 Borrowing costs

Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits and the costs can be measured reliably. All other borrowing costs are expensed in the period in which they are incurred and reported within 'finance costs'.

2.23 Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- held to maturity investments, and
- available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in the income statement.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs' or 'finance income', except for impairment of trade receivables which is presented within 'other expenses'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents and trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables is presented within 'other expenses'.

Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

Derivative financial instruments

Derivatives are financial assets or financial liabilities classified as held for trading and recorded at fair value through profit and loss.

Due to certain customer contracts being settled in foreign currencies, the Group enters into forward exchange contracts and swaps in order to reduce their exposure to foreign currency risk. The Group also uses fixed rate swaps to fix the rate of interest payable on some of its borrowings. Refer to note 27 for more details regarding the Group's use of derivatives.

3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's financial statements for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 January 2009 are:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)
- Group Cash-settled Share-based Payment Transactions - Amendment to IFRS 2 (effective 1 January 2010)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)

The directors are yet to assess the impact of these new standards and interpretations on the financial statements.

4. Significant management judgement in applying accounting policies

The following are significant management judgements in applying accounting policies of the Group that have the most effect on the financial statements.

Internally generated development costs

Management monitors progress of internal research and development projects by using a project management system. Significant judgement is required in distinguishing research from the development phase. Development costs are recognised as an asset when all the criteria are met, whereas research costs are expensed as incurred.

To distinguish any research-type project phase from the development phase, it is the Group's accounting policy to also require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the Group's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally-generated intangible assets is based on the same data.

The Group's management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

Revenue recognition

The stage of completion of a contract is assessed by management taking into consideration all information available at the reporting date. In this process management carries out significant judgements about milestones, actual work performed and the estimated costs to complete the work. Further information on the Group's accounting policy for contracts in note 2.20.

Leases

In applying the classification of leases in IAS 17, management considers its leases of equipment as finance lease arrangements. In some cases, the lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Financial liabilities

In applying de-recognition of a financial liability in IAS 39, management consider the modification of terms of the existing financial liabilities to be a substantial modification. A substantial modification for these purposes is where the discounted present value of the cash flows under the new terms are at least ten percent different from the discounted present value of the remaining cash flows of the original financial liability. The fees incurred on modification of existing financial liabilities have been recognised as part of the loss on extinguishment in the income statement.

5. Estimation uncertainty

When preparing financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimate and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Manufacturing revenue

The stage of completion of any contract is assessed by management by taking into consideration all information available at the reporting date. In this process management formulates estimates regarding actual work performed and the estimated costs to complete the work.

Impairment

An impairment loss is recognised for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

The total impairment charge to profit and loss in 2009 amounts to £nil (2008: £150,000).

Impairment of goodwill – refer to note 13

The Group has not recognised impairment losses for goodwill in its 2 cash-generating units. Management is not currently aware of any reasonable possible changes in key assumptions that would cause the carrying amount of goodwill to exceed its recoverable amount.

Defined benefit pension liability – refer to note 24

Management estimates the defined benefit pension liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit pension liability of £12.9 million (2008: £11.3 million) is based on standard rates of inflation and mortality. The estimate does not include anticipation of future salary increases, as there are no members with benefits related to future salary progression. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of the Group's defined benefit pension obligations.

Fair value of financial instruments – refer to note 27

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Provisions – refer to note 22

The amount recognised for warranties for which customers are covered for the cost of repairs is estimated based on management's past experience and the future expectations of defects.

6. Segment Information

Management currently identifies the Group's two service lines, Manufacturing and Services, as operating segments.

The activities undertaken by the Manufacturing segment include the manufacture of pumps and motors. The activities of the Services division include the servicing of a wide range of pumps and motors.

The measurement policies the Group uses for segment reporting are the same as those used in its financial statements, except that:

- post-employment benefit expenses;
- expenses relating to share-based payments; and
- research costs relating to new business activities.

are not included in arriving at the operating profit of the operating segments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. No asymmetrical allocations have been applied between segments.

Segment information can be analysed as follows for the reporting periods under review:

	Manufacturing £000	Services £000	Total £000
2009			
Segment revenues from:			
External customers	15,651	22,952	38,603
Intersegment	(1,495)	(321)	(1,816)
	<u>14,156</u>	<u>22,631</u>	<u>36,787</u>
Cost of materials	(12,272)	(10,694)	(22,966)
Depreciation and amortisation	(319)	(242)	(561)
Other expenses	(3,091)	(4,131)	(7,222)
Segment operating profit/(loss)	<u>(1,526)</u>	<u>7,564</u>	<u>6,038</u>
Segment assets	<u>4,679</u>	<u>19,397</u>	<u>24,076</u>
	Manufacturing £000	Services £000	Total £000
2008			
Segment revenues from:			
External customers	14,749	18,908	33,657
Intersegment	(154)	(453)	(607)
	<u>14,595</u>	<u>18,455</u>	<u>33,050</u>
Cost of materials	(13,198)	(10,056)	(23,254)
Depreciation and amortisation	(356)	(194)	(550)
Other expenses	(2,699)	(4,136)	(6,835)
Segment operating profit/(loss)	<u>(1,658)</u>	<u>4,069</u>	<u>2,411</u>

Segment assets	8,734	13,103	21,837
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The Group's revenues from external customers and its non-current assets (other than goodwill and deferred tax assets) are divided into the following geographical areas:

	2009 £'000	Non-current assets	2008 £'000	Non-current assets
	Revenue		Revenue	
United Kingdom	6,548	10,800	5,998	11,143
USA	11,548	665	11,775	542
Other countries	20,507	84	15,884	105
	<u>38,603</u>	<u>11,549</u>	<u>33,657</u>	<u>11,790</u>

Revenues from external customers in the Group's domicile, United Kingdom, as well as its major market the USA have been identified on the basis of the customers' geographical location. Non-current assets are allocated based on their physical location.

No customer represented greater than 10% of Group revenue in either 2009 or 2008.

The totals presented for the Group's operating segments reconcile to the entity's key financial figures as presented in its financial statements as follows:

	2009 £000	2008 £000
Segment revenues		
Total segment revenues	38,603	33,657
Rental income	20	37
Elimination of intersegment revenues	(1,816)	(607)
Group revenues	<u>36,807</u>	<u>33,087</u>
Segment profit/(loss)		
Segment operating profit	6,038	2,411
Rental income	20	37
Amortisation of goodwill - UK GAAP	(174)	(174)
Post-employment benefit expenses	(169)	(120)
Other operating income not allocated	(3,576)	(5,701)
Elimination of intersegment profits	(992)	1,221
Group operating profit /(loss)	<u>1,146</u>	<u>(2,326)</u>
Finance costs	(1,714)	(4,092)
Finance income	20	196
Group loss before tax	<u>(548)</u>	<u>(6,221)</u>

Segment net assets can be reconciled to Group assets as follows:

	2009 £000	2008 £000
Segment net assets		
Total segment net assets	24,076	21,837
Group	27,733	23,881

Consolidation	(15,847)	(10,962)
Group net assets	<u>35,962</u>	<u>34,756</u>

7. Operating profit/(loss)

This is stated after charging:

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Depreciation of owned assets	458	459
Depreciation of assets held under finance leases	23	23
Amortisation of other intangible assets	150	92
Auditors' remuneration:		
- Fees payable to the Company's auditor for the audit of the Company's annual accounts	16	16
- The audit of the Company's subsidiaries pursuant to legislation	53	49
- Taxation services	28	15
- Other services	122	-
Rentals under operating leases:		
- Land and buildings	249	249
- Plant and equipment	155	155
Foreign currency exchange differences	711	276

Operating profit is stated after charging non-recurring expenses of £1.187 million. Of these costs £0.946 million relate to the costs of the reverse into Nviro by Southbank that completed on 20 January 2010 and £0.241 million relate to the costs of advisers to Lloyds Banking Group, the Group's bankers.

8. Employee remuneration

Employee benefits expense

The employee benefit expense during the year was as follows:

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Wages and salaries	11,124	9,227
Social security costs	1,052	937
Pension costs	626	493
	<u>12,802</u>	<u>10,657</u>

The average numbers of employees during the year were as follows:

	Year ended 31 December 2009 Number	<i>Year ended 31 December 2008 Number</i>
Manufacturing	188	184
General and administration	114	96
Selling	38	41
	<u>340</u>	<u>321</u>

Key management personnel

Key management of the Group are members of the Board of directors in Southbank UK plc.

Remuneration in respect of directors and key management including short term employee benefits paid by First Merchant Capital UK Limited, a related party, was as follows:

	Year ended 31 December 2009 £000	<i>Year ended 31 December 2008 £000</i>
Short-term employee benefits	<u>400</u>	<u>291</u>
	<u>400</u>	<u>291</u>

The amounts set out above include remuneration in respect of the highest paid director as follows:

	Year ended 31 December 2009 £000	<i>Year ended 31 December 2008 £000</i>
Short-term employee benefits	<u>162</u>	<u>127</u>
	<u>162</u>	<u>127</u>

Details of related party transactions are given in note 28 to the financial statements. During 2009 key management did not exercise share options granted in the share-based employee remuneration scheme (2008: nil).

During 2009 key management did not exercise share options granted in the share-based employee remuneration scheme (2008: nil).

9. Finance costs and finance income

Year ended 31 December 2009	<i>Year ended 31 December 2008</i>
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	£000	£000
Finance income:		
Interest income from cash and cash equivalents	20	196
	<u>20</u>	<u>196</u>
Finance costs:		
Interest payable on bank borrowing	943	1,164
Finance charges	2,333	7
Finance costs of pensions	56	(13)
(Gains)/losses arising on fair value of derivative contracts	(1,618)	2,784
Impairment of investment in China Pub Company	-	150
	<u>1,714</u>	<u>4,092</u>

Finance charges represent non-recurring expenses of £2.333 million. Of these costs £2.044 million relate to the present value of bank fees payable to Lloyds Banking Group for new two year committed borrowing facilities, substantially all of which are provided for in 2009, and £0.289 million relate to unamortised issue costs.

10. Income tax expense

a) analysis of total tax credit

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Current tax:		
UK corporation tax at 28% (2008: 28%)	-	-
Amounts (over)/under provided in prior years	-	(94)
	<u>-</u>	<u>(94)</u>
Overseas taxation	1,015	801
Total current tax	<u>1,015</u>	<u>707</u>
Deferred tax		
Accelerated capital allowances	19	(308)
Revaluation of foreign exchange contracts to fair value	453	(769)
Losses available for offset against future taxable income	(1,612)	(1,112)
Retirement benefit obligations	(585)	86
Less movement recorded in changes in equity.	585	(48)
Other temporary differences	8	(330)
Amounts over provided in prior years	(564)	-
Total deferred tax	<u>(1,696)</u>	<u>(2,481)</u>
Tax credit reported in the income statement	<u>(681)</u>	<u>(1,774)</u>

b) reconciliation of loss before tax to total tax credit

The relationship between the expected tax expense based on the domestic effective tax rate of Southbank UK plc at 28% (2008: 28%) and the reported tax expense in the income statement can

be reconciled as follows, also showing major components of tax expense:

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Loss before tax	(548)	(6,416)
Domestic tax rate for Southbank UK plc	28%	28%
Expected tax credit	<u>(153)</u>	<u>(1,797)</u>
Adjustment for tax-rate differences in foreign jurisdictions	246	218
Temporary differences:		
- other	(32)	-
Amounts over provided in prior years	(564)	(94)
Adjustment for non-deductible expenses:		
- depreciation in excess of capital allowances	-	-
- other non-deductible expenses	<u>(178)</u>	<u>(101)</u>
Tax credit	<u><u>(681)</u></u>	<u><u>(1,774)</u></u>

Note 18 provides information on the entity's deferred tax assets and liabilities, including the amounts recognised directly in the income statement.

11. Income tax asset/(liability)

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Current tax assets	82	21
Current tax liabilities	<u>(25)</u>	<u>(187)</u>
Income tax receivable /(payable)	<u><u>57</u></u>	<u><u>(166)</u></u>

12. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the earnings/(loss) attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of diluted earnings/(loss) per share is based on the basic earnings/(loss) per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

	Year ended 31 December 2009	Year ended 31 December 2008
Earnings/(loss) attributable to ordinary shareholders (£000)	133	(4,447)
Weighted average number of shares (used for basic loss per share)	774,880,175	774,880,175
Dilutive effect of options	<u>170,095,648</u>	-
Weighted average number of shares (used for diluted	<u><u>944,975,823</u></u>	<u><u>774,880,175</u></u>

loss per share)		
Basic earnings/(loss) per share in pence	0.02	(0.57)
Diluted earnings/(loss) per share in pence	0.01	(0.57)

The dilutive effect of options represents the options to subscribe for ordinary shares equal in aggregate to 18% of the issued share capital of the Company.

Dividends

No dividends have been declared during the current year (2008: nil).

13. Goodwill

The net carrying amount of goodwill can be analysed as follows:

	2009 £000	2008 £000
Gross carrying amount		
Carrying amount at 1 January	2,288	2,288
Revision to contingent consideration	(69)	-
Carrying amount at 31 December	2,219	2,288

During the year the Company settled the contingent consideration in respect of the acquisition of Hayward Tyler. Actual consideration was lower than originally estimated.

For the purposes of annual impairment testing the carrying amount of goodwill is allocated to the following cash generating units. These are the smallest groupings of assets to which management is able to attribute cash flows reliably.

	2009 £000	2008 £000
Manufacturing	368	437
Services	1,851	1,851
	2,219	2,288

At the date of transition the amount of goodwill was tested for impairment.

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations.

The key assumptions used in the calculations were:

- The forecast operating cash flows for the next five years based on approved budgets and plans. These budgets and plans are based on past performance and expectations for the market development of the CGU, taking into account the current economic climate and forecast assumptions (both internal and external where appropriate) around the relevant product markets.
- An estimate of the long-term effective tax rate for the CGU of between 28% and 30%.

– An estimate of the long-term growth rate for the CGU of 1% for the manufacturing division and 3% for the services division. These growth rates represent management's best estimate of future long-term growth in the respective divisions.

A discount rate of 14% was used to discount future cash flows and reflects the weighted average cost of capital of the Company.

Following the requirement to allocate the goodwill between the two asset groupings, management identified an impairment of £1,020,000 against the manufacturing division. This goodwill impairment was identified following a comparison of future cash flows to the assets of the manufacturing division. This impairment has been recognised in reserves on transition. Further impairment tests were carried out at each reporting date and indicate headroom of circa £2,500,000 (2008:£2,500,000) in respect of manufacturing and therefore management does not believe that any reasonably possible change in assumptions would lead to any further impairment of the manufacturing goodwill. The present values of future cash flows in respect of the service division are far in excess of the carrying values of the associated assets including goodwill that management considers the likelihood of any impairment arising to be remote.

Final fair value adjustments were made to the goodwill amount in 2007 following a review of the assets and liabilities purchased in 2006.

14. Other intangible assets

The Group's other intangible assets comprise solely internally generated development costs. The net carrying amounts for the reporting periods under review can be analysed as follows:

	2009 £000	2008 £000
Gross carrying amount at 1 January		
Balance at 1 January	1,443	861
Additions	42	582
Balance at 31 December	<u>1,485</u>	<u>1,443</u>
Accumulated amortisation and impairment		
Balance at 1 January	92	-
Amortisation	150	92
Balance at 31 December	<u>242</u>	<u>92</u>
Carrying amount at 31 December	<u>1,243</u>	<u>1,351</u>

No research and development costs were expensed in the current year (2008: nil).

The amortisation charge for the year is included within operating charges and disclosed in note 7.

15. Property, plant and equipment

The Group's property, plant and equipment comprise primarily land, buildings, plant and machinery and fixtures and fittings. The carrying amount can be analysed as follows:

	Freehold land and buildings £'000	Short leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Gross carrying amount					

Balance at 1 January 2009	8,622	543	10,905	3,324	23,394
Exchange adjustments	-	(65)	(358)	(131)	(545)
Additions	-	86	262	179	518
Disposals	-	-	(62)	(165)	(227)
Balance at 31 December 2009	<u>8,622</u>	<u>564</u>	<u>10,747</u>	<u>3,207</u>	<u>23,140</u>

Depreciation and impairment

Balance 1 January 2009	123	483	9,608	2,839	13,053
Disposals	-	-	-	(165)	(165)
Exchange adjustments	-	(60)	(305)	(134)	(499)
Charge for the year	59	66	174	182	481
Balance 31 December 2009	<u>182</u>	<u>489</u>	<u>9,477</u>	<u>2,722</u>	<u>12,870</u>

Carrying amount 31 December 2009

8,440	75	1,270	485	10,270
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Gross carrying amount

Balance at 1 January 2008	8,622	387	9,699	3,052	21,760
Exchange adjustments	-	136	876	177	1,189
Additions	-	20	356	288	664
Disposals	-	-	(26)	(193)	(219)
Balance at 31 December 2008	<u>8,622</u>	<u>543</u>	<u>10,905</u>	<u>3,324</u>	<u>23,394</u>

Depreciation and impairment

Balance 1 January 2008	64	347	8,652	2,682	11,745
Disposals	-	-	(26)	(193)	(219)
Exchange adjustments	-	127	752	166	1,045
Charge for the year	59	9	230	184	482
Balance 31 December 2008	<u>123</u>	<u>483</u>	<u>9,608</u>	<u>2,839</u>	<u>13,053</u>

Carrying amount 31 December 2008

8,499	60	1,297	485	10,341
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All depreciation charges are included within operating charges and disclosed in note 7.

The Group's land and buildings have been pledged as security for 'other bank borrowings'.

16. Inventories

Inventories recognised in the statement of financial position can be analysed as follows:

	2009	2008
	£000	£000
Raw materials and consumables	3,922	4,050
Work in progress	1,066	260
Finished goods and goods for resale	1,126	1,222
	<u>6,114</u>	<u>5,532</u>

In 2009, no inventories were required to be written off (2008: nil).

No reversal of previous write-downs was recognised as a reduction of expense in 2009 or 2008.

In 2009 total inventory included in expenses amounted to £14,343,791 (2008: £14,619,056).

17. Trade and other receivables

	2009	2008
	£000	£000
Current		
Trade receivables	8,987	9,460
Less: provision for impairment of receivables	(47)	(60)
	<hr/>	<hr/>
Trade receivables - net	8,940	9,400
Other receivables	9	135
	<hr/>	<hr/>
Trade and other receivables	8,949	9,535
	<hr/>	<hr/>
Prepayments	386	741
VAT recoverable	10	269
	<hr/>	<hr/>
Other current assets	396	1,010
	<hr/>	<hr/>
Total current trade and other receivables	9,345	10,545
	<hr/>	<hr/>
Non-current		
Other receivables	36	98
	<hr/>	<hr/>

The directors believe that the carrying amounts of trade and other receivables approximate their fair values. The loans and receivables are short term and non-interest bearing.

The non-current receivable relates to partly paid shares and deposits that are not considered to be receivable within 12 months and as such have been reclassified as non-current.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision for impairment of receivables of £47,000 (2008: £60,000) has been recorded accordingly within other expenses. The impaired trade receivables are due from customers in the business-to-business market that are experiencing financial difficulties.

The Group periodically enters into a financing arrangement with the bank whereby ownership of certain trade receivables is transferred to the bank in exchange for cash. In these instances a corresponding liability for the amount owing to the bank will be recognised.

The movement in the provision for impairment of receivables can be reconciled as follows:

	2009	2008
	£000	£000
Balance at 1 January	60	16
Charge for the year	644	623
Impairment reversals	(656)	(582)
Currency adjustment	(1)	3
	<hr/>	<hr/>
Balance at 31 December	47	60
	<hr/>	<hr/>

An analysis of unimpaired trade receivables that are past due is given in note 25.

18. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

Year ended 31 December 2009	Year ended 31 December 2008
--------------------------------	--------------------------------

Deferred tax liabilities	£000	£000
	-	-
Deferred tax assets	5,872	3,591

The movement for the year in the Group's net deferred tax position was as follows:

	2009	2008
	£000	£000
Balance at 1 January	3,591	1,159
Credit to income statement for the year (note 10)	1,696	2,481
Credit/(charge) to equity for the year	585	(49)
Balance at 31 December	5,872	3,591

Deferred tax assets

	Balance at 1 January 2009 £000	Charge to income for the year £000	Charge to equity for the year £000	Balance at 31 December 2009 £000
Accelerated tax depreciation	187	(66)	-	121
Retirement benefit obligations	187	-	585	772
Derivatives	947	(453)	-	494
Tax losses	1,954	2,356	-	4,310
Temporary differences	316	(141)	-	175
Total	3,591	1,696	585	5,872

19. Cash and cash equivalents

Cash and cash equivalents included the following components:

	2009	2008
	£000	£000
Cash at bank and in hand	781	989
	781	989

At 31 December 2009 the Group had the following undrawn facilities:

	2009	2008
	£000	£000
Principal overdraft facility	165	-
Open credit facility	-	1
Corporate charge card facility	64	8

The bank overdrafts and loans are secured by fixed and floating charges over the Group's assets.

The short term bank overdraft has been classified under borrowings in Southbank UK plc, therefore, for purposes of the cash flow statement, the net cash and bank balance would be as follows:

	2009	2008
	£000	£000
Cash at bank and in hand	781	989
Short term overdraft	(4,035)	(2,230)
Net debt	<u>(3,254)</u>	<u>(1,241)</u>

The directors consider that the carrying amount of the cash and cash equivalents approximates their fair value.

20. Trade and other payables

	2009	2008
	£000	£000
Current:		
Trade payables	3,422	3,888
Payments on account	1,341	2,224
Social security and other taxes	359	266
	<u>5,122</u>	<u>6,378</u>

The carrying amounts of trade and other payables approximate to their fair values. All amounts shown above are short-term liabilities and are accruing no interest.

21. Other liabilities

Other liabilities can be summarised as follows:

	2009	2008
	£000	£000
Accruals and deferred income	11,894	7,673
Other payables	7	53
Deferred consideration	-	150
	<u>11,901</u>	<u>7,876</u>

Deferred income in 2009 amounted to £131,000 (2008: £54,000) and is considered current, as the timing of the service commitments is not at the discretion of the Group. Included in accruals and deferred income are provisions for non-recurring charges of £1.187 million, related to the costs of the reverse into Nviro, and £2.044 million bank charges, related to the new two year committed borrowing facility.

22. Provisions

	2009	2008
	£000	£000
Annual leave	180	104
Warranty	740	627
Liquidated damages	406	697
Loss making contracts	24	500

1,350	1,928
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All provisions are considered current. The carrying amounts may be analysed as follows:

	Annual leave £000	Warranty £000	Liquidated damages £000	Loss making contracts £000	Total £000
Carrying amount at 1 January 2009	104	627	697	500	1,928
Additional provisions	76	965	391	24	1,456
Amount utilised	-	(852)	(682)	(500)	(2,034)
Carrying amount at 31 December 2009	180	740	406	24	1,350

Annual leave provision

Paid holidays are regarded as an employee benefit and are charged to the income statement as the benefit is earned. A provision is made at the balance sheet date to reflect the fair value of the holidays earned but not taken.

Warranty provision

Provisions for warranty work represent the estimated cost of work provided under the terms of the contracts with customers with reference to the length and unexpired portion of the terms provided.

Liquidated damages

Provisions for liquidated damages are the liabilities estimated to arise on the expected delay in shipment of finished contracts.

Loss making contracts

A provision is immediately recognised in the income statement whenever the costs incurred plus the estimated costs to complete the contract are greater than the expected revenue from the contract. A provision is made for the total expected loss on the contract.

23. Leases

Finance leases

The Group leases various equipment under finance lease arrangements. £162,000 of the net carrying amount recognised as 'Plant and machinery' (see note 15) relates to leased equipment (2008: £184,000).

The future aggregate minimum finance lease payments are as follows:

	2009 £000		2008 £000	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
No later than 1 year	19	16	52	45
Later than 1 year and no later than 5 years	36	31	55	47
	55	47	107	92
Less: amounts representing finance	(8)		(15)	=

charges		
Present value of minimum lease payments	47	92

The lease agreement for the equipment includes fixed lease payments and a purchase option at the end of the lease term. The agreement is non-cancellable but does not contain any further restrictions.

Operating leases

The Group leases various offices, vehicles and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2009	2008
	£000	£000
No later than 1 year	354	389
Later than 1 year and no later than 5 years	580	829
Later than 5 years	-	12
	<u>934</u>	<u>1,230</u>

Lease payments recognised as an expense during the period are shown in note 7.

24. Pensions and other employee obligations

Within the UK the Group operates a defined benefit plan with benefits linked to final salary and a defined contribution plan. With effect from 1 June 2003 the defined benefit plan was closed to new UK employees who are offered membership of the defined contribution plan. The majority of UK employees are members of one of these arrangements. The method used in assessing the scheme liabilities is the projected unit method. A full valuation of the pension scheme is produced every three years (the last one being as at 1 January 2008) and updated annually to 31 December by independent qualified actuaries.

The liabilities recognised for pensions and other employee remuneration in the statement of financial position consist of the following amounts:

	2009	2008
	£000	£000
Net obligation	<u>2,761</u>	<u>669</u>

Scheme liabilities

The defined benefit obligation for the reporting periods under review are as follows:

	2009	2008
	£000	£000
Defined benefit obligation 1 January	11,341	14,574
Interest cost	728	848
Actuarial gain/(loss)	1,827	(3,133)
Benefits paid	(959)	(948)
	<u>12,937</u>	<u>11,341</u>

Defined benefits obligation 31 December	<u>12,937</u>	<u>11,341</u>
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For determination of the pension obligation, the following actuarial assumptions were used:

	2009	2008
	£000	£000
Discount rate	5.9%	6.7%
Expected rate of return on plan assets	6.6%	6.5%
Expected rate of salary increases	-	-
Expected rate of pension increases	3.5%	2.7%
Inflation assumption	3.5%	2.7%
Mortality assumption	<u>PA92 YOB</u>	<u>PA92 YOB</u>

These assumptions were developed by management under consideration of expert advice provided by Alexander Forbes, independent actuarial appraisers. These assumptions have led to the amounts determined as the Group's defined benefit obligations for the reporting periods under review and should be regarded as management's best estimate. However, the actual outcome may vary.

No assumption is made with regard to the expected rate of salary increases as there are no members with benefits related to future salary progression.

Scheme assets

The assets held by the pension fund can be reconciled from the opening balance to the reporting date as follows:

	2009	2008
	£000	£000
Fair value of plan assets at 1 January	10,672	13,599
Expected returns on plan assets	672	861
Actuarial loss	(378)	(2,960)
Contributions by the Group	169	120
Benefits paid	(948)	(948)
Fair value of plan assets at 31 December	<u>10,176</u>	<u>10,672</u>
Actual return on plan assets	<u>294</u>	<u>(2,099)</u>

Based on historical data, the Group expects contributions of £185,000 to be paid for 2010.

Plan assets include 30 million shares in Southbank UK plc. Plan assets can be broken down into the following major categories of investments:

	2009	2008
	£000	£000
Real estate funds	1,622	1,632
Equity investment funds	3,585	3,018
Self related equities	319	1,200
Corporate bonds	4,519	4,786

Liquid funds	131	36
Total value of assets	<u>10,176</u>	<u>10,672</u>

The Group's defined benefit obligations and plan assets may be reconciled to the amounts presented on the face of the statement of financial position for each of the reporting periods under review as follows:

	2009	2008
	£000	£000
Defined benefit obligation	(12,937)	(11,341)
Fair value of plan assets	10,176	10,672
Total deficit	<u>(2,761)</u>	<u>(669)</u>

Scheme expenses

Total expenses resulting from the Group's defined benefit plans can be analysed as follows:

	2009	2008
	£000	£000
Interest costs	(728)	(848)
Expected returns on plan assets	672	861
Total expenses recognised in finance costs	<u>(56)</u>	<u>13</u>

The employee benefits expense for the year is £nil (2007:£nil)

Expected returns on plan assets are based on a weighted average of expected returns of the various assets in the plan, and include an analysis of historical returns and predictions about future returns. Expected returns on plan assets are estimated by independent pension scheme appraisals undertaken by external valuers in close co-ordination with each fund's treasury board. In 2009 the actual return on plan assets was £294,000 (2008: £2,099,000).

The actuarial gains and losses recorded in the statement of other comprehensive income are as follows:

	2009	2008
	£000	£000
Actuarial (losses)/gain on liabilities	(1,827)	3,134
Actuarial losses on assets	(378)	(2,960)
Total (losses)/gains recognised in other comprehensive income	<u>(2,205)</u>	<u>174</u>

The cumulative actuarial gains and losses recognised in the statement of other comprehensive income 31 December 2009 was losses £845,000 (2008 gains £775,000).

Experience gains and losses

2009	2008	2007
£000	£000	£000

Defined benefit obligation	(12,937)	(11,341)	Formatted: Space After: 0 pt
Fair value of plan assets	10,176	10,672	13,599
Plan deficit	(2,761)	(669)	(975)
Experience adjustments:			
Plan assets	(378)	(2,960)	(642)
Plan liabilities	-	1,593	(19)

25. Risk management objectives and policies

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The Group's overall risk management programmes focus on both credit risk and the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's risk management is co-ordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

While the Group does use derivatives in order to hedge its exposure to foreign currency risk and cash flow interest rate risk (see below) it does not engage in the trading of derivatives for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign currency sensitivity

The Group operates in overseas markets and is subject to currency exposures of transactions undertaken during the year. Management's overarching objective is to minimise the extent of the Group's exposure to currency risk. In respect of transactional foreign currency risk the Group maintains a policy that all exposures on material committed transactions should be hedged as far as possible. The Group prepares rolling 12 month currency cash flow forecasts to enable currency exposures to be identified and then subsequently hedged.

The Group uses forward exchange contracts and forward extra contracts to hedge the impact on receipts and payments of the volatility in exchange rates of US Dollar to Pound Sterling and to the Euro. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2009 were USD3.75 million (2008: USD3.75 million) and the principal amounts of the outstanding forward extra contracts for were nil (2008: \$12.9 million) for US Dollar/Pound Sterling hedges and nil (2008: €2.4 million) for USD/Euro hedges. Hedge accounting is not applied in respect of these hedged transactions.

Derivative contracts are recognised at fair value in the statement of financial position with the corresponding entry in the income statement.

Currency exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the operating unit involved. The significant currency risk arises from contracts raised in US Dollars.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in the US Dollar/Pound Sterling exchange rate of +/- 10%. These changes are considered to be reasonably possible based on observation of recent volatility in the currency markets. The calculations are based on a change in average US Dollar/Pound Sterling exchange rate for each period, and the financial instruments held at each reporting date that

are sensitive to changes in the US Dollar/Pound Sterling exchange rate. All other variables are held constant.

	Profit for the year £000	
	+ 10%	- 10%
31 December 2009	25	(30)
31 December 2008	25	(30)

There is no impact on equity arising from foreign exchange fluctuations as the Group does not use hedge accounting. Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Interest rate sensitivity

The Group's borrowings include loans that carry variable rates of interest and thus expose the Group to cash flow risk. The Group's policy is to minimise interest costs and changes in the market value of debt. Interest rate risk is regularly monitored to ensure that the mix of variable and fixed rate borrowing is appropriate for the Group. Interest rate swaps are utilised that have the economic effect of converting borrowings from floating to fixed rates.

The Group has term borrowings of £9.8m that have an effective fixed rate of interest. These borrowings include £3.7 million at a fixed rate of interest of 6.515% and £6.1 million with an interest rate swap attached that converts borrowings to a fixed rate of interest of 5.87%. The remaining term borrowings of £0.6 million have a floating rate of interest based on LIBOR. Gains and losses relating to movements in fair values of the hedging instruments associated with the fixed rate borrowings are recorded in the income statement.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. The interest rate profile of the financial assets of the Group at 31 December 2009 is as follows:

Interest rate profile

	Fixed £'000	Floating £'000	Zero £'000	Total £'000
Receivables				
Trade and other receivables	-	-	8,288	8,288
	<u>-</u>	<u>-</u>	<u>8,288</u>	<u>8,288</u>
Payables				
Trade and other payables	-	-	3,781	3,781
Bank loans	9,835	577	-	10,412
Amounts due under finance lease agreements	47	-	-	47
	<u>9,882</u>	<u>577</u>	<u>3,781</u>	<u>14,240</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The classification of the rate of interest on the bank loans of £9.8 million as fixed is after consideration of the impact of the floating-to-fixed interest rate swap.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Profit for the year £000	
+1%	-1%

31 December 2009	(124)	124
31 December 2008	(124)	124

Credit risk analysis

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's most significant exposure to credit risk is in respect of the possibility of any individual customer being unable to settle their debts as they fall due. The credit risk associated with customers is considered as part of the tender review process and is addressed initially via contract payment terms and, where appropriate payment security.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2009 £000	2008 £000
Classes of financial assets - carrying amounts		
Trade and other receivables	8,288	9,535
Cash and cash equivalents	781	989

The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements. The Group uses trade credit insurance to help manage commercial risk.

Some of the unimpaired trade receivables are past due as at the reporting date. Financial assets past due but not impaired can be shown as follows:

	2009 £000	2008 £000
Not more than 3 months	592	914
More than 3 but less than 6 months	80	759
More than 6 but less than 12 months	502	335
	<u>1,174</u>	<u>2,008</u>

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered to be negligible since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk analysis

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis as well as on the basis of a rolling 30-day forecast and a rolling 13-week projection. Long-term liquidity needs for a 360-day lookout period are identified quarterly.

Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls.

The Group maintains cash and headroom to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of credit facilities and the ability to sell long-term financial assets.

As at 31 December 2009, the Group's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current (< 1 yr)	Non-current
31 December 2009		
Trade payables	3,422	-
Accruals and other payables	12,423	-
Short-term bank overdrafts	4,035	-
Finance lease liabilities	19	36
Bank loans	3,461	6,951
Derivatives	1,763	-
31 December 2008		
Trade payables	3,888	-
Accruals and other payables	8,625	-
Invoice discounting liabilities	627	-
Short-term bank overdrafts	2,230	-
Finance lease liabilities	52	55
Bank loans	526	9,963
Derivatives	3,381	-

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date. Where the counterparty has a choice of when an amount is paid the liability has been included on the earliest date on which payment can be required. The directors are of the view that the fair value of borrowings approximate carrying value.

26. Capital management objectives

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern, and
- to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk. The Group funds itself through equity and debt, which is defined as bank borrowings and finance leases.

The Group's capital is represented by the carrying amount of equity as presented on the face of the statement of financial position. The Group's goal in capital management is to maintain a balance of capital to overall financing. The capital and overall financing for the reporting periods under review is summarised as follows:

	Pro forma* 2009 £000	2009 £000	2008 £000
Total equity	<u>2,294</u>	<u>(1,506)</u>	<u>899</u>
Total equity	2,294	(1,506)	899
Net borrowings	<u>9,937</u>	<u>13,737</u>	<u>12,449</u>
Overall financing	<u>12,231</u>	<u>12,231</u>	<u>13,348</u>

* Pro forma demonstrates the impact of the post balance sheet event on the Group. Refer to note 2.1 for further details

27. Financial assets and liabilities

27.1 Categories of financial assets and liabilities

The carrying amounts presented in the financial statements relate to the following categories of assets and liabilities:

	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Financial assets		
Current:		
Loans and receivables:		
- Trade and other receivables	8,674	10,276
- Cash and cash equivalents	781	989
Financial liabilities		
Current:		
Financial liabilities measured at amortised cost		
- Trade and other payables	3,422	6,385
- Borrowings	7,512	3,428
Financial Liabilities at fair value through profit or loss:		
- Derivative financial instruments - held for trading	1,763	3,381
Non-current		
Financial liabilities measured at amortised cost		
- Borrowings	7,009	10,010

See note 2.21 for a description of the accounting policies for each category of financial instrument. The fair values are presented in the related notes. A description of the Group's risk management objectives and policies for financial instruments is given in note 25.

27.2 Derivative financial instruments

The fair value of forward and forward extras foreign currency contracts is calculated by reference to current market rates for contracts with similar maturity profiles. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The derivative financial liabilities can be summarised as follows:

	2009 £000	2008 £000
Forward exchange contracts – held for trading	(7)	(703)
Forward extra contracts – held for trading	(116)	(1,456)
Interest rate swap	(664)	(786)
Inflation swap	(976)	(436)
Fair value of derivative financial liabilities	<u>(1,763)</u>	<u>(3,381)</u>

The fair value measurements of all of the above derivative financial liabilities fall into Level 2 of the fair value hierarchy.

27.3 Financial results by category of financial instruments

The financial results by category of financial instruments can be summarised as follows:

	2009 £000	2008 £000
Loans and receivables – interest received	20	196
Financial liabilities measured at amortised cost – interest paid	(1,738)	(1,158)
Fair value movements on derivative financial instruments	1,618	(2,784)
Impairment of available for sale financial assets	-	(150)
	<u>(100)</u>	<u>(3,896)</u>

The directors consider the investment in China Pub Company to be fully impaired.

27.4 Borrowings

Borrowings comprise the following financial liabilities:

	Current		Non-current	
	2009 £000	2008 £000	2009 £000	2008 £000
Financial liabilities measured at amortised cost:				
Bank overdraft and loans	7,493	2,756	6,978	9,963
Invoice discounting liabilities	-	627	-	-
Finance lease liabilities	16	45	31	47
	<u>7,509</u>	<u>3,428</u>	<u>7,009</u>	<u>10,010</u>

The bank loans are secured by fixed and floating charges over the Group assets. The rates of interest on the loans are detailed in note 25. The above bank loans contain terms and conditions that are normal for the commercial banking market.

28. Related party transactions

The Group's related parties include its subsidiaries, key management, post-employment benefit plans for the Group's employees and others as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with subsidiaries

Transactions and balances within the Group have been eliminated on consolidation.

Transactions with key management personnel

The transactions with directors and key management are disclosed in note 8. Apart from this, during the year the Group undertook transactions with First Merchant Capital UK Limited, a company of which Ewan Lloyd-Baker is a director, Lloyd-Baker & Associates, a firm of which Ewan Lloyd-Baker is a partner, City and Westminster Corporate Finance LLP, a firm of which John May is a partner, and Waypoint Investors LLP, a company of which Nicholas Winks is a partner.

First Merchant Capital UK Limited was paid £144,000 (2008: £144,000) during the year for the provision of a serviced office. The serviced office costs include administrative and accounting staff, rent and office expenses. As at 31 December 2009 the amount outstanding was nil (2008: £12,000). First Merchant Capital UK Limited was paid £103,900 (2008:

£103,900) during the year for provision of directors' and management services, of which Mr Lloyd-Baker was paid £51,950.

Lloyd-Baker & Associates were paid £43,000 (2008: £16,375) for the provision of corporate finance services. These fees were charged on normal commercial terms.

City and Westminster Corporate Finance LLP were paid £46,974 (2008: nil) during the year for the provision of legal services to Hayward Tyler in respect of commercial contracts. These fees were charged on normal commercial terms.

Waypoint Investors LLP were paid £120,000 (2008: nil) during the year for the provision of directors' and other services, of which Mr Winks was paid £48,000.

Transactions with post-employment benefit plans

The defined benefit plan referred to in note 24 is a related party to the Group.

The assets in the pension scheme include shares in Southbank UK PLC. The Group's transactions with the pension scheme include contributions paid to the plan, which are disclosed in note 24. The Group has not entered into other transactions with the pension scheme, neither has it any outstanding balances at the reporting dates under review.

29. Contingencies

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business, however, it is not anticipated that any material liabilities will arise from these contingent liabilities.

30. Commitments

	2009 £000	2008 £000
Contracted for but not provided for	627	-
	627	-

31. Post balance sheet events

Subsequent to the year-end the following events occurred:

The Board reached agreement on the terms of a recommended offer received from Nviro Cleantech plc ("Nviro") to acquire the entire issued share capital of the Company. Completion of the acquisition took place on 20 January 2010.

On 19 January 2010, Nviro changed its name to Specialist Energy Group plc and issued 5,263,200 new ordinary shares of 1p each at a price of 76p per share, which raised proceeds of £4 million before expenses.

On 25 January 2010, £3 million of these proceeds were used to repay borrowings of Redgalde Investments Limited a wholly owned subsidiary of Southbank plc.

The potential good will arising as a result of the above transaction cannot be qualified at this stage.

32. Equity

Share capital

The share capital of Southbank UK PLC consists of fully paid and partly paid ordinary shares with a par value of 0.02pence. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting.

Authorised share capital:			2009	2008
			£000	£000
5,000,000,000 Ordinary shares of 0.02p			1,000	1,000
			<hr/>	<hr/>
			1,000	1,000
			<hr/> <hr/>	<hr/> <hr/>
Issued share capital:	2009	2009	2008	2008
	No.	£000	No.	£000
Alloted, called up and fully paid	774,880,175	155	562,880,175	113
Alloted, called up and partly paid	-	-	212,000,000	42
Total	774,880,175	155	774,880,175	155
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the course of the year 212,000,000 partly paid shares were fully paid up (2008: 35,500,000).

Share premium

Share premium consists of proceeds received in addition to the nominal value of the shares issued during the year.

33. Share-based payments

As at 31 December 2009 the Group maintained an equity settled share-based payment scheme for employee remuneration in the form of share option contracts granted to certain employees. During the year nil options lapsed, nil were issued and nil were exercised (2008: nil).

Options to subscribe for ordinary shares of 0.02p equal in aggregate to 18% of the issued share capital of the Company (which in this case includes these options) before 30 June 2015 were issued in 2006.

The exercise price of the options is 0.02p per option share. Until the options have been exercised in full the consent of the option holders will be required if the Company proposes to issue a class of share with any right which is preferential to the ordinary shares.

Scheme	Date of original grant	Number of options	% shares per option	Option price per share	Vesting conditions	Life of option	Fair Value
Option scheme: Director	29 June 2005	85,047,824	9%	0.02p	None	2015	0.01 ₁
Option scheme: The Nouveau Trust (formerly Victoria Trust)	4 July 2005	85,047,824	9%	0.02p	None	2015	0.01 ₁

Company Balance Sheet

	Note	As at 31 December 2009 £000	As at 31 December 2008 £000
Fixed assets			
Investments	3	13,164	13,233
		<u>13,164</u>	<u>13,233</u>
Current assets			
Debtors	4	65	315
Cash at bank		34	8
		<u>99</u>	<u>323</u>
Creditors: amounts falling due within one year	5	(1,490)	(301)
Net current (liabilities)/ assets		<u>(1,391)</u>	<u>22</u>
Total assets less current liabilities		11,773	13,255
Creditors: Amounts falling due within more than one year	6	(9,431)	(8,679)
Net Assets		<u>2,342</u>	<u>4,576</u>
Capital and Reserves			
Called up share capital	7	155	155
Share premium account	8	5,531	5,531
Retained earnings	8	(3,344)	(1,110)
Equity shareholders' funds		<u>2,342</u>	<u>4,576</u>

Notes to the Parent Company Financial Statements

1. Accounting Policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law. The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Debtors

Debtors are stated at nominal value reduced by estimated irrecoverable amounts.

Related party transactions

In accordance with Financial Reporting Standard Number 8, Related Party Disclosures, the Company is exempt from disclosing transactions with wholly owned entities that are part of the Southbank group. Refer to note 28 for disclosure of other related party transactions.

2. Loss for the year

The Company has made full use of the exemptions as permitted by section 408 of the Companies Act 2006 and accordingly the profit and loss account of the Company is not presented as part of the accounts. The parent company loss for the year to 31 December 2009 of £3,828,000 (2008 £822,000) is included in the Group profit for the financial year. Details of executive and non-executive directors emoluments are shown within the directors' report on page 10.

3. Investments

Investments in subsidiary undertakings:

	At 31 December 2009 £000	At 31 December 2008 £000
Balance at 1 January	13,233	13,233
Revision of contingent consideration	(69)	-
	-----	-----
Balance at 31 December	13,164	13,233
	=====	=====

The Company held 100% of the allotted ordinary share capital of the following companies;

Name	Country of Incorporation	Principal activity	% of issued share capital	Note
Redglade Investments Limited	England	Property	100%	
Redglade Associates Limited	England	Property	100%	
Hayward Tyler Group Limited	England	Holding Co	100%	
Hayward Tyler Holdings Limited	England	Holding Co	100%	A
Hayward Tyler Holdings Inc	USA	Holding Co	100%	B
Hayward Tyler Limited	England	Trading	100%	A
Varley Pumps Limited	England	Trading	100%	A
Hayward Tyler Inc	USA	Trading	100%	C
Hayward Tyler Pumps (Kunshan) Limited	China	Trading	100%	A
Hayward Tyler	India	Trading	100%	A

(India) PTE Limited				
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Notes:

A - Shares held by Hayward Tyler Group Limited

B - Shares held by Hayward Tyler Holdings Limited

C - Shares held by Hayward Tyler Holdings Inc

There are other subsidiaries which are not listed above as they are dormant.

4. Debtors

	2009 £000	2008 £000
Trade debtors	65	291
VAT	-	24
	-----	-----
	65	315
	=====	=====

5. Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	292	53
Accruals and deferred income	1,075	30
Taxation	60	60
Other taxation and social security	63	8
Deferred consideration	-	150
	-----	-----
	1,490	301
	=====	=====

6. Creditors: amounts falling due after more than one year

	2009 £000	2008 £000
Amounts owed to group companies	9,431	8,679
	=====	=====

7. Share Capital

Details of the share capital is shown in note 32 to the consolidated financial statements.

8. Reserves

	Share Premium Account £000	Profit and Loss Account £000
Balance at 1 January 2009	5,531	(1,110)
Loss for the year	-	(2,234)

Balance at
31
December
2009

5,531

(3,344)

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