

Directors' Report and Accounts

Airflow Developments Limited

31 March 1936

Ernst & Whinney

Directors' Report and Accounts

AIRFLOW DEVELOPMENTS LIMITED

31 March 1986

AIREFLOW DEVELOPMENTS LIMITED

DIRECTORS' REPORT

Directors: A Connor Wilson (Chairman)
 E J Martin
 P E Bagley
 R Barnett (Managing)
 A N Blond

Secretary: A N Blond

Registered Office: Lancaster Road, High Wycombe, Buckinghamshire

The directors present their report for the year ended 31 March 1986.

ACCOUNTS AND DIVIDEND

The directors submit the audited accounts of the company for the year ended 31 March 1986. The profit for the year available to shareholders, as shown by the consolidated profit and loss account, amounts to £587,977. after distributing profit sharing bonuses to employees. The directors do not recommend any dividend.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The group has continued to manufacture and distribute air measuring equipment, fans, domestic ventilation units and small electrical motors.

The company has expanded during the year, particularly in the export of its products to overseas markets. Both trading subsidiaries continue to perform to the satisfaction of the board.

FIXED ASSETS

The directors are of the opinion that the open market value of the freehold properties of the company is not less than the amount at which they are included in the accounts. Further details are shown in note 11.'

DIRECTORS

The directors of the company during the year ended 31 March 1986 were those listed above. P E Bagley retired by rotation and being eligible offers himself for re-election at the Annual General Meeting.

No director had any interests in the company's shares during the year.

AIRFLOW DEVELOPMENTS LIMITED

DIRECTORS' REPORT (continued)

CLOSE COMPANY PROVISIONS

As far as the directors are aware, the company is not a close company within the meaning of the Income and Corporation Taxes Act 1970.

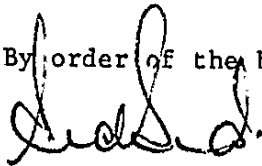
CHARITABLE DONATIONS

During the year the company has made charitable donations under deed of covenant amounting to £38,849. (1985 - £24,724) to The Airflow Community Limited.

AUDITORS

Ernst & Whinney have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the annual general meeting.

By order of the board



Secretary


Ernst & Whinney

Ernst & Whinney Chartered Accountants

REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts of Airflow Developments Limited set out on pages 4 to 17. These have been prepared under the historical cost convention. Our audit has been carried out in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group, so far as concerns members of the company, at 31 March 1986 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.


Reading

19 August 1986

AIRFLOW DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES


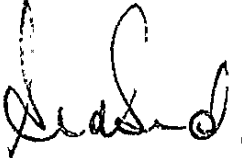
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1986

	Note	1985 £	1986 £
TURNOVER			
Cost of sales	2 and 3	8,585,762	7,772,005
		<u>5,004,716</u>	<u>4,335,557</u>
GROSS PROFIT		3,581,046	3,436,448
Distribution costs		(1,345,649)	(1,248,143)
Administrative expenses		(1,457,509)	(1,181,922)
Other operating income		40,276	22,002
NET OPERATING INCOME	4	<u>818,164</u>	<u>1,028,385</u>
Other income	7	170,176	146,404
PROFIT BEFORE TAXATION		<u>988,340</u>	<u>1,174,789</u>
Tax on profit on ordinary activities	8	400,363	496,715
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	9	<u>£587,977</u>	<u>£678,074</u>
STATEMENT OF RETAINED RESERVES			
Balance at 31 March 1985		4,330,691	3,654,927
Retained profit for the year		587,977	678,074
Currency exchange movements	1(f)	12,196	(2,310)
Balance at 31 March 1986	10	<u>£4,930,864</u>	<u>£4,330,691</u>

Page 10 of 10

5



AIRFLOW DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET - 31 MARCH 1986

	Note	1986 £	1985 £
FIXED ASSETS			
Tangible assets	11(a)	2,073,177	1,908,092
CURRENT ASSETS			
Stocks	13	1,541,379	1,481,460
Debtors	14	1,926,827	1,679,769
Short-term deposits		836,729	959,464
Cash at bank and in hand		390,796	332,972
		<u>4,695,731</u>	<u>4,453,665</u>
CREDITORS - amounts falling due within one year	15	1,547,522	1,740,651
NET CURRENT ASSETS		<u>3,148,209</u>	<u>2,713,014</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,221,386	4,621,106
PROVISION FOR LIABILITIES AND CHARGES	16	238,142	238,035
		<u>£4,983,244</u>	<u>£4,383,071</u>
CAPITAL AND RESERVES			
Called-up share capital	18	52,380	52,380
Profit and loss account	10	4,930,864	4,330,691
<div style="display: flex; align-items: center; justify-content: space-between;"> <div style="text-align: center;">   </div> <div style="text-align: center;">)) Directors) </div> </div>			
		<u>£4,983,244</u>	<u>£4,383,071</u>

AIRFLOW DEVELOPMENTS LIMITED

BALANCE SHEET - 31 MARCH 1986

	Note	1985 £	1985 £
FIXED ASSETS			
Tangible assets	11(b)	1,923,892	1,763,893
Investments	12	44,054	51,054
		<u>1,967,946</u>	<u>1,814,947</u>
CURRENT ASSETS			
Stocks	13	1,307,545	1,295,192
Debtors	14	1,792,781	1,606,842
Short-term deposits		830,608	959,464
Cash at bank and in hand		372,976	291,374
		<u>4,303,910</u>	<u>4,152,872</u>
CREDITORS - amounts falling due within one year	15	1,405,731	1,636,881
NET CURRENT ASSETS		<u>2,898,179</u>	<u>2,515,991</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,866,125	4,330,938
PROVISIONS FOR LIABILITIES AND CHARGES	16	206,637	196,229
TOTAL ASSETS LESS LIABILITIES		<u>£4,659,488</u>	<u>£4,134,709</u>
CAPITAL AND RESERVES			
Called-up share capital	18	52,380	52,380
Profit and loss account		4,607,108	4,082,329

R. B. 


)
) Directors
)

£4,659,488

£4,134,709

AIRFLOW DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 MARCH 1986

	1986 £	1985 £
SOURCE OF FUNDS		
FROM OPERATIONS		
Profit before taxation	988,340	1,174,789
Adjustment for items not involving the movement of funds:		
Intercompany assets transferred	(1,584)	-
Depreciation	195,929	210,850
Others	(21,677)	8,695
	<u>172,668</u>	<u>219,545</u>
Total generated from operations	1,161,008	1,394,334
OTHER SOURCES		
Sale of fixed assets	80,867	37,697
Exchange differences	9,213	(2,650)
	<u>1,251,088</u>	<u>1,429,381</u>
FUNDS APPLIED		
Purchase of fixed assets	420,044	941,969
Taxation paid	638,158	420,701
	<u>1,058,202</u>	<u>1,362,670</u>
INCREASE IN WORKING CAPITAL	<u>£192,886</u>	<u>£66,711</u>
Arising from movements in:		
Stock	59,919	91,213
Debtors	247,058	(35,572)
Creditors	(45,980)	59,849
	<u>260,997</u>	<u>115,490</u>
Liquid funds		
Cash at bank	54,624	3,257
Short-term deposits	(122,735)	(52,036)
	<u>£192,886</u>	<u>£66,711</u>

NOTES ON THE ACCOUNTS - 31 MARCH 1986

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of the company and of each of its subsidiaries for the year ended 31 March 1986.

(c) Depreciation and amortisation

Freehold and long leasehold land and buildings are not depreciated. The directors are of the opinion that amounts chargeable in respect of depreciation on buildings would not be significant. The cost of other fixed assets is written off either on a reducing basis, or by equal annual instalments over the expected useful lives of the assets. Annual depreciation rates arising from these methods are:

	On reducing balance	Straight line
Plant and machinery	17½% to 20% (1985 - 17½% to 20%)	10% to 33 1/3% (1985 - 10% to 33 1/3%)
Fixtures and fittings	17½% - 20% (1985 - 20%)	5% to 33 1/3% (1985 - 5% to 33 1/3%)
Tools and equipment	17½% - 25% (1985 - 17½% to 25%)	10% to 12½% (1985 - 10% to 12½%)
Motor vehicles	28% to 50% (1985 - 28% to 50%)	25% (1985 - 25%)

(d) Stock and work in progress

Stock is valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads. The allocation of manufacturing fixed overheads has regard to budgeted normal production.

(e) Deferred taxation

Provision is made for deferred taxation, using the liability method, on short-term timing differences and all other material timing differences which are not expected to continue in the future.

(f) Foreign currency translation

The financial statements of overseas subsidiaries are translated into sterling prior to consolidation, by using the average rate for the period for the profit and loss account, and the closing rate for the balance sheet. Differences arising on exchange are shown as movements on reserves.

AIRFLOW DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES

NOTES ON THE ACCOUNTS - 31 MARCH 1986

2 TURNOVER

Turnover comprises the invoice value of goods and services supplied by the group exclusive of VAT and intra-group transactions.

3 ANALYSIS OF TURNOVER

	1986 £	1985 £
UK	6,653,949	6,251,573
Overseas	1,931,813	1,520,432
	<u>£8,585,762</u>	<u>£7,772,005</u>

4 NET OPERATING INCOME is stated after charging:

	1986 £	1985 £
Depreciation of fixed assets	195,929	210,850
Auditors' remuneration	20,707	20,250
Hire of plant and equipment	1,614	3,626
	<u></u>	<u></u>

5 STAFF COSTS

	1986 £	1985 £
Wages and salaries	2,870,690	2,420,197
Social security costs	263,744	217,442
Other pension costs	491,033	425,434
	<u>£3,625,467</u>	<u>£3,063,073</u>

This includes remuneration paid to directors of the company of £371,971. (1985 - £229,431) - see note 6.

The average number of persons employed by the group each week in the year was 208 (1985 - 212) and is broken down into the following categories:

	1986	1985
Manufacturing	66	68
Non-manufacturing	142	144
	<u>208</u>	<u>212</u>

AIRFLOW DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES

NOTES ON THE ACCOUNTS - 31 MARCH 1986

6 EMOLUMENTS OF DIRECTORS

	1986 £	1985 £
Remuneration, including pension contributions, profit sharing bonus and the money value of benefits received other than in cash eg use of company car and private medical insurance	352,684	211,551
Pensions to former director and widow of former director	19,287	17,880
	<u>£371,971</u>	<u>£229,431</u>

NB The remuneration stated will vary disproportionately from year to year as a result of such influences as profit sharing bonus payments, pension contributions and benefits received other than in cash.

The emoluments as described above, excluding pension contributions, of directors of the company are as follows:

	1986 £	1985 £
Chairman	36,045	27,464
Highest paid director	66,316	55,944
	<u> </u>	<u> </u>
	Number of directors	
Other directors, in scale		
£20,001 to £25,000	-	1
£30,001 to £35,000	1	-
£35,001 to £40,000	-	1
£40,001 to £45,000	-	1
£55,001 to £60,000	1	-
£60,001 to £65,000	1	-

7 OTHER INCOME

	1986 £	1985 £
Income from current asset investments	169,034	145,789
Other interest receivable and similar income	1,142	615
	<u>£170,176</u>	<u>£146,404</u>

AIRFLOW DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES

NOTES ON THE ACCOUNTS - 31 MARCH 1986

8 TAXATION

The charge based on profit for the year comprises:

	1986 £	1985 £
UK corporation tax	351,987	453,487
Transfer to/(from) deferred tax	3,580	20,081
Overseas taxation	41,276	44,080
Adjustments relating to prior years:		
Corporation tax	3,520	(20,933)
	<u>£400,363</u>	<u>£496,715</u>

UK corporation tax has been provided at 40% (1985 - 45%).

9 PROFIT AFTER TAXATION

Included in profit after taxation is £524,779 (1985 - £594,221) which is dealt with in the accounts of the company. The company is exempt from presenting a profit and loss account by virtue of S228 of the Companies Act 1985.

10 RETAINED PROFITS

	1986 £	1985 £
Retained by:		
The company	4,607,108	4,082,329
Subsidiaries	344,830	268,073
Elimination of unrealised stock profits on consolidation	(17,105)	(16,141)
Goodwill written off on consolidation	(4,250)	(4,250)
Exchange adjustments	281	680
	<u>£4,930,864</u>	<u>£4,330,691</u>

AIRFLOW DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES

NOTES ON THE ACCOUNTS - 31 MARCH 1986

11 (a) GROUP TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings, tools and equipment £	Motor vehicles £	Total £
Cost					
At 31 March 1985	1,134,613	633,980	972,762	217,409	2,958,764
Exchange differences	-	5,904	2,638	2,041	10,583
Additions during year	50,756	97,383	107,381	164,524	420,044
Cost of disposals	-	(7,163)	(16,259)	(138,161)	(161,583)
At 31 March 1986	<u>£1,185,369</u>	<u>£730,104</u>	<u>£1,066,522</u>	<u>£245,813</u>	<u>£3,227,808</u>
Depreciation					
At 31 March 1985	-	424,942	540,502	85,228	1,050,672
Exchange differences	-	5,081	1,518	1,531	8,130
Charge for year	-	40,519	99,970	55,440	195,929
Relating to disposals	-	(7,162)	(13,724)	(79,214)	(100,100)
At 31 March 1986	<u>£ -</u>	<u>£463,380</u>	<u>£628,266</u>	<u>£62,985</u>	<u>£1,154,631</u>
Net book amounts at 31 March 1986	<u>£1,185,369</u>	<u>£266,724</u>	<u>£438,256</u>	<u>£182,828</u>	<u>£2,073,177</u>
31 March 1985	<u>£1,134,613</u>	<u>£209,038</u>	<u>£432,260</u>	<u>£132,181</u>	<u>£1,908,092</u>

AIRFLOW DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES

NOTES ON THE ACCOUNTS - 31 MARCH 1986

11 (b) COMPANY TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings, tools and equipment £	Motor vehicles £	Total £
Cost					
At 31 March 1985	1,134,613	481,856	873,328	198,716	2,688,513
Transfer	-	(10,744)	-	-	(10,744)
Additions during year	50,756	84,958	101,809	144,504	382,027
Cost of disposals	-	(7,003)	(16,259)	(122,217)	(145,479)
At 31 March 1986	<u>£1,185,369</u>	<u>£549,067</u>	<u>£958,878</u>	<u>£221,003</u>	<u>£2,914,317</u>
Depreciation					
At 31 March 1985	-	352,103	501,318	71,199	924,620
Charge for year	-	26,529	85,688	49,338	161,555
Relating to disposals	-	(16,163)	(13,724)	(65,863)	(95,750)
At 31 March 1986	<u>£ -</u>	<u>£362,469</u>	<u>£573,282</u>	<u>£54,674</u>	<u>£990,425</u>
Net book amounts at					
31 March 1986	<u>£1,185,369</u>	<u>£186,598</u>	<u>£385,596</u>	<u>£166,329</u>	<u>£1,923,892</u>
31 March 1985	<u>£1,134,613</u>	<u>£129,753</u>	<u>£372,010</u>	<u>£127,517</u>	<u>£1,763,893</u>

Ernst & Young

AIRFLOW DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES

NOTES ON THE ACCOUNTS - 31 MARCH 1986

12 SUBSIDIARY COMPANIES

	1986 £	1985 £
AIRFLOW LUFTECHNIK GmbH		
50,000 DM shares at cost	4,464	4,464
Loan account	-	7,000
	<u>4,464</u>	<u>11,464</u>
STEMSHIRE ENGINEERING LIMITED		
Ordinary shares at cost	5,000	5,000
Loan account	34,589	34,589
	<u>39,589</u>	<u>39,589</u>
AIRFLOW TECHNICAL PRODUCTS INC		
Ordinary shares at cost	1	1
	<u>£44,054</u>	<u>£51,054</u>

These companies are wholly-owned subsidiaries.

Airflow Lufttechnik GmbH, incorporated in West Germany, is principally engaged in the manufacture and distribution of air measuring equipment and fans.

Airflow Technical Products Inc was incorporated in the United States in 1982 and has not traded.

Stemshire Engineering Limited is principally engaged in electric motor manufacture.

13 STOCK AND WORK IN PROGRESS

	Group		Company	
	1986 £	1985 £	1986 £	1985 £
Raw materials	1,053,881	958,509	882,547	859,425
Work in progress	138,352	114,784	121,969	103,012
Finished goods	349,146	408,167	303,029	332,755
	<u>£1,541,379</u>	<u>£1,481,460</u>	<u>£1,307,545</u>	<u>£1,295,192</u>

In the directors' opinion, the replacement cost of stocks is not materially different from the balance sheet valuation.

AIRFLOW DEVELOPMENT LIMITED AND ITS SUBSIDIARIES

NOTES ON THE ACCOUNTS - 31 MARCH 1986

14 DEBTORS

	Group		Company	
	1986	1985	1986	1985
	£	£	£	£
Due within one year				
Trade debtors	1,844,695	1,629,919	1,670,593	1,532,549
Amounts owed by subsidiary companies	-	-	50,926	34,163
Other debtors	58,495	14,499	47,625	4,779
Prepayments and accrued income	23,637	35,351	23,637	35,351
	<u>£1,926,827</u>	<u>£1,679,769</u>	<u>£1,792,781</u>	<u>£1,606,842</u>

15 CREDITORS - amounts falling due within one year

	Group		Company	
	1986	1985	1986	1985
	£	£	£	£
Bank loans and overdrafts	3,200	-	-	-
Trade creditors	598,031	449,778	456,731	344,639
Amount owed to holding company	225	262	225	262
Amount owed to subsidiary companies	-	-	52,965	58,473
Taxation and social security	414,116	655,899	364,008	598,920
Other creditors	428,463	387,510	428,463	387,385
Accruals and deferred income	103,487	247,202	103,339	247,202
	<u>£1,547,522</u>	<u>£1,740,651</u>	<u>£1,405,731</u>	<u>£1,636,881</u>

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	1986	1985	1986	1985
	£	£	£	£
Deferred taxation (note 17)	169,493	165,913	149,297	136,172
Warranty provisions	57,340	60,057	57,340	60,057
German pension obligations	11,309	12,065	-	-
	<u>£238,142</u>	<u>£238,035</u>	<u>£206,637</u>	<u>£196,229</u>

AIRFLOW DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES

NOTES ON THE ACCOUNTS - 31 MARCH 1986

17 DEFERRED TAXATION

Full provision for deferred taxation has been made, comprising:

	Group		Company	
	1986	1985	1986	1985
	£	£	£	£
Accelerated capital allowances	180,918	185,314	149,318	147,914
Short-term timing differences	(11,425)	(19,401)	(21)	(11,742)
	<u>£169,493</u>	<u>£165,913</u>	<u>£149,297</u>	<u>£136,172</u>

18 CALLED-UP SHARE CAPITAL

	Authorised		Issued and fully paid	
	1986	1985	1986	1985
Ordinary shares of £1 each	<u>£80,000</u>	<u>£80,000</u>	<u>£52,380</u>	<u>£52,380</u>

19 CAPITAL COMMITMENTS

At 31 March 1986 the directors had authorised future capital expenditure which amounted to:

	Group		Company	
	1986	1985	1986	1985
	£	£	£	£
Contracted	75,332	143,274	59,347	141,274
Not contracted	209,197	155,660	198,697	146,610
	<u>£284,529</u>	<u>£298,934</u>	<u>£258,044</u>	<u>£287,884</u>

20 CONTINGENT LIABILITIES

The company has guaranteed the overdraft of Airflow Lufttechnik GmbH up to a maximum of DM 100,000.

The company has also granted a £10,000 guarantee in favour of HM Customs and Excise.

AIRFLOW DEVELOPMENTS LIMITED AND ITS SUBSIDIARIES

NOTES ON THE ACCOUNTS - 31 MARCH 1986

21 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be The Airflow Community Limited, a company registered under the Charities Act 1960, and incorporated in the UK.

22 FLOATING CHARGE

Midland Bank plc has a floating charge over the assets of the company excluding the properties, dated 19 April 1973, to secure an overdraft facility, when required.