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**AIRFLOW DEVELOPMENTS
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 1997

AIRFLOW DEVELOPMENTS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

Directors:

A N Blond
K R Burroughs
P M Downing
T R Hathaway (appointed 7 July 1997)

Secretary:

W H Beglow

Registered Office:

Lancaster Road
High Wycombe
Bucks
HP12 3QP

Auditors:

Grant Thornton
Chartered Accountants
Edinburgh House
Windsor Road
Slough
Berk
SL1 2EE

AIRFLOW DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS

The directors present their report for the year ended 31 March 1997.

Financial statements and dividends

The directors submit the audited financial statements of the company for the year ended 31 March 1997. The profit after tax for the year available to shareholders, as shown by the consolidated profit and loss account, amounts to £136,780 (1996 - £367,884) after distributing profit sharing bonuses to employees. The directors do not recommend any payment of dividends.

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 group has increased turnover despite some depressed markets.

Directors

The directors of the company at 31 March 1997 and at 1 April 1996 were those listed on page 1 except for the following:

T R Hathaway was appointed on 7 July 1997

R Hitchcock resigned as a director on 8 July 1996

K R Burroughs retires 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.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AIRFLOW DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS

Charitable donations

During the year the company has made charitable donations under deed of covenant amounting to £27,200 (1996 : £26,400) to The Airflow Community Limited.

Auditors

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

ON BEHALF OF THE BOARD

Director



11th September 1997

**REPORT OF THE AUDITORS TO THE MEMBERS OF
AIRFLOW DEVELOPMENTS LIMITED**

We have audited the financial statements on pages 5 to 20 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

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

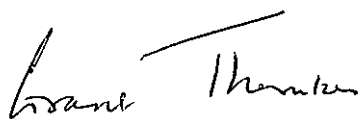
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
THAMES VALLEY OFFICE
SLOUGH**

26th September 1997

AIRFLOW DEVELOPMENTS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 MARCH 1997**

	Note	1997 £	1996 £
Turnover	2 & 3	14,441,412	14,162,711
Cost of sales		<u>(9,152,359)</u>	<u>(8,602,114)</u>
Gross profit		5,289,053	5,560,597
Distribution costs		(2,453,827)	(2,431,960)
Administrative expenses		(2,737,509)	(2,735,028)
Other operating income		<u>93,720</u>	<u>121,622</u>
Net operating profit	4	191,437	515,231
Interest receivable and similar income		<u>94,491</u>	<u>95,676</u>
Profit on ordinary activities before taxation		285,928	610,907
Tax on profit on ordinary activities	7	<u>(149,148)</u>	<u>(243,023)</u>
Retained profit on ordinary activities after taxation	8	<u><u>136,780</u></u>	<u><u>367,884</u></u>
Statement of retained reserves			
Balance at 31 March 1996		11,298,589	10,897,231
Retained profit for the year		136,780	367,884
Currency exchange movements		<u>(168,602)</u>	<u>33,474</u>
Balance at 31 March 1997	16	<u><u>11,266,767</u></u>	<u><u>11,298,589</u></u>



There were no recognised gains or losses other than those shown above.

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

AIRFLOW DEVELOPMENTS LIMITED

CONSOLIDATED BALANCE SHEET AT 31 MARCH 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	9	<u>5,466,169</u>	<u>5,597,045</u>
Current assets			
Stocks	11	3,448,705	3,435,939
Debtors	12	3,170,269	3,029,858
Cash at bank and in hand		<u>1,624,090</u>	<u>1,959,625</u>
		8,243,064	8,425,422
Creditors: amounts falling due within one year	13	<u>(2,039,327)</u>	<u>(2,333,547)</u>
Net current assets		<u>6,203,737</u>	<u>6,091,875</u>
Total assets less current liabilities		11,669,906	11,688,920
Provisions for liabilities and charges	14	<u>(350,759)</u>	<u>(337,951)</u>
		<u><u>11,319,147</u></u>	<u><u>11,350,969</u></u>
Capital and reserves			
Called up share capital	16	52,380	52,380
Profit and loss account	16	<u>11,266,767</u>	<u>11,298,589</u>
Shareholders' funds	16	<u><u>11,319,147</u></u>	<u><u>11,350,969</u></u>




 Directors

Approved by the Board on 11th September 1997

AIRFLOW DEVELOPMENTS LIMITED

BALANCE SHEET AT 31 MARCH 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	9	5,021,861	5,107,761
Investments	10	<u>1,287,596</u>	<u>933,095</u>
		<u>6,309,457</u>	<u>6,040,856</u>
Current assets			
Stocks	11	2,630,036	2,479,844
Debtors	12	3,059,466	2,849,536
Cash at bank and in hand		<u>1,337,116</u>	<u>1,794,407</u>
		7,026,618	7,123,787
Creditors: amounts falling due within one year	13	<u>(1,991,939)</u>	<u>(2,106,445)</u>
Net current assets		<u>5,034,679</u>	<u>5,017,342</u>
Total assets less current liabilities		11,344,136	11,058,198
Provisions for liabilities and charges	14	<u>(307,300)</u>	<u>(297,675)</u>
		<u>11,036,836</u>	<u>10,760,523</u>
Capital and reserves			
Called up share capital	16	52,380	52,380
Profit and loss account	16	<u>10,984,456</u>	<u>10,708,143</u>
Shareholders' funds	16	<u>11,036,836</u>	<u>10,760,523</u>




Directors

Approved by the Board on 11th September 1997

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

AIRFLOW DEVELOPMENTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1997

	Note	£	1997 £	£	1996 £
Net cash inflow from operating activities	17		243,255		1,139,577
Returns on investments and servicing of finance					
Interest received		<u>94,491</u>		<u>95,676</u>	
Net cash inflow from returns on investment and servicing of finance			94,491		95,676
Taxation					
UK corporation tax paid		(138,308)		(166,078)	
Overseas tax paid		<u>(109,896)</u>		<u>(27,953)</u>	
Tax paid			(248,204)		(194,031)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(533,696)		(1,099,689)	
Sale of tangible fixed assets		<u>121,028</u>		<u>52,815</u>	
Net cash outflow from capital expenditure and financial investment			(412,668)		(1,046,874)
Management of liquid resources					
Sale/(purchase) of short-term deposits			<u>839,951</u>		<u>(135,437)</u>
Increase/(decrease) in cash	18		<u>516,825</u>		<u>(141,089)</u>

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

AIRFLOW DEVELOPMENTS LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****FOR THE YEAR ENDED 31 MARCH 1997**

	Note	1997 £	1996 £
Profit for the financial year	16	136,780	367,884
Currency differences on foreign currency net investments	16	<u>(168,602)</u>	<u>33,474</u>
Total recognised gains and losses for the year		<u><u>(31,822)</u></u>	<u><u>401,358</u></u>

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

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards as follows:

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and of each of its subsidiaries for the year ended 31 March 1997.

Depreciation

Freehold land is not depreciated. The cost of other fixed assets is written off either on a reducing balance basis, or by equal annual instalments over the expected useful lives of the assets. Annual depreciation rates arising from these methods are:

	Reducing balance	Straight line
Plant & machinery	17.5% to 45%	10% to 33.33%
Fixtures & fittings	17.5% to 20%	5% to 33.33%
Tools & equipment	17.5% to 20%	10% to 12.5%
Motor vehicles	30% to 50%	25%
Buildings	-	2%

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 overheads and has regard to normal production. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure is written off as incurred.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all timing differences.

Pension costs

The group operates defined contribution pension schemes. The assets of the schemes are held in separately administered funds. The pension cost represents contributions payable by the group to these schemes.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

ACCOUNTING POLICIES (CONTINUED)

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.

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

	1997 £	1996 £
UK	10,262,475	9,691,961
Overseas	<u>4,178,937</u>	<u>4,470,750</u>
	<u>14,441,412</u>	<u>14,162,711</u>

4 NET OPERATING PROFIT IS STATED AFTER CHARGING/(CREDITING)

	1997 £	1996 £
Depreciation of fixed assets	525,691	501,255
Auditors' remuneration	24,500	23,250
Hire of plant and equipment	406	1,111
Operating lease rentals - land and buildings	9,478	9,478
Foreign exchange (gain)/loss	<u>(1,698)</u>	<u>3,831</u>

5 STAFF COSTS

	1997 £	1996 £
Wages and salaries	4,537,294	4,031,550
Social security	454,648	419,482
Pension costs	<u>530,843</u>	<u>514,134</u>
	<u>5,522,785</u>	<u>4,965,166</u>

This includes remuneration paid to directors of the company of £434,143 (1996 - £391,351) - see note 6.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

STAFF COSTS (CONTINUED)

The average number of persons employed by the group each week in the year was 244 (1996 - 241) and is broken down into the following categories:

	1997	1996
Manufacturing	62	59
Non-manufacturing	182	182
	<u>244</u>	<u>241</u>

6 DIRECTORS' EMOLUMENTS

	1997 £	1996 £
Directors		
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)	380,020	370,601
Compensation for loss of office	32,775	-
Pension to widow of former director	21,348	20,750
	<u>434,143</u>	<u>391,351</u>

The remuneration stated may 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:

	1997 £	1996 £
Chairman and highest paid director	<u>135,694</u>	<u>126,450</u>
Number of directors		
Other directors, in scale		
£55,001 to £60,000	1	2
£60,001 to £65,000	1	-
£85,001 to £90,000	-	1
£90,001 to £95,000	<u>1</u>	<u>-</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

7 TAXATION

The charge based on the profit for the year comprises:

	1997 £	1996 £
UK corporation tax at 33 % (1996 : 33%)	116,317	154,069
Deferred tax charge	6,200	-
Adjustments relating to prior years' corporation tax	<u>5,433</u>	<u>(7,597)</u>
	127,950	146,472
Overseas taxation:		
Charge for the year	<u>21,198</u>	<u>96,551</u>
	<u>149,148</u>	<u>243,023</u>

8 PROFIT AFTER TAXATION

Included in the consolidated profit after taxation is £276,313 (1996 - £279,713) which is dealt with in the financial statements of Airflow Developments Limited. The Company is exempt from presenting a profit and loss account by virtue of s230 of the Companies Act 1985.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

9 GROUP TANGIBLE FIXED ASSETS

	Freehold & long leasehold land & buildings £	Plant & machinery £	Fixtures and fittings, tools & equipment £	Motor vehicles £	Total £
Cost					
At 31 March 1996	4,403,123	1,115,415	3,309,540	575,084	9,403,162
Exchange differences	(13,468)	(30,363)	(16,317)	(10,240)	(70,388)
Additions during year	11,838	83,195	92,357	346,306	533,696
Cost of disposals	-	-	(211,510)	(256,625)	(468,135)
At 31 March 1997	<u>4,401,493</u>	<u>1,168,247</u>	<u>3,174,070</u>	<u>654,525</u>	<u>9,398,335</u>
Depreciation					
At 31 March 1996	357,505	869,811	2,329,100	249,701	3,806,117
Exchange differences	(1,897)	(23,624)	(13,635)	(4,812)	(43,968)
Charge for year	70,652	69,153	244,495	141,391	525,691
Relating to disposals	-	-	(200,716)	(154,958)	(355,674)
At 31 March 1997	<u>426,260</u>	<u>915,340</u>	<u>2,359,244</u>	<u>231,322</u>	<u>3,932,166</u>
Net book values					
At 31 March 1997	<u>3,975,233</u>	<u>252,907</u>	<u>814,826</u>	<u>423,203</u>	<u>5,466,169</u>
At 31 March 1996	<u>4,045,618</u>	<u>245,604</u>	<u>980,440</u>	<u>325,383</u>	<u>5,597,045</u>

COMPANY TANGIBLE FIXED ASSETS

	Freehold & long leasehold land & buildings £	Plant & machinery £	Fixtures and fittings, tools & equipment £	Motor vehicles £	Total £
Cost					
At 31 March 1996	4,208,525	631,798	2,906,148	497,119	8,243,590
Additions during year	11,838	10,910	89,966	337,986	450,700
Cost of disposals	-	-	(211,510)	(256,625)	(468,135)
At 31 March 1997	<u>4,220,363</u>	<u>642,708</u>	<u>2,784,604</u>	<u>578,480</u>	<u>8,226,155</u>
Depreciation					
At 31 March 1996	330,090	545,325	2,041,970	218,444	3,135,829
Charge for year	66,471	19,670	210,532	127,466	424,139
Relating to disposals	-	-	(200,716)	(154,958)	(355,674)
At 31 March 1997	<u>396,561</u>	<u>564,995</u>	<u>2,051,786</u>	<u>190,952</u>	<u>3,204,294</u>
Net book value					
At 31 March 1997	<u>3,823,802</u>	<u>77,713</u>	<u>732,818</u>	<u>387,528</u>	<u>5,021,861</u>
At 31 March 1996	<u>3,878,435</u>	<u>86,473</u>	<u>864,178</u>	<u>278,675</u>	<u>5,107,761</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

TANGIBLE FIXED ASSETS (CONTINUED)

Group and company

Freehold and long leasehold land and buildings include long leasehold land and buildings with a cost of £1,092,426 and net book value of £982,793 (1996 cost : £1,092,426 and net book value : £1,004,631).

10 SUBSIDIARY COMPANIES

	1997 £	1996 £
AIRFLOW LUFTECHNIK GmbH		
Ordinary shares at cost	70,892	70,892
Loan account	159,112	76,266
	<u>230,004</u>	<u>147,158</u>
STEMSHIRE MOTORS AND DRIVES LIMITED		
Ordinary shares at cost	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
AIRFLOW PROPERTIES INC		
Ordinary shares at cost	609	609
Loan account	177,032	177,032
	<u>177,641</u>	<u>177,641</u>
AIRFLOW TECHNICAL PRODUCTS INC		
Ordinary shares at cost	1	1
Loan account	874,950	603,295
	<u>874,951</u>	<u>603,296</u>
	<u>1,287,596</u>	<u>933,095</u>

These companies are wholly-owned subsidiaries.

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

Stemshire Motors and Drives Limited, registered in England and Wales, is principally engaged in electric motor and gearbox manufacture.

Airflow Properties Inc was incorporated in the United States in 1989 and holds the title to the building rented by Airflow Technical Products Inc.

Airflow Technical Products Inc was incorporated in the United States in 1982 and commenced trading in April 1989, marketing the group's instruments in the American market.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

11 STOCK AND WORK IN PROGRESS

	1997 £	Group 1996 £	1997 £	Company 1996 £
Raw materials	1,642,893	1,625,441	1,346,507	1,306,869
Work in progress	120,722	123,767	110,795	102,478
Finished goods	1,685,090	1,686,731	1,172,734	1,070,497
	<u>3,448,705</u>	<u>3,435,939</u>	<u>2,630,036</u>	<u>2,479,844</u>

12 DEBTORS

	1997 £	Group 1996 £	1997 £	Company 1996 £
Due within one year:				
Trade debtors	3,014,585	2,912,112	2,481,087	2,258,903
Amounts owed by parent undertaking	627	1,284	627	1,284
Amounts owed by subsidiary undertakings	-	-	486,826	492,402
Other debtors	82,254	31,022	47,164	30,449
Prepayments and accrued income	72,803	55,321	43,762	36,379
Pension contributions	-	30,119	-	30,119
	<u>3,170,269</u>	<u>3,029,858</u>	<u>3,059,466</u>	<u>2,849,536</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	Group 1996 £	1997 £	Company 1996 £
Bank overdraft	232,822	103,049	232,822	103,049
Trade creditors	983,618	1,274,281	915,682	1,132,601
Amounts owed to subsidiary undertakings	-	-	98,340	90,795
Corporation tax	136,895	207,640	136,895	153,453
Value added tax	156,264	145,026	156,264	145,026
Other taxation and social security	106,356	101,544	106,356	101,544
Other creditors	337,631	385,139	331,308	379,977
Accruals and deferred income	71,469	116,868	-	-
Pension contributions	14,272	-	14,272	-
	<u>2,039,327</u>	<u>2,333,547</u>	<u>1,991,939</u>	<u>2,106,445</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

14 PROVISIONS FOR LIABILITIES AND CHARGES

	1997 £	Group 1996 £	1997 £	Company 1996 £
Deferred taxation (note 15)	246,300	240,100	229,300	229,300
Warranty provision	78,000	68,375	78,000	68,375
German pension obligations	26,459	29,476	-	-
	<u>350,759</u>	<u>337,951</u>	<u>307,300</u>	<u>297,675</u>

15 DEFERRED TAX

Full provision for deferred taxation has been made, comprising:

	1997 £	Group 1996 £	1997 £	Company 1996 £
Accelerated capital allowances	265,190	255,990	245,190	245,190
Short-term timing differences	(18,890)	(15,890)	(15,890)	(15,890)
	<u>246,300</u>	<u>240,100</u>	<u>229,300</u>	<u>229,300</u>

16 SHAREHOLDERS' FUNDS

The group	Share capital £	Profit and loss account £	Total £
At 1 April 1995	52,380	10,897,231	10,949,611
Retained profit for the financial year	-	367,884	367,884
Currency exchange movement	-	33,474	33,474
At 31 March 1996	52,380	11,298,589	11,350,969
Profit for the financial year before taxation	-	285,928	285,928
Tax charge for year	-	(149,148)	(149,148)
Currency exchange movement	-	(168,602)	(168,602)
At 31 March 1997	<u>52,380</u>	<u>11,266,767</u>	<u>11,319,147</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

SHAREHOLDERS' FUNDS (CONTINUED)

The company	Share capital £	Profit and loss account £	Total £
At 1 April 1995	52,380	10,428,430	10,480,810
Retained profit for the financial year	-	279,713	279,713
At 31 March 1996	52,380	10,708,143	10,760,523
Profit for the financial year before taxation	-	397,486	397,486
Tax charge for year	-	(121,173)	(121,173)
At 31 March 1997	52,380	10,984,456	11,036,836

The share capital consists of 80,000 authorised ordinary shares of £1 each, of which 52,380 are allotted, called up and fully paid.

17 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1997 £	1996 £
Operating profit	191,437	515,231
Depreciation	525,691	501,255
Profit on disposal of fixed assets	(8,567)	(10,931)
(Increase)/decrease in stock	(12,766)	25,980
Increase in debtors	(105,900)	(306,318)
(Decrease)/increase in creditors	(353,248)	414,136
Decrease in German pension provision	(3,017)	(3,341)
Increase in warranty provision	9,625	3,565
Net cash inflow from operating activities	243,255	1,139,577

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1997 £	1996 £
Increase/(decrease) in cash in the year	516,825	(141,089)
Cash (outflow)/inflow from decrease/increase in liquid resources	(839,951)	135,437
Change in net funds resulting from cash flows	(323,126)	(5,652)
Effect of foreign exchange changes	(142,182)	21,193
Movement in net funds in the year	(465,308)	15,541
Net funds at 1 April 1996	1,856,576	1,841,035
Net funds at 31 March 1997	1,391,268	1,856,576

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

19 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 1996 £	Cashflow £	Exchange movement £	At 31 March 1997 £
Cash in hand and at bank	489,722	646,598	(142,182)	994,138
Overdrafts	(103,049)	(129,773)	-	(232,822)
	<u>386,673</u>	<u>516,825</u>	<u>(142,182)</u>	<u>761,316</u>
Current asset investments	1,469,903	(839,951)	-	629,952
	<u>1,856,576</u>	<u>(323,126)</u>	<u>(142,182)</u>	<u>1,391,268</u>

20 CAPITAL AND OTHER COMMITMENTS

At 31 March 1997 the directors had authorised future capital expenditure as follows:

	1997 £	Group 1996 £	1997 £	Company 1996 £
Contracted	104,897	198,178	93,372	196,978
Not contracted	<u>998,670</u>	<u>555,924</u>	<u>915,045</u>	<u>491,924</u>
	<u>1,103,567</u>	<u>754,102</u>	<u>1,008,417</u>	<u>688,902</u>

At the year end the company had a commitment to pay £45,500 (1996 - £34,300) over the next three years, by Deeds of Covenant, to The Airflow Community Limited.

21 OBLIGATIONS UNDER NON CANCELLABLE OPERATING LEASES

Group	Land and buildings 1997 £	Land and buildings 1996 £
Operating leases expiring in over five years	<u>9,478</u>	<u>9,478</u>

22 CONTINGENT LIABILITIES

At 31 March 1997 and 31 March 1996.

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

The company has also granted a £10,000 guarantee in favour of H M Customs & Excise.

23 PARENT UNDERTAKING

The ultimate parent undertaking of this company is The Airflow Community Limited, a registered charity, which is registered in England and Wales.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1997

24 RELATED PARTY TRANSACTIONS

Transactions with members of the group headed by this company are exempt from the disclosure requirements of FRS (8).

The company made charitable donations of £27,200 to The Airflow Community Limited, a company that owns 75% of the issued share capital of Airflow Developments Limited.