

**AIRFLOW DEVELOPMENTS LIMITED
AND SUBSIDIARY COMPANIES**

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 1999



AIRFLOW DEVELOPMENTS LIMITED

COMPANY INFORMATION

DIRECTORS

A N Blond
K R Burroughs
P M Downing

COMPANY SECRETARY

W H Beglow

COMPANY NUMBER

550374

REGISTERED OFFICE

Lancaster Road
High Wycombe
Buckinghamshire
HP12 3QP

AUDITORS

BKR Haines Watts
Sterling House
5 Buckingham Place
Bellfield Road
High Wycombe
Buckinghamshire
HP13 5HQ

BANKERS

Midland Bank Plc
1 Cornmarket
High Wycombe
Buckinghamshire
HP11 2AY

AIRFLOW DEVELOPMENTS LIMITED

CONTENTS

	Page
Directors' report	11 – 12
Auditors' report	13
Consolidated profit and loss account	14
Consolidated statement of total recognised gains & losses	15
Consolidated balance sheet	16
Company balance sheet	17
Consolidated cash flow statement	18
Notes to the financial statements	19 - 29

AIRFLOW DEVELOPMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 1999

The directors present their report and financial statements of the group for the year ended 31 March 1999.

Principal activity, business review and future developments

The principal activity of the group during the year under review continues to be that of the manufacture and distribution of air measuring equipment, fans, domestic ventilation and small electric motors.

Results and dividends

The loss after tax for the year amounted to £77,942 as shown on page 4, after charging £313,435 for exceptional costs.

The directors do not recommend any dividend.

Fixed assets

The movements in fixed assets during the year are set out in the notes to the financial statements.

Directors

The directors throughout the year under review, none of whom had any beneficial interest in the share capital of the company, were as follows:

A N Blond
K R Burroughs
P M Downing

In accordance with the articles of association K. R. Burroughs retires by rotation, and being eligible, offers himself for re-election.

Charitable donations

During the year the group has made charitable donations under deed or covenant totalling £26,500 (1998: £28,000) to The Airflow Community Limited and Airflow Charity Limited.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that BKR Haines Watts be reappointed as auditors of the company will be put to the Annual General Meeting.

AIRFLOW DEVELOPMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 company will continue in business.

As discussed at length in the media, many computers and microchips only recognise dates using the last two digits of the year and will therefore need to be modified or replaced to record the Year 2000. Our business depends on a computerised accounting system to prepare the accounts and record transactions. In addition, we could be affected by the systems used by our suppliers and customers. As a result, we could be at risk if other parties do not deal adequately with the Year 2000 issue.

The directors have assessed the risks to our business resulting from the change to the Year 2000. Millenium compliant software is now implemented, and a programme of personal computer replacement is nearing completion.

We are currently assessing the possibility of Year 2000 related failures in our significant suppliers, and this exercise should be concluded by the end of September 1999.

It is impossible to guarantee that no Year 2000 problems will remain. However, the directors feel that the company will be able to deal promptly with any failures that may occur.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

By order of the board



Date: 9 Sep 1999

AUDITORS' REPORT TO THE SHAREHOLDERS OF AIRFLOW DEVELOPMENTS LIMITED

We have audited the financial statements on pages 14 to 29 which have been prepared under the historical cost convention, and the accounting policies set out on pages 19 and 20.

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 as at 31 March 1999 and of the loss for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BKR Haines Watts

BKR Haines Watts
Registered Auditor
Chartered Accountants

4 October 1999
Sterling House
Bellfield Road
High Wycombe
Buckinghamshire
HP13 5HQ

AIRFLOW DEVELOPMENTS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999 £	1998 £
TURNOVER	2	13,404,656	13,999,308
Cost of sales		<u>(8,525,029)</u>	<u>(8,908,738)</u>
GROSS PROFIT		4,879,627	5,090,570
Distribution costs		(2,463,532)	(2,659,597)
Administrative expenses		(2,436,619)	(2,716,185)
Other operating income		<u>75,987</u>	<u>81,736</u>
OPERATING PROFIT/(LOSS)	3	55,463	(203,476)
Exceptional items	6	<u>(313,435)</u>	<u>-</u>
(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		(257,972)	(203,476)
Interest payable		(16,693)	-
Interest receivable and similar income		<u>106,179</u>	<u>87,557</u>
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(168,486)	(115,919)
Tax on (loss) on ordinary activities	7	<u>90,544</u>	<u>16,841</u>
(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	8	<u>(77,942)</u>	<u>(99,078)</u>
Statement of retained reserves			
Balance at 31 March 1998		11,242,564	11,266,767
(Loss) for the year		(77,942)	(99,078)
Currency exchange movements		<u>57,725</u>	<u>74,875</u>
Balance at 31 March 1999		<u>11,222,347</u>	<u>11,242,564</u>

There were no acquired or discontinued operations in either 1999 or 1998.

The notes on pages 19 to 29 form part of these financial statements

AIRFLOW DEVELOPMENTS LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 1999

	1999 £	1998 £
(Loss) for the financial year	(77,942)	(99,078)
Currency differences on foreign currency net investments	<u>57,725</u>	<u>74,875</u>
Total recognised (losses) for the year	<u>(20,217)</u>	<u>(24,203)</u>

The notes on pages 19 to 29 form part of these financial statements

AIRFLOW DEVELOPMENTS LIMITED
CONSOLIDATED BALANCE SHEET
AT 31 MARCH 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible fixed assets	9	<u>5,312,348</u>	<u>5,219,144</u>
CURRENT ASSETS			
Stocks	11	<u>2,988,475</u>	<u>3,377,382</u>
Debtors due within one year	12	<u>2,640,564</u>	<u>3,035,028</u>
Cash at bank and in hand		<u>2,490,788</u>	<u>1,854,684</u>
		8,119,827	8,267,094
CREDITORS: Amounts falling due within one year	13	<u>(1,640,922)</u>	<u>(1,865,340)</u>
NET CURRENT ASSETS		<u>6,478,905</u>	<u>6,401,754</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,791,253	11,620,898
CREDITORS: Amounts falling due after one year	14	<u>(285,728)</u>	-
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(230,798)</u>	<u>(325,954)</u>
		<u>11,274,727</u>	<u>11,294,944</u>
CAPITAL AND RESERVES			
Called-up share capital	19	<u>52,380</u>	<u>52,380</u>
Profit and loss account		<u>11,222,347</u>	<u>11,242,564</u>
Shareholders' funds	20	<u>11,274,727</u>	<u>11,294,944</u>

Approved by the board of directors on 9 Sep 1999 and signed on its behalf

P. M. De
AKS
 Directors

The notes on pages 19 to 29 form part of these financial statements

AIRFLOW DEVELOPMENTS LIMITED

COMPANY BALANCE SHEET

AT 31 MARCH 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible fixed assets	9	4,943,761	4,829,506
Investments	10	665,622	855,450
		<u>5,609,383</u>	<u>5,684,956</u>
CURRENT ASSETS			
Stocks	11	2,241,806	2,541,600
Debtors due within one year	12	2,599,964	2,787,993
Cash at bank and in hand		2,244,242	1,756,567
		<u>7,086,012</u>	<u>7,086,160</u>
CREDITORS: Amounts falling due within one year	13	<u>(1,637,855)</u>	<u>(1,860,199)</u>
NET CURRENT ASSETS		<u>5,448,157</u>	<u>5,225,961</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,057,540</u>	<u>10,910,917</u>
CREDITORS: Amounts falling due after one year	14	(285,728)	-
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(184,828)</u>	<u>(280,290)</u>
		<u>10,586,984</u>	<u>10,630,627</u>
CAPITAL AND RESERVES			
Called-up share capital	19	52,380	52,380
Profit and loss account		10,534,604	10,578,247
Shareholders' funds	20	<u>10,586,984</u>	<u>10,630,627</u>

Approved by the board of directors on 9 Sep 1999 and signed on its behalf

P. M. Donnan
R. B. ...

Directors

The notes on pages 19 to 29 form part of these financial statements

AIRFLOW DEVELOPMENTS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999 £	1998 £
Reconciliation of operating profit/(loss) to net cash inflow from operations			
Operating profit/(loss)		55,463	(203,476)
Depreciation charges		491,602	505,875
Loss on disposal of fixed assets		5,371	9,900
Exceptional items		(313,435)	-
Decrease in stocks		388,907	71,323
Decrease in debtors		394,464	116,786
(Decrease) in creditors		(201,926)	(7,241)
(Decrease) in warranty provisions		(2,462)	(7,140)
Net cash inflow from operating activities		<u>817,984</u>	<u>486,027</u>
Cash flow statement			
		1999 £	1998 £
Net cash inflow from operating activities		817,984	486,027
Returns on investments and servicing of finance	21a	89,486	87,577
Taxation		(41,170)	(69,429)
Capital expenditure	21a	(195,628)	(278,034)
Hire purchase capital repayments		(22,424)	-
		<u>648,248</u>	<u>226,141</u>
Movement in liquid resources	21a	(548,239)	(328,505)
Increase/(Decrease) in cash	21b	<u>100,009</u>	<u>(102,364)</u>
Reconciliation of net cash flow to movement in net funds			
		1999 £	1998 £
Increase/(Decrease) in cash in the year		100,009	(102,364)
Cash movement in liquid resources		<u>548,239</u>	<u>328,505</u>
Changes in net funds resulting from cash flows		648,248	226,141
Effect of foreign exchange changes		<u>67,697</u>	<u>84,140</u>
Change in net funds in the year		715,945	310,281
Net funds at 1 April 1998		<u>1,701,549</u>	<u>1,391,268</u>
Net funds at 31 March 1999	21b	<u>2,417,494</u>	<u>1,701,549</u>

The notes on pages 19 to 29 form part of these financial statements

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

1. ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. They incorporate the results of the principal activity which is described in the directors' report, and which is continuing.

(b) 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 1999.

(c) Depreciation

Depreciation is calculated to write off the cost less their estimated residual values, of tangible fixed assets over their estimated useful lives to the business. The annual depreciation rates and methods are as follows:

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

Freehold land is not depreciated.

(d) Stock and work in progress

Stock is valued at the lower of cost and net realisable value after making due allowances 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.

(e) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

(f) Research and development

Research and development expenditure is written off as incurred.

(g) Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

(h) Pension contributions

The company operates a defined contribution pension scheme, and the German subsidiary operates a hybrid pension scheme, being part defined contribution and part defined benefit. The pension charge represents the amounts payable by the group to the schemes in respect of the year.

(i) Foreign currency translation

The financial statements of overseas subsidiaries are translated into sterling prior to consolidation, by using the rate of exchange applicable at the balance sheet date.

2 TURNOVER

Turnover is the total amount, excluding value added tax and intra-group transactions, receivable by the group in the ordinary course of business for goods supplied and for services provided as a principal.

Turnover can be analysed as follows:

	1999	1998
	£	£
U.K.	8,628,816	9,010,787
Overseas	4,775,840	4,988,521
	<u>13,404,656</u>	<u>13,999,308</u>

3 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

Administrative expenses including:

	1999	1998
	£	£
Operating lease rentals	48,799	27,457
Depreciation	491,602	505,874
Loss on disposal of fixed assets	5,371	9,900
Foreign exchange loss/(gain)	(994)	11,323
Auditors' remuneration (including expenses)	<u>23,790</u>	<u>24,667</u>

4 STAFF COSTS

The cost of employing staff, including the directors, was:

	1999	1998
	£	£
Wages and salaries	4,165,533	4,564,496
Social security costs	421,825	474,214
Pension costs	519,854	503,590
	<u>5,107,212</u>	<u>5,542,300</u>

The average monthly number of employees during the year was:

	1999	1998
Manufacturing	55	64
Non-manufacturing	170	185
	<u>225</u>	<u>249</u>

There are three directors to whom retirement benefits are accruing under the company's standard money purchase retirement benefit scheme.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

5 DIRECTORS' EMOLUMENTS

	1999 £	1998 £
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)	334,758	409,756
Pension to widow of former director	22,670	21,946
	<u>357,428</u>	<u>431,702</u>

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

	1999 £	1998 £
Chairman and highest paid director	<u>142,960</u>	<u>144,102</u>

Other directors, in scale

	Number of directors	
	1999	1998
	£	£
£60,001 to £65,000	1	1
£65,001 to £70,000	-	1
£90,001 to £95,000	<u>1</u>	<u>1</u>

6 EXCEPTIONAL ITEMS

	1999 £	1998 £
Closure of two AVS branches	59,010	-
Buy out of long service holiday pay	158,728	-
Redundancy costs	<u>95,697</u>	<u>-</u>
	<u>313,435</u>	<u>-</u>

7 TAXATION

	1999 £	1998 £
UK corporation tax at 31% (1998 - 31%)		
On profit adjusted for tax purposes	(12,000)	16,009
Transfer (from) deferred taxation	<u>(99,600)</u>	<u>(21,820)</u>
	<u>(111,600)</u>	<u>(5,811)</u>
Overseas taxation	21,056	(11,030)
Charge for the year	<u>(90,544)</u>	<u>(16,841)</u>

8 (LOSS) AFTER TAXATION

Included in the consolidated loss after taxation is a loss of £43,643 (1998: loss of £406,209) 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 1999

9 TANGIBLE FIXED ASSETS GROUP

	Freehold & long leasehold land and buildings £	Plant and machinery £	Sub total £
COST			
At 1 April 1998	4,430,514	1,129,926	5,560,440
Exchange differences	(4,909)	945	(3,964)
Additions	2,100	420,448	422,548
Applicable to disposals	-	(31,317)	(31,317)
At 31 March 1999	<u>4,427,705</u>	<u>1,520,002</u>	<u>5,947,707</u>
DEPRECIATION			
At 1 April 1998	496,768	948,670	1,445,438
Exchange differences	1,246	(5,985)	(4,739)
Charge for the year	71,555	81,691	153,246
Released by disposals	-	(30,258)	(30,258)
At 31 March 1999	<u>569,569</u>	<u>994,118</u>	<u>1,563,687</u>
NET BOOK VALUE			
At 31 March 1999	<u>3,858,136</u>	<u>525,884</u>	<u>4,384,020</u>
At 31 March 1998	<u>3,933,746</u>	<u>181,256</u>	<u>4,115,002</u>
	Fixtures and fittings, tools and equipment £	Motor vehicles £	Total £
COST			
At 1 April 1998	3,393,055	570,828	3,963,883
Exchange differences	6,459	3,238	9,697
Additions	200,010	14,711	214,721
Applicable to disposals	(229,838)	(169,524)	(399,362)
At 31 March 1999	<u>3,369,686</u>	<u>419,253</u>	<u>3,788,939</u>
DEPRECIATION			
At 1 April 1998	2,559,373	300,368	2,859,741
Exchange differences	4,930	(3,392)	1,538
Charge for the year	257,727	80,629	338,356
Released by disposals	(230,572)	(108,452)	(339,024)
At 31 March 1999	<u>2,591,458</u>	<u>269,153</u>	<u>2,860,611</u>
NET BOOK VALUE			
At 31 March 1999	<u>778,228</u>	<u>150,100</u>	<u>928,328</u>
At 31 March 1998	<u>833,682</u>	<u>270,460</u>	<u>1,104,142</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

9 TANGIBLE FIXED ASSETS (CONTINUED)
COMPANY

	Freehold & long leasehold land and buildings £	Plant and machinery £	Sub total £
COST			
At 1 April 1998	4,250,728	635,146	4,885,874
Exchange differences	(11,671)	-	(11,671)
Additions	2,100	413,666	415,766
Applicable to disposals	-	(18,582)	(18,582)
At 31 March 1999	<u>4,241,157</u>	<u>1,030,230</u>	<u>5,271,387</u>
DEPRECIATION			
At 1 April 1998	463,639	569,318	1,032,957
Charge for the year	67,405	47,051	114,456
Released by disposals	-	(18,582)	(18,582)
At 31 March 1999	<u>531,044</u>	<u>597,787</u>	<u>1,128,831</u>
NET BOOK VALUE			
At 31 March 1999	<u>3,710,113</u>	<u>432,443</u>	<u>4,142,556</u>
At 31 March 1998	<u>3,787,089</u>	<u>65,828</u>	<u>3,852,917</u>
	Fixtures and fittings, tools and equipment £	Motor vehicles £	Total £
COST			
At 1 April 1998	2,954,387	500,864	8,341,125
Exchange differences	-	-	(11,671)
Additions	182,881	-	598,647
Applicable to disposals	(229,838)	(161,460)	(409,880)
At 31 March 1999	<u>2,907,430</u>	<u>339,404</u>	<u>8,518,221</u>
DEPRECIATION			
At 1 April 1998	2,231,348	247,314	3,511,619
Charge for the year	227,735	68,003	410,194
Released by disposals	(230,572)	(98,199)	(347,353)
At 31 March 1999	<u>2,228,511</u>	<u>217,118</u>	<u>3,574,460</u>
NET BOOK VALUE			
At 31 March 1999	<u>678,919</u>	<u>122,286</u>	<u>4,943,761</u>
At 31 March 1998	<u>723,039</u>	<u>253,550</u>	<u>4,829,506</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

9 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 £939,097 (1998 cost: £1,092,426 and net book value: £960,945).

10	SUBSIDIARY COMPANIES	1999 £	1998 £
	AIRFLOW LUFTECHNIK GmbH		
	Ordinary shares at cost	70,892	70,892
	Loan account	106,012	117,379
		<u>176,904</u>	<u>188,271</u>
	STEMSHIRE MOTORS AND DRIVES LIMITED		
	Ordinary shares at cost	5,000	5,000
	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	306,076	484,537
		<u>306,077</u>	<u>484,538</u>
		<u>665,622</u>	<u>855,450</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 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 1999

11	STOCKS	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
	Raw materials	1,414,692	1,612,940	1,231,126	1,358,665
	Work in progress	115,202	118,999	97,509	101,837
	Finished goods and Goods for resale	<u>1,458,581</u>	<u>1,645,443</u>	<u>913,171</u>	<u>1,081,098</u>
		<u>2,988,475</u>	<u>3,377,382</u>	<u>2,241,806</u>	<u>2,541,600</u>
12	DEBTORS	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
	Trade debtors	2,469,256	2,890,117	2,096,434	2,436,613
	Amounts owed by parent undertaking	-	1,026	-	1,026
	Amounts owed by subsidiary undertakings	-	-	382,757	255,597
	Other debtors	100,270	102,494	93,573	53,366
	Prepayments and accrued income	<u>71,038</u>	<u>41,391</u>	<u>27,200</u>	<u>41,391</u>
		<u>2,640,564</u>	<u>3,035,028</u>	<u>2,599,964</u>	<u>2,787,993</u>
13	CREDITORS: Amounts falling due within one year	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
	Bank overdraft (secured)	73,294	153,135	73,294	153,135
	Net obligations under hire purchase agreements (secured)	77,463	-	77,463	-
	Trade creditors	759,049	933,181	627,285	818,827
	Amounts owed to subsidiary Undertakings	-	-	216,674	183,209
	Corporate taxation	33,877	53,991	33,877	53,991
	Other taxation and social security	250,875	304,720	250,875	303,520
	Other creditors and accruals	<u>446,364</u>	<u>420,313</u>	<u>358,387</u>	<u>347,517</u>
		<u>1,640,922</u>	<u>1,865,340</u>	<u>1,637,855</u>	<u>1,860,199</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

14 CREDITORS: Amounts falling due after one year

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
Net obligations under hire purchase agreements repayable between One and five years (secured)	<u>285,728</u>	<u>-</u>	<u>285,728</u>	<u>-</u>

15 PROVISION FOR LIABILITIES AND CHARGES

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
Deferred taxation:				
Accelerated capital allowances	124,880	218,620	116,430	203,910
Short term timing differences	-	5,860	-	5,520
	<u>124,880</u>	<u>224,480</u>	<u>116,430</u>	<u>209,430</u>
Warranty provisions	68,398	70,860	68,398	70,860
German pension obligations	37,520	30,614	-	-
	<u>230,798</u>	<u>325,954</u>	<u>184,828</u>	<u>280,290</u>

16 CAPITAL AND OTHER COMMITMENTS

At 31 March 1999 the directors had authorised future capital Expenditure as follows:

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
Contracted	64,365	122,272	64,365	115,347
Not contracted	350,000	274,161	350,000	274,161
	<u>414,365</u>	<u>396,433</u>	<u>414,365</u>	<u>389,508</u>

17 LEASE COMMITMENTS

Group and company	Land & buildings 1999 £	Other assets 1999 £	Land & buildings 1998 £	Other assets 1998 £
Operating leases expiring:				
Within 2 – 5 years	-	39,321	-	47,478
After 5 years	9,478	-	9,478	-
Annual commitments at 31 March 1999	<u>9,478</u>	<u>39,321</u>	<u>9,478</u>	<u>47,478</u>

18 CONTINGENT LIABILITIES

At 31 March 1999 and 31 March 1998.

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

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

19	CALLED UP SHARE CAPITAL	Number 1999	Value 1999	Number 1998	Value 1998
	Authorised:				
	Ordinary shares of £1	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
	Allotted and fully paid				
	Ordinary shares of £1	<u>52,380</u>	<u>52,380</u>	<u>52,380</u>	<u>52,380</u>
20	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS				
	Group		1999		1998
			£		£
	Loss for the financial year		(77,942)		(99,078)
	Currency exchange movement		<u>57,725</u>		<u>74,875</u>
	Net reduction in shareholders funds		(20,217)		(24,203)
	Opening shareholders' funds		<u>11,294,944</u>		<u>11,319,147</u>
	Closing shareholders' funds		<u>11,274,727</u>		<u>11,294,944</u>
	Company		1999		1998
			£		£
	(Loss) for the financial year		(43,643)		(406,209)
	Net reduction in shareholders funds		(43,643)		(406,209)
	Opening shareholders' funds		<u>10,630,627</u>		<u>11,036,836</u>
	Closing shareholders' funds		<u>10,586,984</u>		<u>10,630,627</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

21 NOTES TO THE CASH FLOW STATEMENT

(a) GROSS CASH FLOWS

Returns on investments and servicing of finance:	1999	1998
	£	£
Bank overdraft interest and interest paid on hire purchase payments	(16,693)	-
Interest received	106,179	87,557
Net cash inflow	<u>89,486</u>	<u>87,557</u>
Capital expenditure:	1999	1998
	£	£
Payments to acquire tangible fixed assets excluding those on hire purchase contracts	(251,654)	(327,784)
Receipt from sale of tangible fixed assets	56,026	49,750
	<u>(195,628)</u>	<u>(278,034)</u>
Movement in liquid resources	1999	1998
	£	£
(Purchase) of short term deposits	<u>(548,239)</u>	<u>(328,505)</u>

(b) ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 1998 £	Cash Flows £	Exchange movements £	At 31 March 1999 £
Cash at bank and in hand	896,227	20,168	67,697	984,092
Bank overdraft	(153,135)	79,841	-	(73,294)
	<u>743,092</u>	<u>100,009</u>	<u>67,697</u>	<u>910,798</u>
Current asset investments	958,457	548,239	-	1,506,696
	<u>1,701,549</u>	<u>648,248</u>	<u>67,697</u>	<u>2,417,494</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

22 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 £1,544 (1998: £28,000) to The Airflow Community Limited, a company that owns 75% of the issued share capital of Airflow Developments Limited, and £24,956 (1998: Nil) to Airflow Charity Limited.

23 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of the company is The Airflow Community Limited, which is registered in England and Wales and owns 75% of the issued share capital of Airflow Developments Limited.