

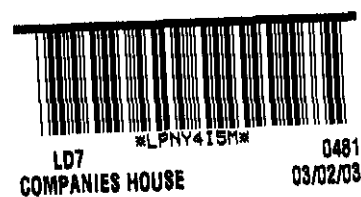
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Airflow Developments Limited

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended

31 March 2002



Airflow Developments Limited

DIRECTORS AND OFFICERS

DIRECTORS

J Johnson-Watts
J R H Stevenson-Hamilton

SECRETARY

J R H Stevenson-Hamilton

COMPANY NUMBER

550374 (England and Wales)

REGISTERED OFFICE

Lancaster Road
High Wycombe
Buckinghamshire
HP12 3QP

AUDITORS

Baker Tilly
1st Floor
46 Clarendon Road
Watford
Herts
WD17 1HE

BANKERS

HSBC Bank plc
1 Corn Market
High Wycombe
Buckinghamshire
HP11 2AY

Airflow Developments Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Airflow Developments Limited for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS

Turnover for the group has dropped due to the general economic conditions. During the year, the group made an exceptional profit of £2,490,208 on the disposal of land and buildings. On 31 March 2002, the assets and liabilities for Stemshire Motors and Drives Limited were hived up to Airflow Developments Limited.

RESULTS AND DIVIDENDS

The consolidated trading loss for the year ended 31 March 2002 was £7,073,158.

The directors proposed a dividend of £7,670,014.

DIRECTORS

The following directors have held office since 1 April 2001:-

A N Blond	(resigned 27 March 2002)
K R Burroughs	(resigned 27 March 2002)
P M Downing	(resigned 20 December 2002)
J Johnson-Watts	(appointed 27 March 2002)
J R H Stevenson-Hamilton	(appointed 27 March 2002)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Directors' interests in the shares of the company, including family interests, were as follows:

	<i>Ordinary shares of £1 each</i>	
	31.03.02	01.04.01
J Johnson-Watts	-	-
J R H Stevenson-Hamilton	-	-
P M Downing	-	-
 <i>Redeemable 6% Preference shares of £1 each</i>		
	31.03.02	01.04.01
J Johnson-Watts	370,000	-
J R H Stevenson-Hamilton	370,000	-
P M Downing	-	-

The interests in ordinary shares of J W Johnson-Watts and J R H Stevenson-Hamilton are held in two trusts which they have an interest in. None of the other directors at 31 March 2002 had interests in the Company's share capital.

Airflow Developments Limited

DIRECTORS' REPORT (CONTINUED)

AUDITORS

During the year, Baker Tilly were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

On behalf of the board



J R H Stevenson-Hamilton
Director

Airflow Developments Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires 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, directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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 requirements of 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.

AUDITORS' REPORT TO THE MEMBERS OF AIRFLOW DEVELOPMENTS LIMITED

We have audited the financial statements on pages 6 to 25.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

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 of 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 2002 and of the consolidated loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY

Registered Auditor
Chartered Accountants
1st Floor
46 Clarendon Road
Watford
Herts
WD17 1HE

31 January 2003

Airflow Developments Limited and Subsidiary Undertakings
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2002

	Notes	2002 Continued operations	2002 Discontinued operations	2002 Total £	2001 £
TURNOVER	1	11,791,728	300,843	12,092,571	12,664,961
Cost of Sales		5,866,837	215,992	6,082,829	7,247,146
GROSS PROFIT		5,924,891	84,851	6,009,742	5,417,815
Other operating expenses (net)	2	6,420,159	215,035	6,635,194	6,522,408
OPERATING LOSS		(495,268)	(130,184)	(625,452)	(1,104,593)
Exceptional items	5	(1,221,898)	-	(1,221,898)	-
Profit on sale of property	5	2,490,208	-	2,490,208	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		773,042	(130,184)	642,858	(1,104,593)
Interest receivable and similar income	3	3,383	-	3,383	43,846
Interest payable and similar charges	4	(22,084)	-	(22,084)	(29,843)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		754,341	(130,184)	624,157	(1,090,590)
Taxation	7	(27,301)	-	(27,301)	(40,821)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	22	727,040	(130,184)	596,856	(1,131,411)
Dividends	8	(7,670,014)	-	(7,670,014)	-
RETAINED LOSS FOR THE YEAR		(6,942,974)	(130,184)	(7,073,158)	(1,131,411)

The operating loss for the period arises from the group's continuing operations.

Airflow Developments Limited and Subsidiary Undertakings

CONSOLIDATED BALANCE SHEET

31 March 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	9	1,454,715	4,667,368
CURRENT ASSETS			
Stocks	12	2,202,981	3,180,776
Debtors	14	9,354,592	2,601,855
Cash at bank and in hand		941,378	634,587
		<hr/>	<hr/>
		12,498,951	6,417,218
CREDITORS: Amounts falling due within one year	16	(11,033,140)	(1,769,946)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,465,811	4,647,272
TOTAL ASSETS LESS CURRENT LIABILITIES		2,920,526	9,314,640
CREDITORS: Amounts falling due after more than one year	18	(54,324)	(145,065)
PROVISION FOR LIABILITIES AND CHARGES	19	(113,902)	(123,545)
		<hr/>	<hr/>
		2,752,300	9,046,030
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	20	792,380	52,380
Profit and loss account	21	1,959,920	8,993,650
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	22	2,752,300	9,046,030
		<hr/>	<hr/>
Equity interests		2,012,300	9,046,030
Non equity interests		740,000	-
		<hr/>	<hr/>
		2,752,300	9,046,030
		<hr/>	<hr/>

Approved by the board on 31 January 2003



J R H Stevenson-Hamilton

Director

Airflow Developments Limited

COMPANY BALANCE SHEET

31 March 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	10	1,388,632	4,333,272
Investments	11	76,502	76,502
		<u>1,465,134</u>	<u>4,409,774</u>
CURRENT ASSETS			
Stocks	13	1,898,592	2,630,043
Debtors	15	9,600,529	2,931,512
Cash at bank and in hand		815,175	473,413
		<u>12,314,296</u>	<u>6,034,968</u>
CREDITORS: Amounts falling due within one year	17	(11,209,792)	(1,598,752)
NET CURRENT ASSETS		<u>1,104,504</u>	<u>4,436,216</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,569,638</u>	<u>8,845,990</u>
CREDITORS: Amounts falling due after more than one year	18	(54,324)	(145,065)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(55,402)	(65,945)
		<u>2,459,912</u>	<u>8,634,980</u>
CAPITAL AND RESERVES			
Called up share capital	20	792,380	52,380
Profit and loss account		1,667,532	8,582,600
SHAREHOLDERS' FUNDS	23	<u>2,459,912</u>	<u>8,634,980</u>
Equity interests		1,719,912	8,634,980
Non equity interests		740,000	-
		<u>2,459,912</u>	<u>8,634,980</u>

Approved by the board on 31 January 2003



J R H Stevenson-Hamilton

Director

Airflow Developments Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

31 March 2002

	2002 £	2001 £
Profit and loss for the financial year	596,856	(1,131,411)
Currency translation gains and losses on foreign currency net investments	39,428	89,949
	<u>636,284</u>	<u>(1,041,462)</u>

Airflow Developments Limited and Subsidiary Undertakings
CONSOLIDATED CASH FLOW STATEMENT
31 March 2002

	<i>Notes</i>	2002 £	2001 £
Cash outflow from operating activities	24a	(5,612,746)	(1,058,384)
Returns on investments and servicing of finance	24b	(18,701)	(10,223)
Taxation		6,134	(28,717)
Capital expenditure and financial investment	24b	5,354,870	(96,671)
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(270,443)	(1,193,995)
Financing	24b	649,240	(61,756)
INCREASE/ (DECREASE) IN CASH IN THE YEAR	24c	378,797	(1,255,751)
		2002 £	2001 £
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase /(decrease) in cash in the year		378,797	(1,255,751)
Cash outflow from decrease in debt		90,760	61,756
Change in net debt resulting from cash flows		469,557	(1,193,995)
MOVEMENT IN NET DEBT IN THE PERIOD		469,557	(1,193,995)
NET DEBT AT 1 APRIL 2001		786,553	1,532,604
NET DEBT AT 31 MARCH 2002	24c	808,166	338,609

Airflow Developments Limited and Subsidiary Undertakings

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

BASIS OF CONSOLIDATION

The group has for the first time had to prepare consolidated accounts as at the balance sheet date it was no longer owned by another parent company. The consolidated financial statements incorporate those of Airflow Developments Limited and all of its subsidiary undertakings for the year. Consequently, 2001 figures have been restated to include prior year comparatives for the new group.

TANGIBLE FIXED ASSETS

Fixed assets other than freehold land are stated at historical cost or valuation less depreciation.

Depreciation is provided on all tangible fixed assets other than freehold land and investment properties at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:-

Land and buildings Freehold	2% Straight line
Plant and machinery	10% Straight line or over the life of the asset
Fixtures, fittings and equipment	10% / 12.5% / 20% Straight line or over the life of the asset
Motor vehicles	25% Straight line – vans & lorries / Cost less residual value over 3 years – motor vehicles or over the life of the asset

INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value.

STOCK AND WORK IN PROGRESS

Stock and work in progress are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. A provision is made for obsolete and slow moving items.

DEFERRED TAXATION

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 – Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard requires a prior period adjustment to be made to recognise the asset which existed at the start of the financial year and which was not recognised under the old accounting policy.

The adoption of the standard has not required a prior period adjustment. If the new policy had been in place in the previous period no asset would have been recognised as the conditions for recognition would not have been satisfied.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximately to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

PENSION CONTRIBUTIONS

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

Airflow Developments Limited and Subsidiary Undertakings

ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling of the date of transaction. All differences are taken to the profit and loss account.

Assets, liabilities and results of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt through reserves.

TURNOVER

Turnover represents amounts receivable for goods and services net of vat and trade discounts.

Airflow Developments Limited and Subsidiary Undertakings

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002.

1. TURNOVER AND LOSS ON ORDINARY ACTIVITIES

The group's turnover were derived from the groups principal activities. Turnover can be analysed as follows:

	2002 £	2001 £
UK	8,079,223	8,672,132
Overseas	4,013,348	3,992,829
	<hr/>	<hr/>
	12,092,571	12,664,961
	<hr/>	<hr/>

2. OTHER OPERATING EXPENSES (NET)

	2002 £	2001 £
Administrative and distribution	6,704,246	6,656,658
Other operating income	(69,052)	(134,250)
	<hr/>	<hr/>
	6,635,194	6,522,408
	<hr/>	<hr/>

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £	2001 £
Other interest	3,383	43,846
	<hr/>	<hr/>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Bank loans and overdrafts	18	-
Hire purchase/finance leases	16,961	29,843
Interest on overdue tax	5,105	-
	<hr/>	<hr/>
	22,084	29,843
	<hr/>	<hr/>

Airflow Developments Limited and Subsidiary Undertakings

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

5.	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2002 £	2001 £
	Loss on ordinary activities before taxation is stated after charging/(crediting) :		
	Depreciation and amounts written off tangible fixed assets :		
	Charge for the year :		
	owned	267,019	255,147
	leased	12,303	-
	Auditors' remuneration	21,690	21,004
	Loss/(profit) on disposal of fixed assets	16,187	(3,018)
	Profit on foreign exchange	27,406	(2,208)
		<u> </u>	<u> </u>

EXCEPTIONAL ITEMS

On 27 March 2002 the company ownership incurred various expenses as a result of company reorganisation.

PROFIT ON SALE OF FIXED ASSETS

On 27 March 2002, the directors exchanged contracts on the sale of freehold properties in the company, giving rise to a profit of £2,424,251. Another group company also sold a property giving rise to an exceptional profit of £65,957.

6.	EMPLOYEES	2002 No.	2001 No.
	The average weekly number of persons (including directors) employed by the group during the period was :		
	Manufacturing	64	53
	Non-manufacturing	125	155
		<u> </u>	<u> </u>
		189	208
		<u> </u>	<u> </u>
	Staff costs for the share persons	2002 £	2001 £
	Wages and salaries	3,826,501	4,780,752
	Social security costs	503,632	531,047
	Other pension costs	648,334	890,943
		<u> </u>	<u> </u>
		4,978,467	6,202,742
		<u> </u>	<u> </u>

Airflow Developments Limited and Subsidiary Undertakings
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2002

6. EMPLOYEES (CONTINUED)

DIRECTORS' REMUNERATION	2002 £	2001 £
Emoluments for qualifying services	352,128	429,701
Compensation for loss of office	739,806	-
Pension contributions	323,001	42,155
Pension to widow of former director	-	23,680
	<hr/>	<hr/>
	1,414,935	495,536
	<hr/>	<hr/>
The directors' fees and other emoluments disclosed above (excluding person contributions) include amounts paid to:	2002 £	2001 £
The highest paid director		
Emoluments for qualifying services	675,886	205,639
Company pension contribution to money purchase schemes	71,969	20,534
	<hr/>	<hr/>

Airflow Developments Limited and Subsidiary Undertakings
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2002

7. TAXATION	2002	2001
	£	£
Current tax:		
UK corporation tax on profits of the period	13,202	11,844
Foreign tax	14,099	37,427
	<u>27,301</u>	<u>49,271</u>
Transfer from deferred taxation	-	<u>(8,450)</u>
Factors affecting tax charge for the period		
Profit/(Loss) on ordinary activities before taxation	644,390	(1,090,590)
	<u> </u>	<u> </u>
Profit/(Loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2001 : 30%)	193,317	(327,178)
	<u> </u>	<u> </u>
Effects of:		
Expenses not deductible for tax purposes	328,822	269,532
Capital allowances in excess of depreciation	(15,070)	(23,102)
Chargeable disposals	(736,743)	(423)
Other tax adjustments	236,494	138,819
Higher rate tax on overseas earnings	23,548	(13,134)
Adjustments to tax charge in respect of previous periods	-	4,757
Utilisation of tax losses	(3,067)	-
	<u> </u>	<u> </u>
Current tax charge for the period	(166,016)	376,449
	<u> </u>	<u> </u>
Current tax charge	<u>27,301</u>	<u>49,271</u>
	<u> </u>	<u> </u>
8. DIVIDENDS	2002	2001
	£	£
Final proposed - £146.43	7,670,014	-
	<u> </u>	<u> </u>
	<u>7,670,014</u>	<u>-</u>
	<u> </u>	<u> </u>

Airflow Developments Limited and Subsidiary Undertakings
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2002

9. TANGIBLE FIXED ASSETS - GROUP

	<i>Land and Buildings</i>	<i>Plant and Machinery</i>	<i>Fixtures, fittings and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
Cost					
1 April 2001	3,917,876	1,504,058	3,488,299	263,453	9,173,686
Additions	-	16,697	128,287	66,006	210,990
Disposals	(3,562,583)	(277,915)	(382,774)	(183,945)	(4,407,217)
Exchange differences	-	(76,667)	1,566	(794)	(75,895)
31 March 2002	355,293	1,166,173	3,235,378	144,720	4,901,564
Depreciation					
1 April 2001	595,382	1,010,925	2,759,588	140,423	4,506,318
Charge for the year	35,014	62,170	145,433	36,696	279,313
Disposals	(574,447)	(264,900)	(318,255)	(104,476)	(1,262,078)
Exchange differences	-	(58,237)	(17,908)	(559)	(76,704)
Depreciation carried forward	55,949	749,958	2,568,858	72,084	3,446,849
Net book value 31 March 2002	299,344	416,215	666,520	72,636	1,454,715
31 March 2001	3,322,494	493,133	728,711	123,030	4,667,368

Included above are assets held under finance leases or hire purchase contracts as follows:-

	<i>Plant and Machinery</i>
	£
Net book value 31 March 2002	317,136
31 March 2001	297,566

Airflow Developments Limited and Subsidiary Undertakings
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2002

10. TANGIBLE FIXED ASSETS - COMPANY

	<i>Land and Buildings</i>	<i>Plant and Machinery</i>	<i>Fixtures, fittings and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
Cost					
1 April 2001	3,706,121	1,024,903	3,013,612	183,046	7,927,682
Additions	-	54,788	85,221	39,633	179,642
Disposals	(3,350,828)	-	(49,424)	(157,006)	(3,557,258)
31 March 2002	355,293	1,079,691	3,049,409	65,673	4,550,066
Depreciation					
1 April 2001	542,274	608,691	2,349,609	93,836	3,594,410
Charge for the year	35,014	22,418	118,619	23,425	199,476
Disposals	(521,339)	-	(24,954)	(86,159)	(632,452)
31 March 2002	55,949	631,109	2,443,274	31,102	3,161,434
Net book value					
31 March 2002	299,344	448,582	606,135	34,571	1,388,632
31 March 2001	3,163,847	416,212	664,003	89,210	4,333,272

Included above are assets held under finance leases or hire purchase contracts as follows :

	<i>Plant and Machinery</i>
	£
Net book value	
31 March 2002	317,136
31 March 2001	297,566

11. FIXED ASSET INVESTMENTS - COMPANY

	<i>Shares in group undertakings</i>
	£
Cost	
1 April 2001 and 31 March 2002	76,502

Airflow Developments Limited and Subsidiary Undertakings

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

11. FIXED ASSET INVESTMENTS (CONTINUED)

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

<i>Company</i>	<i>Country of registration or incorporation</i>	<i>Class</i>	<i>Shares held</i> %
Subsidiary undertakings			
Airflow Lufttechnik Gmbh	Germany	Ordinary	100
Stemshire Motors and Drives	UK	Ordinary	100
Airflow Properties Inc.	USA	Ordinary	100
Airflow Technical Products Inc.	USA	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	<i>Capital and reserves</i> £	<i>Profit/(loss) for the year</i> £
Airflow Lufttechnik Gmbh	308,842	(17,399)
Stemshire Motors and Drives Limited	342,922	(130,181)
Airflow Properties Inc.	39,975	38,812
Airflow Technical Products Inc.	(213,155)	12,314
	<hr/>	<hr/>

12. STOCKS AND WORK IN PROGRESS - GROUP

	2002 £	2001 £
Raw materials and consumables	776,161	1,517,078
Work in progress	79,192	81,663
Finished goods and goods for resale	1,347,628	1,582,035
	<hr/>	<hr/>
	2,202,981	3,180,776
	<hr/>	<hr/>

13. STOCKS AND WORK IN PROGRESS - COMPANY

	2002 £	2001 £
Raw materials and consumables	778,188	1,347,463
Work in progress	79,192	68,506
Finished goods and goods for resale	1,041,212	1,214,074
	<hr/>	<hr/>
	1,898,592	2,630,043
	<hr/>	<hr/>

Airflow Developments Limited and Subsidiary Undertakings

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

14.	DEBTORS - GROUP	2002 £	2001 £
	Due within one year		
	Trade debtors	2,279,661	2,433,298
	Other debtors	7,000,403	81,286
	Prepayments and accrued income	74,528	87,271
		<hr/>	<hr/>
		9,354,592	2,601,855
		<hr/>	<hr/>
15.	DEBTORS - COMPANY	2002 £	2001 £
	Due within one year		
	Trade debtors	1,870,562	2,076,030
	Amounts owed by subsidiary undertakings	718,730	458,132
	Other debtors	6,964,259	319,715
	Prepayments and accrued income	46,978	77,635
		<hr/>	<hr/>
		9,600,529	2,931,512
		<hr/>	<hr/>
16.	CREDITORS: Amounts falling due within one year - GROUP	2002 £	2001 £
	Bank loans and overdrafts	-	72,006
	Obligations under finance lease and hire purchase contracts	78,888	78,907
	Trade creditors	1,355,124	1,073,163
	Corporation tax	32,078	53,243
	Other taxes and social security costs	1,502,336	235,965
	Other creditors	394,700	256,662
	Proposed dividends	7,670,014	-
		<hr/>	<hr/>
		11,033,140	1,769,946
		<hr/>	<hr/>

Net obligations, finance leases and hire purchase contracts were secured by fixed charges on the assets concerned.

Airflow Developments Limited and Subsidiary Undertakings

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

17.	CREDITORS: Amounts falling due within one year - COMPANY	2002 £	2001 £
	Bank loans and overdrafts	-	72,006
	Obligations under finance lease and hire purchase contracts	78,888	78,907
	Trade creditors	1,257,938	788,843
	Amounts due to subsidiary undertakings	395,161	203,352
	Corporation tax	-	21,877
	Other taxes and social security costs	1,502,336	235,884
	Other creditors	305,455	197,883
	Proposed dividend	7,670,014	-
		<hr/>	<hr/>
		11,209,792	1,598,752
		<hr/>	<hr/>
18.	CREDITORS: Amounts falling due in more than one year – GROUP AND COMPANY	2002 £	2001 £
	Other loans	-	11,855
	Obligation under finance leases and hire purchase contracts	54,324	133,210
		<hr/>	<hr/>
		54,324	145,065
		<hr/>	<hr/>
	Loan maturity analysis :		
	Between two and five years	-	11,855
		<hr/>	<hr/>
	Net obligations under finance leases :		
	Repayable within one year	78,888	78,907
	Repayable with one and five years	54,324	133,210
		<hr/>	<hr/>
	Included in liabilities falling due	133,212	212,117
	Included within one year	(78,888)	(78,907)
		<hr/>	<hr/>
		54,324	133,210
		<hr/>	<hr/>

Airflow Developments Limited and Subsidiary Undertakings

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

19. PROVISIONS FOR LIABILITIES AND CHARGES – GROUP AND COMPANY

	German Pension Provision	Warranty Remedial Provision	Total £
Balance at 1 April 2001	57,600	65,945	123,545
Transfer to/(from) profit and loss account	900	(10,543)	(9,643)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2002	58,500	55,402	113,902
	<hr/>	<hr/>	<hr/>

20. SHARE CAPITAL

	2002 £	2001 £
Authorised		
80,000 Ordinary shares of £1 each	80,000	80,000
740,000 Redeemable 6% Preference shares of £1 each	740,000	-
	<hr/>	<hr/>
	820,000	80,000
	<hr/>	<hr/>
Allotted, issued and fully paid		
52,380 Ordinary shares of £1 each	52,380	52,380
740,000 Redeemable 6% Preference shares of £1 each	740,000	-
	<hr/>	<hr/>
	792,380	52,380
	<hr/>	<hr/>

On 27 March 2002, the authorised share capital of the company was increased from £80,000 to £820,000 by the issue of 740,000 redeemable 6% preferences £1 shares at par.

A summary of the rights for the Preference shares are as follows:-

- The right to a fixed preferential dividend at the rate of 6% per annum to be paid monthly in arrears and the right to participate parri passu in any dividend declared.
- The right on a winding-up or other return of capital employment, in priority to any payments to the holders of any other shares.
- The right to receive notice of, to be present and to vote, either in person or by proxy, at any general meeting or by way of written resolution.
- The company shall have the right, at any time, to redeem any preference shares at par.

21. PROFIT AND LOSS ACCOUNT - GROUP

	2002 £
Balance at 1 April 2001	8,993,650
Retained loss for the year	(7,073,158)
Currency translation gains on foreign currency net investments	39,428
	<hr/>
Balance at 31 March 2002	1,959,920
	<hr/>

Airflow Developments Limited and Subsidiary Undertakings

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS - GROUP

	2002	2001
	£	£
Profit/(loss) for the financial year	596,856	(1,131,411)
Currency exchange movement	39,428	89,949
Dividends	(7,670,014)	-
Issue of new shares	740,000	-
	<hr/>	<hr/>
Net addition to shareholders' funds	(6,293,730)	(1,041,462)
Opening shareholders' funds	9,046,030	10,087,492
	<hr/>	<hr/>
Closing shareholders' funds	2,752,300	9,046,030
	<hr/>	<hr/>

23. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS - COMPANY

	2002	2001
	£	£
Profit for the financial year	754,946	(1,082,598)
Dividends	(7,670,014)	(96,903)
Proceeds from share issue	740,000	-
	<hr/>	<hr/>
Net depletion in shareholders' funds	(6,175,068)	(1,179,501)
Opening shareholders' funds	8,634,980	9,814,481
	<hr/>	<hr/>
Closing shareholders' funds	2,459,912	8,634,980
	<hr/>	<hr/>

Airflow Developments Limited and Subsidiary Undertakings

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

24.	CASH FLOWS	2002 £	2001 £
a	Reconciliation of operating profit to net cash inflow from operating activities		
	Operating loss	(625,452)	(1,104,593)
	Depreciation	279,313	233,463
	Loss/(profit) on sale of fixed assets	16,187	(3,018)
	Decrease in stocks and work in progress	977,794	(199,905)
	Increase in debtors	(6,752,737)	(98,679)
	Decrease in creditors	1,723,690	105,414
	(Decrease)/Increase in provisions	(9,643)	8,934
	Exceptional items	(1,221,898)	-
	Net cash outflow from operating activities	(5,612,746)	(1,058,384)
b	Analysis of cash flows for headings netted in the cash flow	2002 £	2001 £
	Returns on investments and servicing of finance:		
	Interest received	3,383	43,846
	Interest paid	(22,084)	(29,843)
	Payments to minority interest	-	(24,226)
	Net cash (outflow) for returns on investment and servicing of finance	(18,701)	(10,223)
	Capital expenditure and financial investment:		
	Purchase of tangible fixed assets	(210,990)	(125,111)
	Sale of tangible fixed assets	5,565,860	28,440
	Net cash inflow/(outflow) for capital expenditure and financial investment	5,354,870	(96,671)
	Financing:		
	Capital element of hire purchase	(78,905)	(73,611)
	New loans	-	11,855
	Issue of ordinary share capital	740,000	-
	Repayment of loans	(11,855)	-
	Net cash inflow/(outflow) from financing	649,240	(61,756)

Airflow Developments Limited and Subsidiary Undertakings

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2002

24. CASH FLOWS (CONTINUED)

c Analysis of changes in net funds

	At 1 April 2001 £	Cash flows £	Non-cash items £	At 31 March 2002 £
Net cash:				
Cash at bank and in hand	634,587	306,791	-	941,378
Bank overdraft	(72,006)	72,006	-	-
Net cash	<u>562,581</u>	<u>378,797</u>	<u>-</u>	<u>941,378</u>
Debt:				
Amount falling due less than 1 year	(78,907)	90,760	(90,741)	(78,888)
Amount falling due after 1 year	(145,065)	-	90,741	(54,324)
	<u>338,609</u>	<u>469,557</u>	<u>-</u>	<u>808,166</u>

25. PENSION COMMITMENTS - GROUP

The group makes contributions to employees personal pension plans.

The pension cost charge represents contributions payable by the group to the plans and amounted to £648,334 (2001 : £840,943).