

Company Registration No. 550374 (England and Wales)

AIRFLOW DEVELOPMENTS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005



A44
COMPANIES HOUSE

A94LBCF6

151
27/01/2006

AIRFLOW DEVELOPMENTS LIMITED
TABLE OF CONTENTS

Company Information	1
Directors' Report	2-3
Independent Auditor's Report	4
Consolidated Profit and Loss Account	5
Consolidated Balance Sheet	7
Company Balance Sheet	8
Consolidated Cash flow Statement	9
Accounting Policies	10-11
Notes to the Financial Statements	12-24

AIRFLOW DEVELOPMENTS LIMITED
DIRECTORS AND OFFICERS

DIRECTORS

J. W. 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

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

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 31st March 2005.

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 and domestic ventilation.

Review of the business

During the year the company made a significant investment in a new product with increased spend in research and development and marketing. The product was successfully launched during the year but the revenue stream has not had a large impact on these results. The directors, however, expect substantial contributions in future years.

Results and dividends

The results for the year are set out on page 5.

The 6% preference share dividend was declared for the year but waived by the shareholders and an ordinary interim dividend of £208,000 was paid during the year (2004: £208,000).

The directors do not recommend any final dividend.

Directors

The following directors have held office since 1 April 2004:-

J. W. Johnson-Watts

J. R. H. Stevenson-Hamilton

Directors' interest in shares and debentures

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

	Ordinary share of £1 each	
	31 March 2005	1 April 2004
J. W. Johnson-Watts	26,190	26,190
J. R. H. Stevenson-Hamilton	26,190	26,190
	Redeemable 6% Preference shares of £1 each	
	31 March 2005	1 April 2004
J. W. Johnson-Watts	370,000	370,000
J. R. H. Stevenson-Hamilton	370,000	370,000

The interests in ordinary shares of J. W. Johnson-Watts and J. R. H. Stevenson-Hamilton are held in two trusts in which they have an interest.

AIRFLOW DEVELOPMENTS LIMITED
DIRECTORS' REPORT (continued)

Statement of responsibilities

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 the group and of the profit or loss of the group 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.

Statement of disclosure to the auditor

- a. so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- b. they have taken all the steps that they ought to have taken as directors in order to make them aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



J. R. H. Stevenson-Hamilton
Director

20 January.....2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIRFLOW DEVELOPMENTS LIMITED

We have audited the financial statements on pages 5 to 24. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 of the group at 31 March 2005 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Haines Watts

Registered Auditor

Chartered Accountants

25th January 2006

Sterling House
5 Buckingham Place
Bellfield Road West
High Wycombe
Buckinghamshire
HP 13 5HQ

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005**

	Notes	2005		2004	
		£	£	£	£
Turnover	1				
Continuing operations		8,289,280		8,891,294	
Discontinued activities		349,245		-	
			8,638,525		8,891,294
Cost of sales	2		(3,663,639)		(3,695,760)
Gross profit			4,974,885		5,195,533
Other operating expenses (net)	2		(5,256,021)		(5,120,137)
OPERATING PROFIT/(LOSS)					
Continuing operations		(283,312)		75,396	
Discontinued activities		2,176			
			(281,136)		75,396
Exceptional items	12		120,133		-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTERST			(161,003)		75,396
Interest receivable and similar Income	3		994		784
Interest payable and similar charges	4		(77,365)		(80,440)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6		(237,373)		(4,260)
Taxation	7		51,599		58,910
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	8		(185,774)		54,650
Dividends	9		(208,000)		(208,000)
RETAINED LOSS FOR THE YEAR	23		(393,774)		(153,350)

AIRFLOW DEVELOPMENTS LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2005**


	2005	2004
	£	£
Profit/(Loss) for the financial year	(185,774)	54,650
Currency translation gains on foreign currency net investments	<u>13,182</u>	<u>(81,706)</u>
Total losses recognised since last annual report	<u>(172,592)</u>	<u>(27,056)</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2005**

	Notes	2005	2004
		£	£
FIXED ASSETS			
Tangible assets	10	<u>1,046,203</u>	<u>900,495</u>
CURRENT ASSETS			
Stocks	13	1,553,161	1,498,136
Debtors	15	1,667,999	1,536,460
Cash at bank and in hand		<u>144,667</u>	<u>142,153</u>
		3,365,827	3,176,749
CREDITORS: Amounts falling due within one year	17	<u>(2,609,339)</u>	<u>(1,590,578)</u>
NET CURRENT ASSETS		<u>756,488</u>	<u>1,586,171</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,802,691	2,486,665
CREDITORS: Amounts falling due after more than one year	19	(383,643)	(681,854)
PROVISION FOR LIABILITIES AND CHARGES	21	<u>(12,552)</u>	<u>(17,723)</u>
		<u>1,406,496</u>	<u>1,787,088</u>
CAPITAL AND RESERVES			
Called up share capital	22	792,380	792,380
Profit and loss account	23	<u>614,116</u>	<u>994,708</u>
SHAREHOLDERS' FUNDS	24	<u>1,406,496</u>	<u>1,787,088</u>
Equity interests		666,496	1,047,088
Non-equity interests		<u>740,000</u>	<u>740,000</u>
		<u>1,406,496</u>	<u>1,787,088</u>

Approved by the board on 20 January.....2006



J. R. H. Stevenson-Hamilton
Director

AIRFLOW DEVELOPMENTS LIMITED

**COMPANY BALANCE SHEET
AS AT 31 MARCH 2005**

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	11	1,007,909	847,844
Investments	12	75,892	76,502
		<u>1,083,801</u>	<u>924,346</u>
Current Assets			
Stocks	14	1,274,102	1,103,128
Debtors	16	1,673,120	1,578,938
Cash at bank and in hand		46,630	24,446
		<u>2,993,852</u>	<u>2,706,512</u>
Creditors: amounts falling due within one year	18	<u>(2,458,882)</u>	<u>(1,438,057)</u>
Net current assets		<u>534,970</u>	<u>1,268,455</u>
Total assets less current liabilities		<u>1,618,771</u>	<u>2,192,801</u>
Creditors: amounts falling due after more than one year	20	<u>(718,770)</u>	<u>(1,011,546)</u>
Provisions for liabilities and charges	21	<u>(46,995)</u>	<u>(46,800)</u>
		<u>853,006</u>	<u>1,134,455</u>
Capital and Reserves			
Called up share capital	22	792,380	792,380
Profit and loss account		60,625	342,075
Shareholders' funds	25	<u>853,006</u>	<u>1,134,455</u>
Equity interests		113,006	394,455
Non-equity interests		740,000	740,000
		<u>853,006</u>	<u>1,134,455</u>

Approved by the board on 20 January.....2006


J. R. H. Stevenson-Hamilton
Director

AIRFLOW DEVELOPMENTS LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2005**

	Notes	2005 £	2004 £
Cash inflow from operating activities	26a	474,027	859,976
Returns on investments and servicing of finance	26b	(76,371)	(79,656)
Taxation		60,846	(4,487)
Capital expenditure and financial investment	26b	(358,039)	(21,317)
Dividends paid		(208,000)	(300,000)
CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING		(107,537)	454,516
Financing	26b	(298,336)	(97,849)
INCREASE/(DECREASE) IN CASH IN THE YEAR	26c	(405,873)	356,667
		2005 £	2004 £
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase/(decrease) in cash in the year		(405,873)	356,667
Cash outflow from decrease in debt		30,398	71,649
Change in net debt resulting from cash flows		(375,475)	428,316
MOVEMENT IN NET DEBT IN THE PERIOD		(375,475)	428,316
NET (DEBT) AT 1 APRIL 2004		(714,777)	(1,143,093)
NET (DEBT) AT 31 MARCH 2005	26c	(1,090,252)	(714,777)

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2005

1. Basis of accounting

The financial statements are prepared under the historical cost convention.

2. Basis of consolidation

The consolidated financial statements incorporate those of Airflow Developments Limited and all of its subsidiary undertakings for the year. No profit and loss account has been presented for Airflow Developments Limited as permitted by Section 230 of the Companies Act 1985.

3. Turnover

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

4. Research and Development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

5. Tangible fixed assets and depreciation

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

Depreciation is provided at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:-

Freehold buildings	2% Straight line
Plant and machinery	10% Straight line or over the life of the asset
Fixtures, fittings and equipment	10% / 12.5% Straight line or over the life of the asset
Motor vehicles	25% Straight line – vans & lorries
	33.3% Straight line – cars

6. Investments

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

7. 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.

8. Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2005**

9. Pension Contributions

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

10. 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 at 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 with through reserves.

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005**

1. Turnover

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

	2005 £	2004 £
UK	4,843,090	5,010,596
Overseas	3,795,435	3,880,698
	<u>8,638,525</u>	<u>8,891,294</u>

2. Cost of sales and net operating expenses

	2005 £	2004 £
Cost of sales		
Continuing	3,493,528	3,695,760
Discontinued	170,111	-
Total	<u>3,663,639</u>	<u>3,695,760</u>
Net operating expenses		
Administrative and distribution: continuing	5,143,206	5,158,262
discontinued	176,957	-
Other operating income	(64,142)	(38,125)
Total	<u>5,256,021</u>	<u>5,120,137</u>

3. Interest receivable and similar income

	2005 £	2004 £
Other interest	<u>994</u>	<u>784</u>

4. Interest payable and similar charges

	2005 £	2004 £
Hire purchase/finance leases	3,915	14,318
Other interest	73,450	66,122
	<u>77,365</u>	<u>80,440</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

5. Employees

	2005 No.	2004 No.
The average weekly number of persons (including directors) employed by the group during the period was:		
Manufacturing	43	43
Non-manufacturing	85	87
	<u>128</u>	<u>130</u>
	2005 £	2004 £
Staff costs:		
Wages and salaries (inc. social security costs)	2,993,804	3,165,011
Other pension costs	41,715	97,753
	<u>3,035,519</u>	<u>3,262,764</u>
	2005 £	2004 £
Directors' emoluments:		
Emoluments for qualifying services	12,438	12,590
Pension contributions	-	36,000
	<u>12,438</u>	<u>48,590</u>

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 2 (2004: 2).

6. Profit/(loss) on ordinary activities before taxation

	2005 £	2004 £
Profit/(Loss) on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off tangible fixed assets: Charge for the year:		
owned	192,371	177,692
leased	4,751	14,969
Auditors' remuneration	17,891	17,886
Operating lease rentals	406,000	331,000
Loss on disposal of fixed assets	2,202	5,698
(Profit)/loss on foreign exchange	<u>4,934</u>	<u>32,448</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

7. Taxation

	2005 £	2004 £
Current year tax:		
Foreign tax	(740)	1,774
Prior years:		
UK corporation tax	<u>(50,859)</u>	<u>(60,684)</u>
	<u>(51,599)</u>	<u>(58,910)</u>
Factors affecting tax charge for the period		
Loss on ordinary activities before taxation	<u>(237,373)</u>	<u>(4,260)</u>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2004: 30%)	<u>(71,212)</u>	<u>(1,278)</u>
Effects of:		
Expenses not deductible	5,828	
Capital allowances in excess of depreciation	3,431	
Tax losses not utilised	10,354	3,052
	<u>19,613</u>	<u>3,052</u>
Current tax charge	<u>(51,599)</u>	<u>1,774</u>

Airflow Developments Limited has estimated losses of approximately £2,630,069 (2004: £3,093,384) available for carry forward against future trading profits.

8. Profit / (Loss on Ordinary Activities after Taxation)

The loss dealt with in the accounts of the parent company amounted to £73,449 (2004: Profit £113,927).

9. Dividends

	2005 £	2004 £
Ordinary interim paid	208,000	208,000
	<u>208,000</u>	<u>208,000</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

10. Tangible fixed assets – group

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
1 st April 2004	355,293	1,040,477	3,357,376	115,020	4,868,166
Additions	9,287	3,728	348,748	-	361,763
Disposals	-	(41,644)	(212,698)	(34,209)	(288,511)
31 March 2005	<u>364,580</u>	<u>1,002,561</u>	<u>3,493,427</u>	<u>80,811</u>	<u>4,941,379</u>
Depreciation					
At 1 April 2004	44,884	808,758	3,033,804	80,226	3,967,672
Charge for the year	6,715	48,916	127,760	13,731	197,122
Disposals	-	(40,484)	(202,101)	(27,033)	(269,618)
31 March 2005	<u>51,599</u>	<u>817,190</u>	<u>2,959,463</u>	<u>66,924</u>	<u>3,895,176</u>
Net book value					
31 March 2005	<u>312,981</u>	<u>185,371</u>	<u>533,964</u>	<u>13,887</u>	<u>1,046,203</u>
At 31 March 2004	<u>310,409</u>	<u>231,719</u>	<u>323,573</u>	<u>34,794</u>	<u>900,495</u>

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

	Net book value	Depreciation charge for the year
	£	£
Fixtures, fittings and equipment		
31 March 2005	<u>68,537</u>	<u>4,751</u>
31 March 2004	<u>75,400</u>	<u>14,969</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

11. Tangible fixed assets – company

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
1 st April 2004	355,293	955,096	3,190,033	34,758	4,535,180
Additions	9,287	-	345,452	-	345,452
Disposals	-	(37,966)	(166,476)	-	(204,472)
31 March 2005	<u>364,580</u>	<u>917,100</u>	<u>3,369,009</u>	<u>34,758</u>	<u>4,676,160</u>
Depreciation					
At 1 April 2004	44,884	735,980	2,878,413	28,061	3,687,338
On disposals	6,715	(37,133)	(164,060)	-	(201,193)
Charge for the year	-	44,749	125,555	5,110	182,106
31 March 2005	<u>51,599</u>	<u>743,596</u>	<u>2,839,908</u>	<u>33,171</u>	<u>3,668,251</u>
Net book value					
31 March 2005	<u>312,981</u>	<u>173,504</u>	<u>529,101</u>	<u>1,587</u>	<u>1,007,909</u>
At 31 March 2004	<u>310,409</u>	<u>219,116</u>	<u>311,621</u>	<u>6,698</u>	<u>847,844</u>

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

	Net book value	Depreciation charge for the year
	£	£
Fixtures, fittings and equipment		
31 March 2005	<u>68,537</u>	<u>4,751</u>
31 March 2004	<u>75,400</u>	<u>14,969</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

12. Fixed asset investments – company

	Shares in group undertakings £
At 1 April 2004	76,502
Disposals	(610)
At 31 March 2005	<u>75,892</u>
At 31 March 2004	<u>76,502</u>

Holdings of more than 20%

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

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings:			
Airflow Lufttechnik GmbH	Germany	Ordinary	100
Stemshire Motors and Drives	UK	Ordinary	100

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

	Capital and reserves £	Profit/(loss) for the year £
Airflow Lufttechnik GmbH	338,603	(14,176)
Stemshire Motors and Drives	<u>342,922</u>	<u>0</u>

During the year the group disposed of its interest in Airflow Technical Products inc., for a cash consideration of \$1. A profit of £120,133 was made on the disposal as a result of the acquirer taking on the debts of Airflow Technical Products inc.

13. Stocks and work in progress – group

	2005 £	2004 £
Raw materials and consumables	850,617	720,453
Work in progress	102,379	14,685
Finished goods and goods for resale	<u>600,165</u>	<u>762,998</u>
	<u>1,553,161</u>	<u>1,498,136</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

14. Stocks and works in progress – company

	2005 £	2004 £
Raw materials and consumables	850,617	720,453
Work in progress	102,379	14,685
Finished goods and goods for resale	321,106	367,990
	<u>1,274,102</u>	<u>1,103,128</u>

15. Debtors – group

	2005 £	2004 £
Due within one year:		
Trade debtors	1,501,344	1,300,780
Other debtors	60,009	108,075
Prepayments and accrued income	106,646	127,605
	<u>1,667,999</u>	<u>1,536,460</u>

16. Debtors – company

	2005 £	2004 £
Due within one year:		
Trade debtors	1,238,366	1,022,348
Amounts owed by subsidiary undertakings	279,808	349,881
Other debtors	60,009	113,440
Prepayments and accrued income	94,937	93,269
	<u>1,673,120</u>	<u>1,578,938</u>

17. Creditors: Amounts falling due within one year - group

	2005 £	2004 £
Bank loans and overdrafts	48,970	9,080
Factoring balance	829,884	461,387
Obligations under finance lease and hire purchase contracts	16,821	25,009
Trade creditors	885,920	525,434
Corporation tax	-	1,774
Other taxes and social security costs	112,312	136,834
Other creditors	715,432	431,060
	<u>2,609,339</u>	<u>1,590,578</u>

Net obligations under finance leases and hire purchase contracts are secured by fixed charged on the assets concerned.

Bank loans and overdraft and the balance due to the factoring company are secured by fixed and floating charges over the assets of Airflow Developments Limited.

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

18. Creditors: Amounts falling due within one year - company

	2005 £	2004 £
Bank loans and overdrafts	48,970	9,080
Factoring balance	829,884	461,387
Obligations under finance lease and hire purchase contracts	16,821	25,009
Trade creditors	826,238	477,428
Accruals and deferred income	19,614	24,746
Other taxes and social security costs	86,484	122,341
Other creditors	108,334	83,433
Proposed dividends	-	-
Directors current accounts	288,537	8,633
CVA creditors	234,000	226,000
	<u>2,458,882</u>	<u>1,438,057</u>

19. Creditors: Amounts falling due in more than one year – group

	2005 £	2004 £
Bank loan	325,236	330,625
Obligation under hire purchase contracts	14,008	30,829
Other creditors	-	276,000
Dividends payable	44,400	44,400
	<u>383,644</u>	<u>681,854</u>

The bank loan is secured by a fixed charge over the group's property assets. The finance leases and hire purchase contracts are secured on the assets concerned and are repayable by instalments between two and five years.

20. Creditors: Amounts falling due in more than one year – company

	2005 £	2004 £
Other creditors	-	60,000
Proposed dividend	44,400	44,400
Obligation under finance leases and hire purchase contracts	14,008	30,829
CVA creditors	-	216,000
Amounts due to subsidiary undertakings	660,362	660,317
	<u>718,770</u>	<u>1,011,546</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

21. Provisions for liabilities and charges – group and company

	German Pension Provision £	Company Warranty Remedial Provision £	Group Total £
Balance at 1 April 2004	(29,077)	46,800	17,723
Transfer to/(from) profit and loss account	(5,366)	195	(5,171)
Balance at 31 March 2005	<u>(34,443)</u>	<u>46,995</u>	<u>12,552</u>

22. Share capital

	2005 £	2004 £
Authorised		
80,000 Ordinary shares of £1 each	80,000	80,000
740,000 Redeemable 6% Preference shares of £1 each	740,000	740,000
	<u>820,000</u>	<u>820,000</u>
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	740,000
	<u>792,380</u>	<u>792,380</u>

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

- The right to a fixed preferential dividend at the rate of 6% per annum.
- 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.

23. Profit and loss account – group

	£
Balance at 1 April 2004	994,708
Retained loss for the year	(393,774)
Currency translation gains on foreign currency net investments	13,182
Balance at 31 March 2005	<u>614,116</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005**

24. Reconciliation of movement in shareholders' funds – group

	2005	2004
	£	£
Profit/(loss) for the financial year	(185,774)	54,650
Currency exchange movement	13,182	(81,706)
Dividends	(208,000)	(208,000)
Net reduction in shareholders' funds	(380,592)	(235,056)
Opening shareholders' funds	1,787,088	2,022,144
Closing shareholders' funds	1,406,496	1,787,088

25. Reconciliation of movement in shareholders' funds – company

	2005	2004
	£	£
(Loss)/Profit for the financial year	(73,449)	113,927
Dividends	(208,000)	(208,000)
Net reduction in shareholders' funds	(281,449)	(94,073)
Opening shareholders' funds	1,134,455	1,228,526
Closing shareholders' funds	853,006	1,134,455

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005**

26. Cash flows

	2005	2004
	£	£
a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating Profit/(Loss)	(281,136)	75,396
Depreciation	197,122	192,661
Loss on sale of fixed assets	2,202	5,698
(Increase)/decrease in stocks and work in progress	(55,025)	135,847
Decrease/(increase) in debtors	(131,539)	732,516
(Decrease)/increase in creditors	627,441	(287,346)
(Decrease)/increase in provisions	(5,171)	5,204
Exceptional items	120,133	-
	<u>474,027</u>	<u>859,976</u>
b) Analysis of cash flows for headings netted in the cash flow		
	2005	2004
	£	£
Returns on investments and servicing of finance:		
Interest received	994	784
Interest paid	(77,365)	(80,440)
Net cash (outflow) for returns on investment and servicing of finance	<u>(76,371)</u>	<u>(79,656)</u>
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(361,763)	(25,217)
Sale of tangible fixed assets	3,696	3,900
Net cash inflow/(outflow) for capital expenditure and financial investment	<u>(358,039)</u>	<u>(21,317)</u>
Financing:		
Capital element of hire purchase paid	(25,009)	(71,649)
Capital element of loans	(65,327)	(26,200)
Repayment of CVA creditor	(208,000)	-
Net cash inflow/(outflow) from financing	<u>(298,336)</u>	<u>(97,849)</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

26. Cash flows (continued)

c)	At 1 April 2004	Cash flows	Non-cash items	At 31 March 2005
Net cash:				
Cash at bank and in hand	142,153	2,514	-	144,667
Bank overdraft and loan	(9,080)	(39,890)	-	(48,970)
Factoring balance	(461,387)	(368,497)	-	(829,884)
Net cash	(328,314)	(405,873)	-	(734,187)
Debt:				
Amounts falling due less than 1 year	(25,009)	8,188	-	(16,821)
Amounts falling due after 1 year	(361,454)	22,210	-	(339,244)
	(714,777)	(375,475)	-	(1,090,252)

27. 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 £21,770 (2004: £71,967).

28. Financial commitments – company

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2005 £	2004 £
Expiry date:		
Within one year	-	-
Between two and five years	-	68,000
In over five years	262,280	263,000
	<u>262,280</u>	<u>331,000</u>
	Other	
	2005 £	2004 £
Expiry date:		
Within one year	10,446	660
Between two and five years	50,718	36,561
In over five years	-	-
	<u>61,164</u>	<u>37,221</u>

29. Transactions with directors

At the balance sheet date, the company owed £142,497 (2004: £59) and £146,040 (2004: £8,574) to the directors J W Johnson-Watts and J R H Stevenson-Hamilton respectively. These loans bear no interest, have no fixed repayment terms and are included within creditors due within one year. Included in other creditors of 2004 was also an amount of £60,000 (2005: £nil) due to Radarzone Limited, a company in which J W Johnson-Watts and J R H Stevenson-Hamilton are directors.

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005**

30. Control

The company is under joint control of J. W. Johnson-Watts and J. R. H. Stevenson-Hamilton, directors.

31. Deferred taxation

At the balance sheet date, there was a potential deferred tax asset of approximately £500,000 (2004: £553,447) in the accounts of Airflow Developments Limited, which has arisen due to a combination of an excess of capital allowances claimed and available tax losses. The directors do not feel it prudent to recognise any of this asset.

32. Post balance sheet events

On 28 July 2005, the company sold the Goodwill, Business and Assets of the Instrumentation division of the company to TSI Instruments Limited as a going concern.