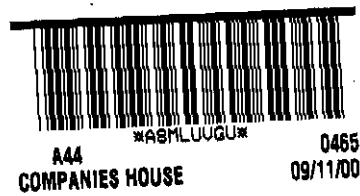


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Company Registration No. 550374 (England and Wales)

AIRFLOW DEVELOPMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000





AIRFLOW DEVELOPMENTS LIMITED



COMPANY INFORMATION

Directors

A N Blond
K R Burroughs
P M Downing

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

Business address

Lancaster Road
High Wycombe
Buckinghamshire
HP12 3QP

Bankers

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

AIRFLOW DEVELOPMENTS LIMITED

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AIRFLOW DEVELOPMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2000

The directors present their report and financial statements for the year ended 31 March 2000.

Principal activities and review of the business

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

Turnover for the company has been maintained, despite the depressed market and the impact of the strengthening pound.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office since 1 April 1999:

A N Blond
K R Burroughs
P M Downing

In accordance with the company's Articles of Association, P M Downing retires by rotation and, being eligible, offers himself for re-election.

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 March 2000	1 April 1999
A N Blond	-	-
K R Burroughs	-	-
P M Downing	-	-

Charitable contributions

During the year the company made charitable donations of £27,300 (1999 : £26,500).

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) FOR THE YEAR ENDED 31 MARCH 2000


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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 24-Aug-2000
.....

AIRFLOW DEVELOPMENTS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF AIRFLOW DEVELOPMENTS LIMITED

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 the company's affairs as at 31 March 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BKR Haines Watts

BKR Haines Watts

Chartered Accountants

Registered Auditor

31 August 2000

Sterling House, 5 Buckingham Place,
Bellfield Road
High Wycombe
Buckinghamshire
HP13 5HQ

AIRFLOW DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2000

	Notes	2000 £	1999 £
Turnover	2	10,326,532	11,328,705
Cost of sales		(4,438,943)	(5,546,763)
Gross profit		5,887,589	5,781,942
Administrative expenses		(6,963,163)	(5,861,306)
Other operating income		134,868	126,853
Operating (loss)/profit	3	(940,706)	47,489
Exceptional Items			
Branch closures		(59,010)	
Buy out of long service pay holiday		(147,448)	
Redundancy costs		(86,222)	
		-	(292,680)
Loss on ordinary activities before interest		(940,706)	(245,191)
Investment income	4	86,787	114,235
Interest payable and similar charges	5	(28,550)	(17,687)
Loss on ordinary activities before taxation		(882,469)	(148,643)
Tax on loss on ordinary activities	6	109,966	105,000
Loss on ordinary activities after taxation	15	(772,503)	(43,643)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

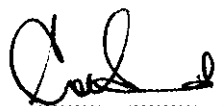
There are no recognised gains and losses other than those passing through the profit and loss account.

AIRFLOW DEVELOPMENTS LIMITED

BALANCE SHEET AS AT 31 MARCH 2000

	Notes	2000 £	£	1999 £	£
Fixed assets					
Tangible assets	7	4,449,128		4,943,761	
Investments	8	579,138		665,622	
		<u>5,028,266</u>		<u>5,609,383</u>	
Current assets					
Stocks	9	2,451,154		2,241,806	
Debtors	10	2,380,117		2,599,964	
Cash at bank and in hand		1,721,354		2,244,242	
		<u>6,552,625</u>		<u>7,086,012</u>	
Creditors: amounts falling due within one year	11	<u>(1,487,926)</u>		<u>(1,637,855)</u>	
Net current assets		5,064,699		5,448,157	
Total assets less current liabilities		<u>10,092,965</u>		<u>11,057,540</u>	
Creditors: amounts falling due after more than one year	12	(208,265)		(285,728)	
Provisions for liabilities and charges	13	<u>(70,219)</u>		<u>(184,828)</u>	
		<u>9,814,481</u>		<u>10,586,984</u>	
Capital and reserves					
Called up share capital	14	52,380		52,380	
Profit and loss account	15	9,762,101		10,534,604	
Shareholders' funds - equity interests	16	<u>9,814,481</u>		<u>10,586,984</u>	

The financial statements were approved by the Board on 24-AUG-2000



Director



Director

AIRFLOW DEVELOPMENTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2000

	2000 £	1999 £
Net cash (outflow)/inflow from operating activities	(827,162)	645,712
Returns on investments and servicing of finance		
Interest received	86,787	114,235
Interest paid	(28,550)	(17,687)
Net cash inflow for returns on investments and servicing of finance	58,237	96,548
Taxation	(18,463)	(8,115)
Capital expenditure		
Payments to acquire tangible assets	(246,061)	(201,361)
Receipts from sales of tangible assets	645,536	57,156
Net cash inflow/(outflow) for capital expenditure	399,475	(144,205)
Net cash (outflow)/inflow before management of liquid resources and financing	(387,913)	589,940
Financing		
Capital element of hire purchase contracts	(77,463)	(22,424)
Net cash outflow from financing	(77,463)	(22,424)
(Decrease)/increase in cash in the year	(465,376)	567,516

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2000

1	Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities		2000	1999
			£	£
	Operating (loss)/profit		(940,706)	47,489
	Depreciation of tangible assets		183,116	410,194
	(Profit)/loss on disposal of tangible assets		(87,956)	5,371
	(Increase)/decrease in stocks		(209,348)	299,794
	Decrease in debtors		306,331	377,857
	Decrease in creditors within one year		(80,419)	(199,852)
	Exceptional items		-	(292,680)
	Increase/(decrease) in warranty provision		1,820	(2,461)
	Net cash (outflow)/inflow from operating activities		(827,162)	645,712
2	Analysis of net funds	1 April 1999	Cash flow	Other non- 31 March 2000 cash changes
		£	£	£
	Net cash:			
	Cash at bank and in hand	2,244,242	(522,888)	1,721,354
	Bank overdrafts	(73,294)	57,512	(15,782)
		2,170,948	(465,376)	1,705,572
	Debt:			
	Finance leases	(363,191)	77,463	-
	Net funds	1,807,757	(387,913)	-
3	Reconciliation of net cash flow to movement in net funds		2000	1999
			£	£
	(Decrease)/increase in cash in the year		(465,376)	567,516
	Cash outflow/(inflow) from decrease/(increase) in debt and lease financing		77,463	(363,191)
	Movement in net funds in the year		(387,913)	204,325
	Opening net funds		1,807,757	1,603,432
	Closing net funds		1,419,844	1,807,757

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2000

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

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

1.3 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset 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 & 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

During the year the depreciation policy used has changed from reducing balance and straight line to only straight line using the rates shown above.

1.4 Investments

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

1.5 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. Consolidated accounts are prepared by the ultimate holding company, The Airflow Community Limited.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

3	Operating (loss)/profit	2000	1999
		£	£
	Operating (loss)/profit is stated after charging:		
	Depreciation of tangible fixed assets	183,116	410,194
	Auditors' remuneration	11,279	11,500
		<u> </u>	<u> </u>
4	Income from investments	2000	1999
		£	£
	Other investment income	86,787	114,235
		<u> </u>	<u> </u>
5	Interest payable	2000	1999
		£	£
	Bank and HP interest and charges	28,550	17,687
		<u> </u>	<u> </u>
6	Taxation	2000	1999
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 30% (1999 - 31%)	-	(105,000)
	Overseas tax	6,463	-
	Transfer from deferred taxation	(116,429)	-
		<u> </u>	<u> </u>
		(109,966)	(105,000)
		<u> </u>	<u> </u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

7 Tangible fixed assets

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 1999	4,241,157	1,030,230	2,907,430	339,404	8,518,221
Additions	-	20,747	117,490	107,824	246,061
Disposals	(535,036)	(20,310)	(62,089)	(218,146)	(835,581)
Transfers		3,111	(3,111)		-
At 31 March 2000	3,706,121	1,033,778	2,959,720	229,082	7,928,701
Depreciation					
At 1 April 1999	531,044	597,787	2,228,511	217,118	3,574,460
On disposals	(61,056)	(20,310)	(57,450)	(139,185)	(278,001)
Charge for the year	36,743	22,402	96,427	27,544	183,115
At 31 March 2000	506,731	599,879	2,267,487	105,477	3,479,574
Net book value					
At 31 March 2000	3,199,390	433,899	692,233	123,605	4,449,128
At 31 March 1999	3,710,113	432,443	678,919	122,286	4,943,761

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

	Plant and machinery £
Net book values	
At 31 March 2000	334,316
At 31 March 1999	347,247
Depreciation charge for the year	
31 March 2000	12,931
31 March 1999	38,008

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

8	Fixed asset investments	2000 £	1999 £
	Airflow Lufttechnik Gmbh		
	Ordinary shares at cost	70,892	70,892
	Loan account	58,304	106,012
		<u>129,196</u>	<u>176,904</u>
	Stemshire Motors and Drives		
	Ordinary shares at cost	5,000	5,000
		<u>5,000</u>	<u>5,000</u>
	Airflow Properties Inc		
	Ordinary shares at cost	609	609
	Loan account	155,001	177,032
		<u>155,610</u>	<u>177,641</u>
	Airflow Technical Products Inc		
	Ordinary shares at cost	1	1
	Loan account	289,331	306,076
		<u>289,332</u>	<u>306,077</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	Class	Shares held	%
Subsidiary undertakings				
Airflow Lufttechnik Gmbh	Germany			100
Stemshire Motors and Drives	UK			100
Airflow Properties Inc.	USA			100
Airflow Technical Products Inc.	USA			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 for the year
Airflow Lufttechnik Gmbh	277,432	(4,555)
Stemshire Motors and Drives	523,149	(41,577)
Airflow Properties Inc.	(10,191)	1,155
Airflow Technical Products Inc.	(207,145)	(13,150)
	<u>583,255</u>	<u>(57,027)</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

9	Stocks and work in progress	2000	1999
		£	£
	Raw materials and consumables	1,289,037	1,231,126
	Work in progress	81,784	97,509
	Finished goods and goods for resale	1,080,333	913,171
		<u>2,451,154</u>	<u>2,241,806</u>
10	Debtors	2000	1999
		£	£
	Trade debtors	1,874,077	2,096,434
	Amounts owed by parent and fellow subsidiary undertakings	320,699	382,757
	Other debtors	100,563	93,573
	Prepayments and accrued income	84,778	27,200
		<u>2,380,117</u>	<u>2,599,964</u>
11	Creditors: amounts falling due within one year	2000	1999
		£	£
	Bank loans and overdrafts	15,782	73,294
	Other creditors	219,335	358,387
	Net obligations under finance lease and hire purchase contracts	77,463	77,463
	Trade creditors	746,490	627,285
	Amounts owed to subsidiary undertakings	149,620	216,674
	Corporation tax	21,877	33,877
	Other taxes and social security costs	257,359	250,875
		<u>1,487,926</u>	<u>1,637,855</u>

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

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

12 Creditors: amounts falling due after more than one year	2000 £	1999 £
Net obligations under finance leases and hire purchase agreements	208,265	285,728
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	77,463	77,463
Repayable between one and five years	208,265	285,728
	285,728	363,191
Included in liabilities falling due within one year	(77,463)	(77,463)
	208,265	285,728

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

13 Provisions for liabilities and charges

	Warranty Provisions £	Deferred taxation £	Total £
Balance at 1 April 1999	68,399	116,429	184,828
Movement during the year	1,820		1,820
Released during the year	-	(116,429)	(116,429)
Balance at 31 March 2000	70,219	-	70,219

Deferred tax is provided at 31% (1999 - 31%) analysed over the following timing differences:

	2000 £	Fully provided 1999 £
Accelerated capital allowances	-	116,429

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

14 Share capital	2000 £	1999 £
Authorised		
80,000 Ordinary shares of £ 1 each	80,000	80,000
Allotted, called up and fully paid		
52,380 Ordinary shares of £ 1 each	52,380	52,380

15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 1999	10,534,604
Loss for the year	(772,503)
Balance at 31 March 2000	9,762,101

16 Reconciliation of movements in shareholders' funds	2000 £	1999 £
Loss for the financial year	(772,503)	(43,643)
Opening shareholders' funds	10,586,984	10,630,627
Closing shareholders' funds	9,814,481	10,586,984

17 Contingent liabilities

At 31 March 2000 and 31 March 1999.

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

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

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

18 Financial commitments

At 31 March 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			
	2000	1999	2000	Other 1999
	£	£	£	£
Expiry date:				
Within one year	-	-	12,390	39,321
Between two and five years	-	-	86,416	47,478
In over five years	9,478	9,478	-	-
	<u>9,478</u>	<u>9,478</u>	<u>98,806</u>	<u>86,799</u>

19 Directors' emoluments

	2000	1999
	£	£
Emoluments for qualifying services	448,654	301,494
Pensions to former directors	23,225	22,670
	<u>471,879</u>	<u>324,164</u>

20 Employees

Employment costs	2000	1999
	£	£
Wages and salaries	4,847,469	3,615,983
Other pension costs	814,075	425,693
	<u>5,661,544</u>	<u>4,041,676</u>

21 Control

The ultimate parent company is The Airflow Community Limited, which is registered in England and Wales.



AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2000

22 Related party transactions

Airflow Developments Limited made charitable donations of £27,300 (1999 : £24,956) to Airflow Charity Limited.

Donations of £nil (1999 : £1,544) were paid to The Airflow Community under a deed of covenant.

Airflow Developments Limited made sales of £11,917 (1999 : £24,551) to Stemshire Motors and Drives, £745,152 (1999 : £693,688) to Airflow Lufttechnik Gmbh and £237,798 (1999 : £286,407) to Airflow Technical Products Inc.

Airflow Developments Limited also made purchases of £403,101 (1999 : £441,941) from Stemshire Motors and Drives, £14,420 (1999 : £8,042) from Airflow Lufttechnik Gmbh and £22,120 (1999 : £30,103) from Airflow Technical Products Inc.