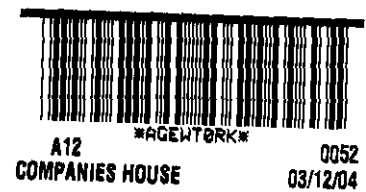


Company Registration No. 550374 (England and Wales)

**AIRFLOW DEVELOPMENTS LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2004**



**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 31<sup>st</sup> March 2004.

#### 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

The directors were satisfied with the results for the year.

#### 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 (2003: £nil).

The directors do not recommend any final dividend.

#### Directors

The following directors have held office since 1 April 2003:-

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 2004	1 April 2003
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 2004	1 April 2003
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)**

---

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.

On behalf of the board



J. R. H. Stevenson-Hamilton  
Director

Date 13 August 2004

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIRFLOW DEVELOPMENTS LIMITED**

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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 2004 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*

Haines Watts

Registered Auditor

Chartered Accountants

**18<sup>th</sup> August 2004**

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 2004**

	Notes	2004		2003 as restated	
		£	£	£	£
<b>Turnover</b>	<b>1</b>				
Continuing operations		8,891,294		8,966,567	
Discontinued activities		<u>-</u>		<u>2,779,045</u>	
			8,891,294		11,745,612
Cost of sales	<b>2</b>		<u>(3,695,760)</u>		<u>(5,873,901)</u>
Gross profit			5,195,533		5,871,711
Other operating expenses (net)	<b>2</b>		<u>(5,120,137)</u>		<u>(6,099,640)</u>
<b>OPERATING PROFIT/(LOSS)</b>					
Continuing operations		75,396		(122,663)	
Discontinued activities		<u>-</u>		<u>(105,266)</u>	
			75,396		(227,929)
Reorganisation costs			<u>-</u>		<u>(165,843)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTERST</b>			75,396		(393,772)
Interest receivable and similar Income	<b>3</b>		784		3,102
Interest payable and similar charges	<b>4</b>		<u>(80,440)</u>		<u>(105,306)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>6</b>		(4,260)		(495,976)
Taxation	<b>7</b>		<u>58,910</u>		<u>(4,487)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>	<b>8</b>		54,650		(500,463)
Dividends	<b>9</b>		<u>(208,000)</u>		<u>(44,400)</u>
<b>RETAINED LOSS FOR THE YEAR</b>	<b>23</b>		<u>(153,350)</u>		<u>(544,863)</u>

**AIRFLOW DEVELOPMENTS LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2004**

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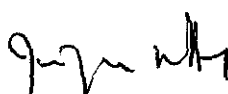
	2004	2003
	£	as restated £
Profit/(Loss) for the financial year	54,650	(500,463)
Currency translation gains on foreign currency net investments	<u>(81,706)</u>	<u>125,708</u>
Total (losses) recognised until last annual report	<u>(27,056)</u>	<u>(374,755)</u>


# AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2004

	Notes	2004 £	2003 as restated £
<b>FIXED ASSETS</b>			
Tangible assets	10	<u>900,495</u>	<u>1,077,537</u>
<b>CURRENT ASSETS</b>			
Stocks	13	1,498,136	1,633,983
Debtors	15	1,536,460	2,268,976
Cash at bank and in hand		<u>142,153</u>	<u>459,099</u>
		3,176,749	4,362,058
<b>CREDITORS: Amounts falling due within one year</b>	17	<u>(1,590,578)</u>	<u>(2,591,205)</u>
<b>NET CURRENT ASSETS</b>		<u>1,586,171</u>	<u>1,770,853</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,486,665	2,848,390
<b>CREDITORS: Amounts falling due after more than one year</b>	19	(681,854)	(813,729)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	21	<u>(17,723)</u>	<u>(12,519)</u>
		<u>1,787,088</u>	<u>2,022,142</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	792,380	792,380
Profit and loss account	23	<u>994,708</u>	<u>1,229,762</u>
<b>SHAREHOLDERS' FUNDS</b>	24	<u>1,787,088</u>	<u>2,022,142</u>

Approved by the board on 13 August 2004

  
J. W. Johnson-Watts  
Director

  
J. R. H. Stevenson-Hamilton  
Director

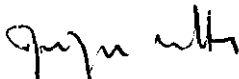



**AIRFLOW DEVELOPMENTS LIMITED**

**COMPANY BALANCE SHEET  
AS AT 31 MARCH 2004**

	Notes	2004 £	2003 as restated £
<b>Fixed assets</b>			
Tangible assets	11	847,844	1,009,010
Investments	12	76,502	76,502
		<u>924,346</u>	<u>1,085,512</u>
<b>Current Assets</b>			
Stocks	14	1,103,128	1,262,026
Debtors	16	1,578,938	2,147,253
Cash at bank and in hand		24,446	101,327
		<u>2,706,512</u>	<u>3,510,606</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(1,438,057)</u>	<u>(2,179,475)</u>
<b>Net current assets</b>		<u>1,268,455</u>	<u>1,331,131</u>
<b>Total assets less current liabilities</b>		<u>2,192,801</u>	<u>2,416,643</u>
<b>Creditors: amounts falling due after more than one year</b>	20	<u>(1,011,546)</u>	<u>(1,137,809)</u>
<b>Provisions for liabilities and charges</b>	21	<u>(46,800)</u>	<u>(50,308)</u>
		<u>1,134,455</u>	<u>1,228,526</u>
<b>Capital and Reserves</b>			
Called up share capital	22	792,380	792,380
Profit and loss account		342,075	436,146
<b>Shareholders' funds</b>	25	<u>1,134,455</u>	<u>1,228,526</u>
Equity interests		394,455	488,526
Non-equity interests		740,000	740,000
		<u>1,134,455</u>	<u>1,228,526</u>

Approved by the board on 13 April 2004

  
J. W. Johnson-Watts  
Director

  
J. R. H. Stevenson-Hamilton  
Director

**AIRFLOW DEVELOPMENTS LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2004**

	<b>Notes</b>	<b>2004 £</b>	<b>2003 £</b>
Cash inflow/(outflow) from operating activities	26a	859,976	(1,727,765)
Returns on investments and servicing of finance	26b	(79,656)	(102,204)
Taxation		(4,487)	(32,078)
Capital expenditure and financial investment	26b	(21,317)	(115,412)
Dividends paid		(300,000)	-
<b>CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING</b>		<b>454,516</b>	<b>(1,977,459)</b>
Financing	26b	(97,849)	351,100
<b>INCREASE/(DECREASE) IN CASH IN THE YEAR</b>	26c	<b>356,667</b>	<b>(1,626,359)</b>
		<b>2004 £</b>	<b>2003 £</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
Increase/(decrease) in cash in the year		356,667	(1,626,359)
Cash outflow from decrease in debt		71,649	5,725
Change in net debt resulting from cash flows		428,316	(1,620,634)
<b>MOVEMENT IN NET DEBT IN THE PERIOD</b>		<b>428,316</b>	<b>(1,620,634)</b>
<b>NET (DEBT)/CASH AT 1 APRIL 2003</b>		<b>(812,468)</b>	<b>808,166</b>
<b>NET (DEBT) AT 31 MARCH 2004</b>	26c	<b>(384,152)</b>	<b>(812,468)</b>

## **AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**

### **ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2004**

---

#### **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 2004**

---

#### **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 2004

### 1. Turnover

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

	2004 £	2003 £
UK	5,010,596	7,478,838
Overseas	3,880,698	4,266,774
	<u>8,891,294</u>	<u>11,745,612</u>

### 2. Cost of sales and net operating expenses

	2004 £	2003 (as restated) £
<b>Cost of sales</b>		
Continuing	3,695,760	3,962,247
Discontinued	-	1,911,654
Total	<u>3,695,760</u>	<u>5,873,901</u>
<b>Net operating expenses</b>		
Administrative and distribution: continuing	5,158,262	5,502,148
discontinued	-	842,518
Other operating income	(38,125)	(245,026)
Total	<u>5,120,137</u>	<u>6,099,640</u>

### 3. Interest receivable and similar income

	2004 £	2003 £
Other interest	<u>784</u>	<u>3,102</u>

### 4. Interest payable and similar charges

	2004 £	2003 £
Hire purchase/finance leases	14,318	20,577
Other interest	66,122	84,729
	<u>80,440</u>	<u>105,306</u>

# AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 5. Employees

	2004 No.	2003 No.
The average weekly number of persons (including directors) employed by the group during the period was:		
Manufacturing	43	76
Non-manufacturing	87	106
	<u>130</u>	<u>182</u>

	2004 £	2003 £
Staff costs:		
Wages and salaries (inc. social security costs)	3,165,011	3,787,700
Other pension costs	97,753	159,111
	<u>3,262,764</u>	<u>3,946,811</u>

	2004 £	2003 £
Directors' emoluments:		
Emoluments for qualifying services	12,590	53,417
Pension contributions	36,000	11,246
	<u>48,590</u>	<u>64,663</u>

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 2 (2003: 2).

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

	2004 £	2003 as restated £
Profit/(Loss) on ordinary activities before taxation is stated after charging:		
Depreciation and amounts written off tangible fixed assets:		
Charge for the year:		
owned	177,692	133,493
leased	14,969	41,482
Auditors' remuneration	17,886	26,886
Operating lease rentals	331,000	450,762
Loss on disposal of fixed assets	5,698	6,612
(Profit)/loss on foreign exchange	<u>32,448</u>	<u>(20,214)</u>

# AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 7. Taxation

	2004 £	2003 £
Current year tax:		
Foreign tax	1,774	4,487
Prior years:		
UK corporation tax	<u>(60,684)</u>	<u>-</u>
	<u>(58,910)</u>	<u>4,487</u>
Factors affecting tax charge for the period		
Profit/(loss) on ordinary activities before taxation	<u>(4,260)</u>	<u>(495,976)</u>
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2003: 30%)	<u>(1,278)</u>	<u>(148,793)</u>
Effects of:		
Tax losses not utilised	3,052	153,280
	<u>3,052</u>	<u>153,280</u>
Current tax charge	<u>1,774</u>	<u>4,487</u>

Airflow Developments Limited has estimated losses of approximately £3,093,384 (2003: £3,093,384) available for carry forward against future trading profits.

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

The profit dealt with in the accounts of the parent company amounted to £113,927 (2003: Loss £875,983).

### 9. Dividends

	2004 £	2003 £
Ordinary interim paid	208,000	-
6% Redeemable Preference Share dividend	<u>-</u>	<u>44,400</u>
	<u>208,000</u>	<u>44,400</u>

# AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 10. Tangible fixed assets – group (as restated)

	Land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
1 <sup>st</sup> April 2003	355,293	1,124,668	3,424,725	129,162	5,033,848
Additions	-	4,268	20,505	534	25,217
Disposals	-	(88,459)	(87,764)	(14,675)	(190,898)
31 March 2004	<u>355,293</u>	<u>1,040,477</u>	<u>3,357,376</u>	<u>115,021</u>	<u>4,867,987</u>
<b>Depreciation</b>					
At 1 April 2003 as previously reported	59,384	740,903	2,816,905	79,092	3,696,284
Prior year adjustments	(21,469)	109,435	172,075	(14)	260,027
At 1 April 2003 as restated	37,915	850,338	2,988,980	79,078	3,956,311
Charge for the year	6,969	46,879	122,990	15,823	192,661
Disposals	-	(88,459)	(78,166)	(14,675)	(181,300)
31 March 2004	<u>44,884</u>	<u>808,758</u>	<u>3,033,804</u>	<u>80,226</u>	<u>3,967,672</u>
<b>Net book value</b>					
31 March 2004	<u>310,409</u>	<u>231,719</u>	<u>323,572</u>	<u>34,795</u>	<u>900,495</u>
At 31 March 2003 as previously reported	295,909	383,765	607,820	50,069	1,337,563
Prior year adjustments	21,469	(109,435)	(172,075)	14	(260,027)
At 31 March 2003 as restated	<u>317,378</u>	<u>274,330</u>	<u>435,745</u>	<u>50,083</u>	<u>1,077,536</u>

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

	Fixtures, fittings and equipment £	Plant and machinery £
Net book value 31 March 2004	<u>75,400</u>	<u>-</u>
31 March 2003	<u>81,749</u>	<u>277,394</u>



**AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2004**

**11. Tangible fixed assets – company (as restated)**

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
1 <sup>st</sup> April 2003	355,293	1,029,641	3,259,832	34,758	4,679,524
Additions	-	1,600	16,786	-	18,386
Disposals	-	(76,145)	(86,585)	-	(162,730)
31 March 2004	<u>355,293</u>	<u>955,096</u>	<u>3,190,033</u>	<u>34,758</u>	<u>4,535,180</u>
<b>Depreciation</b>					
At 1 April 2003 as previously reported	59,384	658,823	2,668,940	23,339	3,410,486
Prior year adjustments	(21,469)	109,435	172,075	(14)	260,027
At 1 April 2003 as restated	37,915	(768,257)	2,841,016	23,325	3,670,513
On disposals	-	(76,145)	(76,987)	-	(153,132)
Charge for the year	6,969	43,867	114,384	4,735	169,955
31 March 2004	<u>44,884</u>	<u>735,980</u>	<u>2,878,412</u>	<u>28,060</u>	<u>3,687,336</u>
<b>Net book value</b>					
31 March 2004	<u>310,409</u>	<u>219,116</u>	<u>311,621</u>	<u>6,698</u>	<u>847,844</u>
At 31 March 2003 as previously reported	295,909	370,819	590,891	11,418	1,269,037
Prior year adjustments	21,469	(109,435)	(172,075)	14	(260,027)
At 31 March 2003 as restated	<u>317,378</u>	<u>261,384</u>	<u>418,816</u>	<u>11,432</u>	<u>1,009,010</u>

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

	Fixtures, fittings and equipment £	Plant and machinery £
Net book value		
31 March 2004	<u>75,400</u>	<u>-</u>
31 March 2003	<u>81,749</u>	<u>277,394</u>

# AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 12. Fixed asset investments – company

Shares in  
group  
undertakings  
£

At 1 April 2003 and 31 March 2004

76,502

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
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:

	Capital and reserves £	Profit/(loss) for the year £
Airflow Lufttechnik GmbH	342,415	57
Stemshire Motors and Drives	342,922	0
Airflow Properties Inc.	689	0
Airflow Technical Products Inc	<u>128,657</u>	<u>3,386</u>

### 13. Stocks and work in progress – group

	2004 £	2003 £
Raw materials and consumables	720,453	867,488
Work in progress	14,685	42,327
Finished goods and goods for resale	<u>762,998</u>	<u>724,168</u>
	<u>1,498,136</u>	<u>1,633,983</u>

**AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. Stocks and works in progress – company**

	2004 £	2003 £
Raw materials and consumables	720,453	867,488
Work in progress	14,685	42,327
Finished goods and goods for resale	367,990	352,211
	<u>1,103,128</u>	<u>1,262,026</u>

**15. Debtors – group**

	2004 £	2003 £
Due within one year:		
Trade debtors	1,300,780	1,932,097
Other debtors	108,075	230,719
Prepayments and accrued income	127,605	106,160
	<u>1,536,460</u>	<u>2,268,976</u>

**16. Debtors – company**

	2004 £	2003 £
Due within one year:		
Trade debtors	1,022,348	1,538,397
Amounts owed by subsidiary undertakings	349,881	344,782
Other debtors	113,440	197,746
Prepayments and accrued income	93,269	66,328
	<u>1,578,938</u>	<u>2,147,253</u>

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

	2004 £	2003 £
Bank loans and overdrafts	470,467	1,144,080
Obligations under finance lease and hire purchase contracts	25,009	102,583
Trade creditors	525,434	484,069
Corporation tax	1,774	4,487
Other taxes and social security costs	136,834	6,298
Other creditors	431,060	713,288
Dividends payable	-	136,400
	<u>1,590,578</u>	<u>2,591,205</u>

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

Bank loans and overdraft 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 2004

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

	2004 £	2003 £
Bank loans and overdrafts	470,467	1,144,080
Obligations under finance lease and hire purchase contracts	25,009	102,583
Trade creditors	477,428	400,822
Accruals and deferred income	24,746	47,050
Other taxes and social security costs	122,341	-
Other creditors	83,433	228,540
Proposed dividends	-	136,400
Directors current accounts	8,633	-
CVA creditors	226,000	120,000
	<u>1,438,057</u>	<u>2,179,476</u>

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

	2004 £	2003 £
Bank loan	330,625	356,825
Obligation under hire purchase contracts	30,829	24,904
Other creditors	276,000	432,000
Dividends payable	44,400	-
	<u>681,854</u>	<u>813,729</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

	2004 £	2003 £
Other creditors	60,000	-
Proposed dividend	44,400	-
Obligation under finance leases and hire purchase contracts	30,829	24,904
CVA creditors	216,000	432,000
Amounts due to subsidiary undertakings	660,317	680,905
	<u>1,011,546</u>	<u>1,137,809</u>

**AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2004**

**21. Provisions for liabilities and charges – group and company**

	German Pension Provision £	Company Warranty Remedial Provision £	Group Total £
Balance at 1 April 2003	(37,789)	50,308	12,519
Transfer to/(from) profit and loss account	8,712	(3,508)	5,204
Balance at 31 March 2004	<u>(29,077)</u>	<u>46,800</u>	<u>17,723</u>

**22. Share capital**

	2004 £	2003 £
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**

	as restated £
Balance at 1 April 2003 as previously reported	1,489,789
Prior year adjustments	<u>(260,027)</u>
Balance at 1 April 2003 as restated	1,229,762
Retained loss for the year	<u>(153,348)</u>
Currency translation gains on foreign currency net investments	<u>(81,706)</u>
Balance at 31 March 2004	<u>994,708</u>

# AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 24. Reconciliation of movement in shareholders' funds – group

	2004	2003
	£	as restated £
Profit/(loss) for the financial year as previously reported	54,650	(551,439)
Prior year adjustment	-	50,976
Profit/(loss) for the financial year as restated	54,650	(500,463)
Currency exchange movement	(81,706)	125,708
Dividends	(208,000)	(44,400)
Net reduction in shareholders' funds	(235,056)	(419,155)
Opening shareholders' funds	2,022,142	2,441,297
Closing shareholders' funds	1,787,086	2,022,142

Opening shareholder's funds were originally £2,282,169 before deducting prior year adjustments of £260,027

### 25. Reconciliation of movement in shareholders' funds – company

	2004	2003
	£	as restated £
(Loss)/Profit for the financial year as previously reported	113,927	(926,959)
Prior year adjustment	-	50,976
(Loss)/Profit for the financial year as restated	113,927	(875,983)
Dividends	(208,000)	(44,400)
Net reduction in shareholders' funds	(94,073)	(920,383)
Opening shareholders' funds	1,228,526	2,148,909
Closing shareholders' funds	1,134,455	1,228,526

Opening shareholders' funds were originally £1,488,553 before deducting prior year adjustments of £260,027.

**AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2004**

**26. Cash flows**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>as restated £</b>
a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating Profit/(Loss)	75,396	(227,929)
Depreciation	192,661	174,975
Loss on sale of fixed assets	5,698	6,612
Decrease in stocks and work in progress	135,847	568,998
Decrease/(increase) in debtors	732,516	7,085,616
(Decrease)/increase in creditors	(287,346)	(9,068,811)
(Decrease) in provisions	5,204	(101,383)
Exceptional items	-	(165,843)
	<u>859,976</u>	<u>(1,727,765)</u>
b) Analysis of cash flows for headings netted in the cash flow		
	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Returns on investments and servicing of finance:		
Interest received	784	3,102
Interest paid	(80,440)	(105,306)
Net cash (outflow) for returns on investment and servicing of finance	<u>(79,656)</u>	<u>(102,204)</u>
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(25,217)	(167,740)
Sale of tangible fixed assets	3,900	52,328
Net cash inflow/(outflow) for capital expenditure and financial investment	<u>(21,317)</u>	<u>(115,412)</u>
Financing:		
Capital element of hire purchase paid	(71,649)	(5,725)
Capital element of loans	(26,200)	-
New loans	-	356,825
Net cash inflow/(outflow) from financing	<u>(97,849)</u>	<u>351,100</u>

# AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 26. Cash flows (continued)

c)	At 1 April 2003	Cash flows	Non-cash items	At 31 March 2004
Net cash:				
Cash at bank and in hand	459,099	(316,946)	-	142,153
Bank overdraft and loan	(1,144,080)	673,613	-	(470,467)
Net cash	(684,981)	356,667	-	(328,314)
Debt:				
Amounts falling due less than 1 year	(102,583)	77,574	-	(25,009)
Amounts falling due after 1 year	(24,904)	(5,925)	-	(30,829)
	(812,468)	428,316	-	(384,152)

### 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 £71,967 (2003: £159,111).

### 28. Financial commitments – company

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2004 £	2003 £
Expiry date:		
Within one year	-	-
Between two and five years	68,000	68,000
In over five years	263,000	263,000
	331,000	331,000
	Other	
	2004 £	2003 £
Expiry date:		
Within one year	660	11,459
Between two and five years	36,561	30,708
In over five years	-	-
	37,221	42,167

### 29. Transactions with directors

At the balance sheet date, the company owed £59 (2003: £44,802 debtor) and £8,574 (2003: £44,627 debtor) 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 due after one year is an amount of £60,000 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 2004**

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**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 £553,447 (2003: £561,454) 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. Prior period adjustment**

The prior period adjustment relates to an adjustment to the net book value of tangible fixed assets which had previously been depreciated at rates inconsistent to the accounting policies of the company.