

Company Registration No. 550374 (England and Wales)

AIRFLOW DEVELOPMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2001



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AIRFLOW DEVELOPMENTS LIMITED

REGISTRAR'S COPY

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 West 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 2001

The directors present their report and financial statements for the year ended 31 March 2001.

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.

Interim dividends totalling £96,903 (£1.85 per share) were paid during the year.

Directors

The following directors have held office since 1 April 2000:

A N Blond
K R Burroughs
P M Downing

In accordance with the company's Articles of Association, K R Burroughs 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 2001	1 April 2000
A N Blond	-	-
K R Burroughs	-	-
P M Downing	-	-

Charitable contributions

During the year the company made charitable donations of £27,700 (2000 : £27,300).

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 2001

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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.

On behalf of the board



.....

16/8/01

Date

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 2001 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

29 August 2001

Chartered Accountants
Registered Auditor

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

AIRFLOW DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2001

	Notes	2001 £	2000 £
Turnover	2	10,450,024	10,326,532
Cost of sales		(4,557,319)	(4,438,943)
Gross profit		5,892,705	5,887,589
Administrative expenses		(7,097,759)	(6,963,163)
Other operating income		121,136	134,868
Operating loss	3	(1,083,918)	(940,706)
Investment income	4	43,007	86,787
Interest payable and similar charges	5	(29,843)	(28,550)
Loss on ordinary activities before taxation		(1,070,754)	(882,469)
Tax on loss on ordinary activities	6	(11,844)	109,966
Loss on ordinary activities after taxation		(1,082,598)	(772,503)
Dividends	7	(96,903)	-
Retained loss for the year	16	(1,179,501)	(772,503)

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

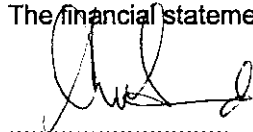
There are no recognised gains and losses other than those passing through the profit and loss account.

AIRFLOW DEVELOPMENTS LIMITED

BALANCE SHEET AS AT 31 MARCH 2001

	Notes	2001 £	£	2000 £	£
Fixed assets					
Tangible assets	8	4,333,272		4,449,128	
Investments	9	508,219		579,138	
		<u>4,841,491</u>		<u>5,028,266</u>	
Current assets					
Stocks	10	2,630,043		2,451,154	
Debtors	11	2,499,795		2,380,117	
Cash at bank and in hand		473,413		1,721,354	
		<u>5,603,251</u>		<u>6,552,625</u>	
Creditors: amounts falling due within one year	12	(1,598,752)		(1,487,926)	
Net current assets		<u>4,004,499</u>		<u>5,064,699</u>	
Total assets less current liabilities		<u>8,845,990</u>		<u>10,092,965</u>	
Creditors: amounts falling due after more than one year	13	(145,065)		(208,265)	
Provisions for liabilities and charges	14	(65,945)		(70,219)	
		<u>8,634,980</u>		<u>9,814,481</u>	
Capital and reserves					
Called up share capital	15	52,380		52,380	
Profit and loss account	16	8,582,600		9,762,101	
Shareholders' funds - equity interests	17	<u>8,634,980</u>		<u>9,814,481</u>	

The financial statements were approved by the Board on 16/8/01



Director



Director

AIRFLOW DEVELOPMENTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2001

	2001 £	2000 £
Net cash outflow from operating activities	(1,145,725)	(827,162)
Returns on investments and servicing of finance		
Interest received	43,007	86,787
Interest paid	(29,843)	(28,550)
	<u>13,164</u>	<u>58,237</u>
Net cash inflow for returns on investments and servicing of finance	13,164	58,237
Taxation	(11,844)	(18,463)
Capital expenditure and financial investment		
Payments to acquire tangible assets	(95,475)	(246,061)
Receipts from sales of tangible assets	23,455	645,536
Loan repayments from related companies	70,919	-
	<u>(1,101)</u>	<u>399,475</u>
Net cash (outflow)/inflow for capital expenditure	(1,101)	399,475
Equity dividends paid	(96,903)	-
	<u>(1,242,409)</u>	<u>(387,911)</u>
Net cash outflow before management of liquid resources and financing	(1,242,409)	(387,911)
Financing		
Other new long term loans	11,855	-
Capital element of hire purchase contracts	(73,611)	(77,463)
	<u>(61,756)</u>	<u>(77,463)</u>
Net cash outflow from financing	(61,756)	(77,463)
Decrease in cash in the year	<u>(1,304,165)</u>	<u>(465,376)</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2001

1	Reconciliation of operating loss to net cash outflow from operating activities	2001	2000
		£	£
	Operating loss	(1,083,918)	(940,706)
	Depreciation of tangible assets	189,287	183,116
	Profit on disposal of tangible assets	(1,411)	(87,956)
	Increase in stocks	(178,889)	(209,348)
	(Increase)/decrease in debtors	(119,678)	306,331
	Increase/(decrease) in creditors within one year	53,158	(80,419)
	(Decrease)/increase in warranty provision	(4,274)	1,820
	Net cash outflow from operating activities	(1,145,725)	(827,162)

2	Analysis of net funds	1 April 2000	Cash flow	Other non-cash changes	31 March 2001
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	1,721,354	(1,247,941)	-	473,413
	Bank overdrafts	(15,782)	(56,224)	-	(72,006)
		<u>1,705,572</u>	<u>(1,304,165)</u>	<u>-</u>	<u>401,407</u>
	Debt:				
	Finance leases	(285,728)	77,944	(4,333)	(212,117)
	Debts falling due after one year	-	(11,855)	-	(11,855)
		<u>(285,728)</u>	<u>66,089</u>	<u>(4,333)</u>	<u>(223,972)</u>
	Net funds	<u>1,419,844</u>	<u>(1,238,076)</u>	<u>(4,333)</u>	<u>177,435</u>

3	Reconciliation of net cash flow to movement in net funds	2001	2000
		£	£
	Decrease in cash in the year	(1,304,165)	(465,376)
	Cash outflow from decrease in debt and lease financing	66,089	77,463
	Change in net debt resulting from cash flows	(1,238,076)	(387,913)
	New finance lease	(4,333)	-
	Movement in net funds in the year	(1,242,409)	(387,913)
	Opening net funds	1,419,844	1,807,757
	Closing net funds	<u>177,435</u>	<u>1,419,844</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2001

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:

Freehold buildings	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 Leasing

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.

1.5 Investments

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

1.6 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.7 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.8 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.

1.9 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.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

2 Turnover

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

3	Operating loss	2001	2000
		£	£
	Operating loss is stated after charging:		
	Depreciation of tangible assets	189,287	183,116
	Auditors' remuneration	12,900	11,279
		<u> </u>	<u> </u>
4	Investment income	2001	2000
		£	£
	Income from fixed asset investments	43,007	86,787
		<u> </u>	<u> </u>
5	Interest payable	2001	2000
		£	£
	Bank and HP interest and charges	29,843	28,550
		<u> </u>	<u> </u>
6	Taxation	2001	2000
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 30% (2000 - 30%)	11,844	6,463
	Prior years		
	Deferred taxation	-	(116,429)
		<u> </u>	<u> </u>
		11,844	(109,966)
		<u> </u>	<u> </u>
7	Dividends	2001	2000
		£	£
	Ordinary interim paid totalling £1.85 per share	96,903	-
		<u> </u>	<u> </u>



AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2001

8 Tangible fixed assets

	Land and buildings Freehold and long Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2000	3,706,121	1,033,778	2,959,720	229,082	7,928,701
Additions	-	9,125	86,100	250	95,475
Disposals	-	(18,000)	(32,208)	(46,286)	(96,494)
At 31 March 2001	3,706,121	1,024,903	3,013,612	183,046	7,927,682
Depreciation					
At 1 April 2000	506,731	599,879	2,267,487	105,477	3,479,574
On disposals	-	(10,988)	(30,108)	(33,355)	(74,451)
Charge for the year	35,543	19,800	112,230	21,714	189,287
At 31 March 2001	542,274	608,691	2,349,609	93,836	3,594,410
Net book value					
At 31 March 2001	3,163,847	416,212	664,003	89,210	4,333,272
At 31 March 2000	3,199,390	433,899	692,234	123,605	4,449,128

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

	Plant and machinery £
Net book values	
At 31 March 2001	297,566
At 31 March 2000	334,316
Depreciation charge for the year	
31 March 2001	41,083
31 March 2000	12,931

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

9 Fixed asset investments

	2001 £	2000 £
Airflow Lufttechnik Gmbh		
Ordinary shares at cost	70,892	70,892
Loan account	-	58,304
	<u>70,892</u>	<u>129,196</u>
 Stemshire Motors and Drives		
Ordinary shares at cost	<u>5,000</u>	<u>5,000</u>
 Airflow Properties Inc		
Ordinary shares at cost	609	609
Loan account	147,967	155,001
	<u>148,576</u>	<u>155,610</u>
 Airflow Technical Products Inc		
Ordinary shares at cost	1	1
Loan account	283,750	289,331
	<u>283,751</u>	<u>289,332</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	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 for the year
Airflow Lufttechnik Gmbh	330,905	43,608
Stemshire Motors and Drives	473,103	(50,046)
Airflow Properties Inc.	(12,275)	(841)
Airflow Technical Products Inc.	(226,309)	5,498
	<u></u>	<u></u>



AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

10	Stocks and work in progress	2001 £	2000 £
	Raw materials and consumables	1,347,463	1,289,037
	Work in progress	68,506	81,784
	Finished goods and goods for resale	1,214,074	1,080,333
		<u>2,630,043</u>	<u>2,451,154</u>
11	Debtors	2001 £	2000 £
	Trade debtors	2,076,030	1,874,077
	Amounts owed by parent and fellow subsidiary undertakings	310,165	320,699
	Other debtors	35,965	100,563
	Prepayments and accrued income	77,635	84,778
		<u>2,499,795</u>	<u>2,380,117</u>
12	Creditors: amounts falling due within one year	2001 £	2000 £
	Bank loans and overdrafts	72,006	15,782
	Other creditors	197,883	219,335
	Net obligations under finance leases	78,907	77,463
	Trade creditors	788,843	746,490
	Amounts owed to subsidiary undertakings	203,352	149,620
	Corporation tax	21,877	21,877
	Other taxes and social security costs	235,884	257,359
		<u>1,598,752</u>	<u>1,487,926</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 2001

13 Creditors: amounts falling due after more than one year	2001 £	2000 £
Other loans	11,855	-
Net obligations under finance leases	133,210	208,265
	<u>145,065</u>	<u>208,265</u>
Analysis of loans		
Wholly repayable within five years	11,855	-
	<u>11,855</u>	<u>-</u>
Loan maturity analysis		
In more than two years but not more than five years	11,855	-
	<u>11,855</u>	<u>-</u>
Net obligations under finance leases		
Repayable within one year	78,907	77,463
Repayable between one and five years	133,210	208,265
	<u>212,117</u>	<u>285,728</u>
Included in liabilities falling due within one year	(78,907)	(77,463)
	<u>133,210</u>	<u>208,265</u>

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

14 Provisions for liabilities and charges	Warranty Provisions £	Total £
Balance at 1 April 2000	70,219	70,219
Movement during the year	(4,274)	(4,274)
	<u>65,945</u>	<u>65,945</u>
Balance at 31 March 2001	65,945	65,945

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

15 Share capital	2001	2000
	£	£
Authorised		
80,000 Ordinary shares of £ 1 each	80,000	80,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
52,380 Ordinary shares of £ 1 each	52,380	52,380
	<hr/>	<hr/>
16 Statement of movements on profit and loss account		
		Profit and loss account £
Balance at 1 April 2000		9,762,101
Loss for the year		(1,179,501)
		<hr/>
Balance at 31 March 2001		8,582,600
		<hr/>
17 Reconciliation of movements in shareholders' funds	2001	2000
	£	£
Loss for the financial year	(1,082,598)	(772,503)
Dividends	(96,903)	-
	<hr/>	<hr/>
Net depletion in shareholders' funds	(1,179,501)	(772,503)
Opening shareholders' funds	9,814,481	10,586,984
	<hr/>	<hr/>
Closing shareholders' funds	8,634,980	9,814,481
	<hr/>	<hr/>

18 Contingent liabilities

At 31 March 2001 and 31 March 2000.

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 FOR THE YEAR ENDED 31 MARCH 2001

19 Financial commitments

At 31 March 2001 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2001	2000	2001	2000
	£	£	£	£
Expiry date:				
Within one year	-	-	36,488	12,390
Between two and five years	-	-	69,542	86,416
In over five years	30,610	9,478	-	-
	<u>30,610</u>	<u>9,478</u>	<u>106,030</u>	<u>98,806</u>

20 Pension commitments

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. At 31 March 2001 there were no outstanding contributions payable (2000: £nil) by the company to the fund.

21 Directors' emoluments

	2001	2000
	£	£
Emoluments for qualifying services	429,701	443,093
Pension contributions	42,155	41,425
	<u>471,856</u>	<u>484,518</u>

Included in the above are emoluments of £205,639 (2000: £212,789) and pension contributions of £20,534 (2000: £20,188) relating to the highest paid director.

There are three directors to whom retirement benefits are accruing under a money purchase retirement benefit scheme.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2001

22 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2001 Number	2000 Number
Manufacturing	31	33
Non-manufacturing	132	134
	<u>163</u>	<u>167</u>

Employment costs (including directors' remuneration)

	2001 £	2000 £
Wages and salaries	4,247,236	4,428,647
Social security costs	430,351	442,047
Other pension costs	851,479	790,850
	<u>5,529,066</u>	<u>5,661,544</u>

23 Control

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

24 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

Airflow Developments Limited made charitable donations of £27,700 (2000 : £27,300) to Airflow Charity Limited.

Airflow Developments Limited made pension contributions totalling £851,479 (2000 : £790,850) to The Airflow (1973) Pension Scheme.