

Airmaster Engineering Limited**Directors' report and financial statements****31 December 1995****Registered number 562216**

Airmaster Engineering Limited

Directors' report and financial statements

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Airmaster Engineering Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

Principal activities

The principal activity of the company is the manufacture and marketing of dust extraction equipment.

Business review

1995 has been a year of consolidation and progress. Margins have improved in all areas and tighter financial controls have taken previous loss making areas into profit.

Strong positions were attained in certain niche markets and this is reflected in turnover growth.

1996 will see a further consolidation of Airmaster business with firm foundations being laid for future growth.

Proposed dividend and transfer to reserves

The profit for the year after taxation amounted to £212,995 which will be transferred to reserves.

Significant changes in fixed assets

Movements in fixed assets are shown in note 10 to the financial statements.

Directors and directors' interests

The directors who held office during the year were as follows:

JG Mygind
SE Lusty
PA Sørensen
K Stausholm-Pedersen
E Olsen

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or other group companies.

Airmaster Engineering Limited

Directors' report *(continued)*

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board



A Hampton
Secretary

18 MARCH 1996

Limewood Approach
Seacroft
LEEDS
LS14 1NG

Airmaster Engineering Limited

Directors' responsibilities

in respect of the preparation of financial statements

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; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors' report to the members of Airmaster Engineering Limited

We have audited the financial statements on pages 4 to 18.

Respective responsibilities of directors and auditors

As described above 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 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors
Bradford

18 MARCH 1996

Airmaster Engineering Limited

Profit and loss account for the year ended 31 December 1995

	Note	1995 £	1994 £
Turnover	2	5,812,334	3,891,202
Other operating income		207,295	187,272
		<hr/>	<hr/>
Operating costs	3	6,019,629 (5,641,531)	4,078,474 (4,245,137)
		<hr/>	<hr/>
Operating profit/(loss)		378,098	(166,663)
Interest receivable and similar income	7	3,006	-
Interest payable and similar charges	8	(82,581)	(79,083)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	2-6	298,523	(245,746)
Tax on profit/(loss) on ordinary activities	9	(85,528)	76,158
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation		212,995	(169,588)
Dividends		-	-
		<hr/>	<hr/>
Retained profit/(loss) for the financial year		212,995	(169,588)
		<hr/>	<hr/>

A statement of movements on reserves is given in note 17.

There are no recognised gains or losses other than the result for the year.

Airmaster Engineering Limited

Note of historical cost profits and losses for the year ended 31 December 1995

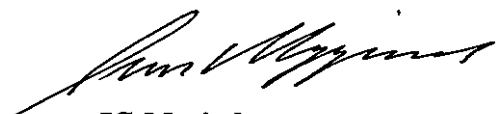
	1995 £	1994 £
Reported profit/(loss) on ordinary activities before taxation	298,523	(245,746)
Difference between a historical cost depreciation charge and actual depreciation charge calculated on the revalued amount	<u>1,854</u>	<u>1,854</u>
Historical cost profit/(loss) on ordinary activities before taxation	<u>300,377</u>	<u>(243,892)</u>
Historical cost profit/(loss) for the year retained after taxation and dividends	<u>214,849</u>	<u>(167,734)</u>

Airmaster Engineering Limited

Balance sheet at 31 December 1995

	Note	1995 £	£	1994 £	£
Fixed assets					
Tangible assets	10	823,087		689,433	
Current assets					
Stocks	11	620,264		504,105	
Debtors	12	1,137,116		1,479,604	
Cash at bank and in hand		192,751		348,719	
		<u>1,950,131</u>		<u>2,332,428</u>	
Creditors: amounts falling due within one year	13	<u>(1,983,316)</u>		<u>(1,967,246)</u>	
Net current (liabilities)/assets			<u>(33,185)</u>		<u>365,182</u>
Total assets less current liabilities			<u>789,902</u>		<u>1,054,615</u>
Creditors: amounts falling due after more than one year	14		-		(500,000)
Provisions for liabilities and charges	15		<u>(44,587)</u>		<u>(22,295)</u>
Net assets			<u>745,315</u>		<u>532,320</u>
Capital and reserves					
Called up share capital	16	167,640		167,640	
Share premium account		59,946		59,946	
Revaluation reserve	17	76,480		78,334	
Profit and loss account	17	441,249		226,400	
			<u>745,315</u>		<u>532,320</u>

These financial statements were approved by the board of directors on 18 MARCH 1996 and were signed on its behalf by:


JG Mygind
Director

Airmaster Engineering Limited

Cash flow statement for the year ended 31 December 1995

	Note	1995 £	£	1994 £	£
Net cash inflow from operating activities	21	702,321		409,250	
Return on investments and servicing of finance					
Interest received		3,006		-	
Interest paid		(82,581)		(79,083)	
Net cash outflow from returns on investment and servicing of finance		(79,575)		(79,083)	
Taxation					
Advance corporation tax recovered		-		9,686	
Corporation tax recovered		73,851		196,500	
Tax recovered		73,851		206,186	
Investing activities					
Purchase of tangible fixed assets		(292,196)		(86,777)	
Sale of tangible fixed assets		34,866		7,450	
Net cash outflow from investing activities		(257,330)		(79,327)	
Financing					
New long term loan		-		500,000	
Repayment of loan		(500,000)		-	
Net cash (outflow)/inflow from financing		(500,000)		500,000	
(Decrease)/increase in cash and cash equivalents	22	(60,733)		957,026	

Airmaster Engineering Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of leasehold property.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Long leasehold property	-	2%
Plant, equipment, fixtures and fittings	-	15 - 25%
Motor vehicles	-	25%

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. The resulting gains or losses are included in the profit and loss account.

Leases

Rentals in respect of leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Airmaster Engineering Limited

Notes (continued)

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads. The allocation of manufacturing overheads has regard to normal production.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses which are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

2 Analysis of turnover

	1995 £	1994 £
<i>By geographical market</i>		
United Kingdom	4,734,321	2,979,486
Rest of Europe	825,956	673,502
Rest of world	252,057	238,214
	<hr/> 5,812,334	<hr/> 3,891,202

Airmaster Engineering Limited

Notes (continued)

3 Operating costs

	1995 £	1994 £
Increase in stocks of finished goods and work in progress	(29,413)	(6,862)
Raw materials and consumables	2,849,130	1,764,580
Staff costs:		
Wages and salaries	1,300,265	1,193,032
Social security costs	124,280	118,696
Other pension costs	20,194	16,783
Depreciation of tangible fixed assets	131,144	116,368
Other operating charges	1,245,931	1,042,540
	<u>5,641,531</u>	<u>4,245,137</u>

4 Operating profit/(loss)

	1995 £	1994 £
<i>Operating profit/(loss) is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	12,000	12,000
Other services	2,000	850
Hire of plant and machinery	23,937	16,194
Research and development expenditure	40,007	40,099
<i>after crediting</i>		
Exchange gains	10,127	6,454
Rents receivable from property	22,255	18,165

Airmaster Engineering Limited

Notes (continued)

5 Remuneration of directors

	1995 £	1994 £
Directors' emoluments:		
As directors		
Remuneration as executives	52,367	59,205
Pension contributions	5,287	5,287
Amounts paid to third parties in respect of directors' services	-	26,212
	<u>57,654</u>	<u>90,704</u>

Professional fees of £nil (1994 : £26,212) were paid during the year to Messrs Holman, Fenwick Willan in respect of the services of the chairman, JRM O'Sullivan.

The emoluments, excluding pension contributions, of the highest paid director were £52,367 (1994 : £59,205).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	1995 Number of directors	1994 Number of directors
£0 - £ 5,000	4	6
£25,001 - £30,000	-	1
£50,001 - £55,000	1	-
£55,001 - £60,000	-	1

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1995 Number of employees	1994 Number of employees
Production	61	59
Selling	15	17
Development	2	1
Administration	6	8
	<u>84</u>	<u>85</u>

Airmaster Engineering Limited

Notes (continued)

7	Interest receivable and similar income	1995	1994
		£	£
	Interest received on corporation tax repayment	<u>3,006</u>	<u>-</u>
8	Interest payable and similar charges	1995	1994
		£	£
	On bank loans, overdrafts and other loans wholly repayable within five years	<u>82,581</u>	<u>79,083</u>
9	Taxation	1995	1994
		£	£
	UK corporation tax charge/(credit) at 33% (1994: 33%) on the loss for the year on ordinary activities	90,000	(69,379)
	Adjustments relating to an earlier year		
	Corporation tax	<u>(4,472)</u>	<u>(6,779)</u>
		<u>85,528</u>	<u>(76,158)</u>

Airmaster Engineering Limited

Notes (continued)

10 Tangible fixed assets

	Long leasehold property	Plant, equipment fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At beginning of year	606,587	777,505	237,617	1,621,709
Additions	8,720	237,799	45,677	292,196
Disposals	-	(54,583)	(23,214)	(77,797)
	<u>615,307</u>	<u>960,721</u>	<u>260,080</u>	<u>1,836,108</u>
Depreciation				
At beginning of year	84,671	662,218	185,387	932,276
Charge for year	15,954	77,098	38,092	131,144
On disposals	-	(27,185)	(23,214)	(50,399)
	<u>100,625</u>	<u>712,131</u>	<u>200,265</u>	<u>1,013,021</u>
Net book value				
At 31 December 1995	<u>514,682</u>	<u>248,590</u>	<u>59,815</u>	<u>823,087</u>
At 31 December 1994	<u>521,916</u>	<u>115,287</u>	<u>52,230</u>	<u>689,433</u>

Particulars relating to revalued assets, being the long leasehold property which was revalued in 1987, are given below:

	1995 £	1994 £
Historical cost of revalued assets	522,604	513,884
Aggregate depreciation based on historical cost	<u>(85,130)</u>	<u>(71,030)</u>
Historical cost net book value	<u>437,474</u>	<u>442,854</u>

Airmaster Engineering Limited

Notes (continued)

11 Stocks

	1995 £	1994 £
Raw materials and semi-products	552,806	452,178
Work in progress	67,458	50,677
Finished goods and goods for resale	-	1,250
	<u>620,264</u>	<u>504,105</u>

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

12 Debtors

	1995 £	1994 £
Trade debtors	1,035,011	1,300,563
Amounts owed by group undertakings	49,377	74,286
Corporation tax recoverable	-	69,379
Prepayments and accrued income	52,728	35,376
	<u>1,137,116</u>	<u>1,479,604</u>

The amounts owed by group undertakings comprise
Parent and fellow subsidiary undertakings

	<u>49,377</u>	<u>74,286</u>
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Airmaster Engineering Limited

Notes (continued)

13 Creditors: amounts falling due within one year

	1995	1994
	£	£
Bank loans and overdrafts	897,411	992,646
Payments received on account	68,818	66,100
Trade creditors	431,675	376,287
Amounts owed to group undertakings	85,917	130,729
Other creditors including taxation and social security:		
Corporation tax	90,000	-
Other taxes and social security	54,964	42,864
Other creditors	12,977	95,544
	<u>157,941</u>	<u>138,408</u>
Accruals and deferred income	341,554	263,076
	<u>1,983,316</u>	<u>1,967,246</u>
<i>The amounts owed to group undertakings comprise</i>		
Parent and fellow subsidiary undertakings	<u>85,917</u>	<u>130,729</u>

14 Creditors: amounts falling due after more than one year

	1995	1994
	£	£
Amounts owed to parent undertaking	-	500,000

15 Provisions for liabilities and charges

	Warranty provision
	£
At beginning of year	22,295
Provided in the year	22,292
	<u>44,587</u>
At end of year	

Airmaster Engineering Limited

Notes (continued)

16 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
2% non-cumulative 'A' preference shares of 10p each	-	3,989
2% non-cumulative 'B' preference shares of 10p each	-	3,991
Preferred ordinary shares of 10p each	-	79,828
Ordinary shares of 10p each	-	88,235
Ordinary shares of £1 each	176,043	-
	176,043	176,043
<i>Allotted, called up and fully paid</i>		
2% non-cumulative 'A' preference shares of 10p each	-	3,989
2% non-cumulative 'B' preference shares of 10p each	-	3,991
Preferred ordinary shares of 10p each	-	79,828
Ordinary shares of 10p each	-	79,832
Ordinary shares of £1 each	167,640	-
	167,640	167,640

On 29 September 1995 the company's share capital was rationalised and all classes of shares were converted into ordinary shares of £1 each.

17 Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of year	78,334	226,400
Transfer to profit and loss account	(1,854)	1,854
Retained profit for the year	-	212,995
At end of year	76,480	441,249

18 Reconciliation of movements in shareholders' funds

	1995 £	1994 £
Profit/(loss) for the financial year	212,995	(169,588)
Dividends	-	-
Net increase/(decrease) to shareholders' funds	212,995	(169,588)
Opening shareholders' funds	532,320	701,908
Closing shareholders' funds	745,315	532,320

Airmaster Engineering Limited

Notes (continued)

19 Commitments

Capital commitments at the end of the financial year for which no provision has been made.

	1995 £	1994 £
Contracted	-	121,600

The company has provided guarantees to its bankers in respect of deposits received from customers which amount to £182,000 (1994 : £132,000).

The directors do not consider that the guarantees will fall due for payment.

20 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund. Contributions amounting to £1,456 (1994 : £1,636) were payable to the fund at the year end and are included in creditors.

21 Reconciliation of operating profit to net cash inflow from operating activities

	1995 £	1994 £
Operating profit/(loss)	378,098	(166,663)
Depreciation charge	131,144	116,368
Profit on sale of tangible fixed assets	(7,468)	(6,490)
Increase in stocks	(116,159)	(146,178)
Decrease in debtors	273,109	534,966
Increase in creditors	21,305	64,951
Warranty provision	22,292	12,295
Net amounts written off investments	-	1
Net cash inflow from operating activities	702,321	409,250

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Notes (continued)

22 Analysis of changes in cash and cash equivalents

	Cash £	Overdraft £	Net £
Balance at 1 January 1994	-	(1,600,953)	(1,600,953)
Net cash inflow	348,719	608,307	957,026
Balance at 31 December 1994	348,719	(992,646)	(643,927)
Net cash (outflow)/inflow	(155,968)	95,235	(60,733)
Balance at 31 December 1995	192,751	(897,411)	704,660

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Dansk Industri Syndikat A/S, a company incorporated in Denmark.

The smallest and largest group in which the results of the company are consolidated is that headed by Dansk Industri Syndikat A/S. The consolidated financial statements of this group are not available to the public.