

Airmaster Engineering Limited

Directors' report and financial statements

31 December 1997

Registered number 562216



Directors' report and financial statements

Contents

Directors' report	1
Directors' responsibilities	3
Auditors' report to the members of Airmaster Engineering Limited	4
Profit and loss account	5
Note of historical cost profits and losses	6
Balance sheet	7
Cash flow statement	8
Notes	9

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Principal activities

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

Business review

1997 turnover and profit were down on the exceptional 1996 levels. Standard product sales held their market share well despite the pressures from the strength of the pound. Although major end-user contracts declined as legislative EPA deadlines passed, the company was able to build on the previous year's successes and extend its contracting capability into other niche markets.

Proposed dividend and transfer to reserves

The profit for the year after taxation amounted to £87,892 which will be transferred to reserves.

The directors propose a dividend of £595,000 (1996 : £nil).

Directors and directors' interests

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

JG Mygind

SE Lusty

PA Sørensen (resigned 14 April 1997)

K Stausholm-Pedersen

SJ Hoffmeyer (appointed 1 October 1997)

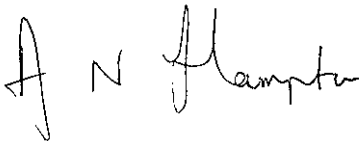
None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or other group companies.

Directors' report *(continued)*

Auditors

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 handwritten signature in cursive script, appearing to read 'A N Hampton'.

A Hampton

Secretary

Limewood Approach
Seacroft
LEEDS
LS14 1NG

20 March 1998

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.



Peat House
1 Commercial Street
Forster Square
Bradford
BD1 4AS

Auditors' report to the members of Airmaster Engineering Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

As described on page 3 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'WMM' or similar, written over the KPMG logo.

KPMG

*Chartered Accountants
Registered Auditors*

20 March 1998

Profit and loss account

for the year ended 31 December 1997

	<i>Note</i>	1997 £	1996 £
Turnover	2	7,724,423	8,095,334
Other operating income		212,015	199,760
		<hr/>	<hr/>
Operating costs	3	7,936,438 (7,691,547)	8,295,094 (8,002,538)
		<hr/>	<hr/>
Operating profit		244,891	292,556
Interest receivable and similar income	7	-	1,506
Interest payable and similar charges	8	(97,129)	(82,988)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-6	147,762	211,074
Tax on profit on ordinary activities	9	(59,870)	(96,831)
		<hr/>	<hr/>
Profit on ordinary activities after taxation	20	87,892	114,243
Dividends	10	(595,000)	-
		<hr/>	<hr/>
Retained (loss)/profit for the financial year		(507,108)	114,243
		<hr/>	<hr/>

A statement of movements on reserves is given in note 19.

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

All the turnover and operating profit for the year relates to continuing operations.

Note of historical cost profits and losses

for the year ended 31 December 1997

	1997 £	1996 £
Reported profit on ordinary activities before taxation	147,762	211,074
Difference between a historical cost depreciation charge and actual depreciation charge calculated on the revalued amount	1,854	1,854
Historical cost profit on ordinary activities before taxation	<u>149,616</u>	<u>212,928</u>
Historical cost (loss)/profit for the year retained after taxation and dividends	<u>(505,254)</u>	<u>116,097</u>

Balance sheet

at 31 December 1997

	Note	1997	1996
		£	£
Fixed assets			
Tangible assets	11	977,218	830,248
Investments	12	71,969	-
		<hr/>	<hr/>
		1,049,187	830,248
Current assets			
Stocks	13	561,053	674,897
Debtors	14	2,039,679	2,805,918
Cash at bank and in hand		50,280	180,807
		<hr/>	<hr/>
		2,651,012	3,661,622
Creditors: amounts falling due within one year	15	(3,307,323)	(3,526,117)
		<hr/>	<hr/>
Net current (liabilities)/assets		(656,311)	135,505
		<hr/>	<hr/>
Total assets less current liabilities		392,876	965,753
Creditors: amounts falling due after more than one year	16	-	(7,949)
Provisions for liabilities and charges	17	(40,426)	(98,246)
		<hr/>	<hr/>
Net assets		352,450	859,558
		<hr/>	<hr/>
Capital and reserves			
Called up equity share capital	18	167,640	167,640
Share premium account		59,946	59,946
Revaluation reserve	19	72,772	74,626
Profit and loss account	19	52,092	557,346
		<hr/>	<hr/>
Shareholders' funds - equity	20	352,450	859,558
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 20 March 1998 and were signed on its behalf by:


SE Lusty
Director

Cash flow statement

for the year ended 31 December 1997

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1997 £	1996 £
Operating profit	244,891	292,556
Depreciation charges	187,302	155,602
Profit on disposal of tangible fixed assets	(2,298)	(11,790)
Decrease/(increase) in stocks	113,844	(54,633)
Decrease/(increase) in debtors	914,989	(1,668,802)
(Decrease)/increase in creditors	(587,058)	1,058,300
(Decrease)/increase in warranty provision	(57,820)	53,659
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	813,850	(175,108)
	<hr/>	<hr/>

Cash flow statement

	Note	1997 £	1996 £
Net cash inflow/(outflow) from operating activities		813,850	(175,108)
Returns on investments and servicing of finance	23	(92,435)	(81,482)
Taxation	23	(89,870)	(96,831)
Capital expenditure	23	(403,943)	(150,973)
		<hr/>	<hr/>
Increase/(decrease) in cash		227,602	(504,394)
		<hr/>	<hr/>

Reconciliation of net cash flow to movement in net debt

	Note	1997 £	1996 £
Increase/(decrease) in cash	24	227,602	(504,394)
Net debt at beginning of year		(1,209,054)	(704,660)
		<hr/>	<hr/>
Net debt at end of year		(981,452)	(1,209,054)
		<hr/>	<hr/>

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.

Notes (continued)

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

	1997 £	1996 £
<i>By geographical market</i>		
United Kingdom	7,093,190	7,539,312
Rest of Europe	555,445	526,659
Rest of world	75,788	29,363
	<hr/> 7,724,423 <hr/>	<hr/> 8,095,334 <hr/>

Notes (continued)

3 Operating costs

	1997 £	1996 £
Decrease/(increase) in stocks of finished goods and work in progress	113,844	(199,898)
Raw materials and consumables	4,121,381	4,728,647
Staff costs:		
Wages and salaries	1,623,034	1,422,644
Social security costs	155,835	136,823
Other pension costs	26,010	32,523
Depreciation of tangible fixed assets	187,302	155,602
Other operating charges	1,464,141	1,726,197
	<hr/> 7,691,547 <hr/>	<hr/> 8,002,538 <hr/>

4 Operating profit

	1997 £	1996 £
<i>Operating profit is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	14,000	12,600
Other services	2,400	2,000
Hire of plant and machinery	12,395	15,528
Research and development expenditure	53,841	45,469
Exchange losses	38,604	19,970
<i>after crediting</i>		
Rents receivable from property	<hr/> 28,597 <hr/>	<hr/> 22,075 <hr/>

Notes (continued)

5 Remuneration of directors

	1997 £	1996 £
Director's emoluments:		
Remuneration as executives	60,000	55,232
Pension contributions	4,500	3,701
Amounts to be paid to third parties in respect of director's services	-	1,123
	<hr/> 64,500	<hr/> 60,056

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:

	Number of employees 1997	1996
Production	66	62
Selling	13	13
Development	3	2
Administration	10	8
	<hr/> 92	<hr/> 85

7 Interest receivable and similar income

	1997 £	1996 £
Bank interest	-	1,506
	<hr/>	<hr/>

8 Interest payable and similar charges

	1997 £	1996 £
On bank loans, overdrafts and other loans wholly repayable within five years	97,129	82,988
	<hr/>	<hr/>

9 Taxation

	1997 £	1996 £
UK corporation tax charge at 33% (1996 : 33%) on the loss for the year on ordinary activities	60,000	90,000
Adjustments relating to an earlier year:		
Corporation tax	(130)	6,831
	<hr/> 59,870	<hr/> 96,831

Notes (continued)

10 Dividends

	1997 £	1996 £
Final dividend proposed	<u>595,000</u>	<u>-</u>

11 Tangible fixed assets

	Long leasehold property £	Plant, equipment fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At beginning of year	615,307	1,018,936	293,328	1,927,571
Additions	-	274,477	63,497	337,974
Disposals	-	(2,141)	(39,366)	(41,507)
	<u>615,307</u>	<u>1,291,272</u>	<u>317,459</u>	<u>2,224,038</u>
At end of year	615,307	1,291,272	317,459	2,224,038
Depreciation				
At beginning of year	116,579	796,038	184,706	1,097,323
Charge for year	15,954	112,216	59,132	187,302
On disposals	-	(803)	(37,002)	(37,805)
	<u>132,533</u>	<u>907,451</u>	<u>206,836</u>	<u>1,246,820</u>
At end of year	132,533	907,451	206,836	1,246,820
Net book value				
At 31 December 1997	<u>482,774</u>	<u>383,821</u>	<u>110,623</u>	<u>977,218</u>
At 31 December 1996	<u>498,728</u>	<u>222,898</u>	<u>108,622</u>	<u>830,248</u>

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

	1997 £	1996 £
Historical cost of revalued assets	522,604	522,604
Aggregate depreciation based on historical cost	<u>(113,330)</u>	<u>(99,230)</u>
Historical cost net book value	<u>409,274</u>	<u>423,374</u>

Notes (continued)

12 Investments

	Shares in subsidiary undertaking £
At 1 January 1997	-
Additions	71,969
	<hr/>
At 31 December 1997	71,969
	<hr/>

Subsidiary undertaking	Class of share	Percentage of shares held
Nordfab DPE Limited	Ordinary	100%

At 31 December 1997, Airmaster Engineering Limited acquired the entire issued share capital of Nordfab DPE Limited at the net asset value stated in the management accounts of Nordfab DPE Limited. All trade and assets & liabilities of Nordfab DPE Limited were transferred to Airmaster Engineering Limited with effect from 1 January 1998.

13 Stocks

	1997 £	1996 £
Raw materials and semi-products	462,488	407,541
Work in progress	98,565	256,192
Finished goods and goods for resale	-	11,164
	<hr/>	<hr/>
	561,053	674,897
	<hr/>	<hr/>

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

14 Debtors

	1997 £	1996 £
<i>Amounts falling due within one year</i>		
Trade debtors	1,792,745	2,727,873
Amounts owed by group undertakings	66,132	34,325
Prepayments and accrued income	32,052	43,720
	<hr/>	<hr/>
	1,890,929	2,805,918
<i>Amounts falling due after more than one year</i>		
Advance corporation tax recoverable	148,750	-
	<hr/>	<hr/>
	2,039,679	2,805,918
	<hr/>	<hr/>
<i>The amounts owed by group undertakings comprise</i>		
Parent and fellow subsidiary undertakings	66,132	34,325
	<hr/>	<hr/>

Notes (continued)

15 Creditors: amounts falling due within one year

	1997	1996
	£	£
Bank loans and overdrafts	1,031,732	1,389,861
Payments received on account	106,790	305,839
Trade creditors	480,356	452,322
Amounts owed to group undertakings	120,334	355,224
Other creditors including taxation and social security:		
Corporation tax	60,000	90,000
Other taxes and social security	319,527	304,850
Other creditors	15,288	6,608
	<hr/>	<hr/>
	394,815	401,458
Accruals and deferred income	578,296	621,413
Proposed dividend	595,000	-
	<hr/>	<hr/>
	3,307,323	3,526,117
	<hr/>	<hr/>
<i>The amounts owed to group undertakings comprise</i>		
Parent and fellow subsidiary undertakings	120,334	355,224
	<hr/>	<hr/>

16 Creditors: amounts falling due after more than one year

	1997	1996
	£	£
Deferred income	-	7,949
	<hr/>	<hr/>

17 Provisions for liabilities and charges

	Warranty provision £
At beginning of year	98,246
Released during the year	(57,820)
	<hr/>
At end of year	40,426
	<hr/>

Notes (continued)

18 Called up equity share capital

	1997 £	1996 £
<i>Authorised</i>		
Ordinary shares of £1 each	176,043	176,043
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	167,640	167,640
	<hr/>	<hr/>

19 Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of year	74,626	557,346
Transfer to profit and loss account	(1,854)	1,854
Retained loss for the year	-	(507,108)
	<hr/>	<hr/>
At end of year	72,772	52,092
	<hr/>	<hr/>

20 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	87,892	114,243
Dividends	(595,000)	-
	<hr/>	<hr/>
Opening shareholders' funds	(507,108) 859,558	114,243 745,315
	<hr/>	<hr/>
Closing shareholders' funds	352,450	859,558
	<hr/>	<hr/>

Notes (continued)

21 Commitments

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

	1997 £	1996 £
Contracted	-	-

The company has provided guarantees to its bankers in respect of deposits received from customers which amount to £217,000 (1996 : £259,000).

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

22 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 £5,845 (1996 : £1,513) were payable to the fund at the year end and are included in creditors.

23 Cash flow statement

	£	1997 £	£	1996 £
Returns on investment and servicing of finance				
Interest received	-		1,506	
Interest paid	(92,435)	(92,435)	(82,988)	(81,482)
Taxation				
Taxation paid		(89,870)		(96,831)
Capital expenditure				
Purchase of investments	(71,969)		-	
Purchase of tangible fixed assets	(337,974)		(165,498)	
Sale of tangible fixed assets	6,000	(403,943)	14,525	(150,973)

Notes (continued)

24 Analysis of changes in net debt during the year

	At 1 January 1997 £	Cash flow £	At 31 December 1997 £
Cash at bank and in hand	180,807	(130,527)	50,280
Bank overdraft	(1,389,861)	358,129	(1,031,732)
	<hr/>	<hr/>	<hr/>
	(1,209,054)	227,602	(981,452)
	<hr/>	<hr/>	<hr/>

25 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.