

DISA Airmaster Ltd

**Directors' report and financial
statements**

Registered Number 562216

31 December 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

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

Business review

The business operates in the market of capital equipment engineering, trading conditions were very difficult, customers were reluctant to invest in new equipment and the market experienced severe competition for orders available in the UK.

The need to provide for the debts of two significant customers resulted in an exceptional level of bad debt provisions in the years trading. The Company's performance was further impacted by the dramatic fluctuations of Sterling against the Euro in early 2003, which increased the costs of many equipment importers.

DISA took action to counteract the impact of the economic decline and to align both realisable margins and the structural cost base to improve future results.

The DISA group remains committed to the improvement and growth of their UK business by maintaining a strong market presence.

Proposed dividend and transfer to reserves

The loss for the year after taxation amounted to £246,028 (2002: profit of £52,667) which will be transferred from reserves.

The directors do not recommend a dividend.

Directors and directors' interests

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


A Dommerby Kristensen
D Proud
T Duer

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.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board



D Proud
Director

Limewood Approach
Seacroft
LEEDS
LS14 1NG

6TH FEBRUARY 2004

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.



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Neville Street
Leeds
LS1 4DW

Independent auditors' report to the members of DISA Airmaster Ltd

We have audited the financial statements on pages 4 to 16.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit 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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

6 February 2004

Profit and loss account

for the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	2	4,908,718	5,205,253
Other operating income		66,757	28,584
		<hr/>	<hr/>
Operating costs	3	4,975,475 (5,195,220)	5,233,837 (5,127,469)
		<hr/>	<hr/>
Operating (loss)/profit		(219,745)	106,368
Interest payable and similar charges	7	(66,015)	(53,701)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(285,760)	52,667
Tax on (loss)/profit on ordinary activities	8	39,732	-
		<hr/>	<hr/>
Retained (loss)/profit transferred (from)/to reserves	17	(246,028)	52,667
		<hr/>	<hr/>

A statement of movements on reserves is given in note 18.

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.


There is no difference between the result on a historical basis in the current or preceding year and that disclosed in the profit and loss account.

Balance sheet

at 31 December 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	9		337,625		391,366
Investments	10		71,969		71,969
			<hr/>		<hr/>
			409,594		463,335
Current assets					
Stocks	11	150,934		171,623	
Debtors	12	2,046,827		2,304,263	
Cash at bank and in hand		9,229		8,094	
		<hr/>		<hr/>	
		2,206,990		2,483,980	
Creditors: amounts falling due within one year	13	(2,687,216)		(2,769,025)	
		<hr/>		<hr/>	
Net current liabilities			(480,226)		(285,045)
			<hr/>		<hr/>
Total assets less current liabilities			(70,632)		178,290
Creditors: amounts falling due after more than one year	14		(71,969)		(71,969)
Provisions for liabilities and charges	15		(30,561)		(33,455)
			<hr/>		<hr/>
Net (liabilities)/assets			(173,162)		72,866
			<hr/>		<hr/>
Capital and reserves					
Called up equity share capital	16		1,667,640		1,667,640
Share premium account			59,946		59,946
Profit and loss account	17		(1,900,748)		(1,654,720)
			<hr/>		<hr/>
Shareholders' (deficit in funds)/funds - equity	18		(173,162)		72,866
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 6th FEBRUARY 2004 and were signed on its behalf by:



D Proud
Director

Cash flow statement

for the year ended 31 December 2003

	<i>Note</i>	2003 £	2002 £
Net cash (outflow)/inflow from operating activities	21	(98,691)	554,140
Returns on investments and servicing of finance	22	(62,765)	(53,701)
Tax		(40,882)	-
Capital expenditure	22	(44,114)	(18,452)
Financing		-	-
		<hr/>	<hr/>
(Decrease)/increase in cash		(246,452)	481,987
		<hr/> <hr/>	<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. These financial statements present information about the company as an individual undertaking and not about its group.

The parent company, Dansk Industries Syndikat A/S, has confirmed its policy of providing continuing financial support to the company and on the strength of this assurance the financial statements have been prepared on the basis of a going concern.

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)

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

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Cash and liquid resources

Cash for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand.

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

	2003 £	2002 £
<i>By geographical market</i>		
United Kingdom	4,766,882	4,853,282
Rest of Europe	87,169	183,528
Rest of world	54,667	168,443
	<hr/> 4,908,718 <hr/>	<hr/> 5,205,253 <hr/>

Notes (continued)

3 Operating costs

	2003 £	2002 £
Decrease in stocks of finished goods and work in progress	20,689	37,233
Raw materials and consumables	3,455,342	3,463,211
Staff costs:		
Wages and salaries	870,283	832,598
Social security costs	92,722	82,990
Other pension costs	12,494	11,833
Depreciation of tangible fixed assets	101,105	93,365
Other operating charges	632,340	606,239
Redundancy costs	10,245	-
	<u>5,195,220</u>	<u>5,127,469</u>

4 Operating (loss)/profit

	2003 £	2002 £
<i>Operating (loss)/profit is stated</i>		
<i>after charging</i>		
Auditors' remuneration		
Audit	16,100	16,000
Other services	1,750	1,750
Hire of plant and machinery	985	1,400
Research and development expenditure	17,700	420
Exchange loss	65,300	25,046
<i>after crediting</i>		
Profit on disposal of fixed assets	<u>3,250</u>	<u>-</u>

5 Remuneration of directors

	2003 £	2002 £
Directors' emoluments:		
Remuneration as executives	45,000	39,000
	<u>45,000</u>	<u>39,000</u>

No directors (2002: nil) are accruing benefits under a money purchase pension scheme.

Notes (continued)

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	
	2003	2002
Production	8	8
Selling	20	20
Development	1	1
Administration	7	7
	<u>36</u>	<u>36</u>

7 Interest payable and similar charges

	2003	2002
	£	£
On bank loans and overdrafts	66,015	53,701
	<u>66,015</u>	<u>53,701</u>

8 Taxation

	2003	2002
	£	£
UK corporation tax credit at 30% (2002: 30%) on the loss for the year on ordinary activities	39,732	-
Adjustments relating to an earlier year:	-	-
Corporation tax	-	-
Deferred tax	-	-
	<u>39,732</u>	<u>-</u>

The current tax credit for the period is lower than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below:

	2003	2002
	£	£
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(285,760)	52,667
	<u>(285,760)</u>	<u>52,667</u>
Current tax at 30% (2002: 30%)	85,728	(15,800)
Expenses not deductible for tax purposes	-	(15,000)
Non qualifying depreciation	(1,689)	(1,689)
Rate differences	(7,946)	-
Movement in deferred tax assets not recognised	(36,361)	32,489
	<u>(70,268)</u>	<u>(1,000)</u>
Current tax credit for the year	39,732	-
	<u>39,732</u>	<u>-</u>

Notes (continued)

8 Taxation (continued)

The company has approximately £2,200,000 (2002: £2,100,000) of tax losses available to carry forward against future trading profits. Approximately £500,000 of the tax losses are subject to certain restrictions. Capital allowances have been disclaimed in the current and prior period. These will be available to reduce taxable profits of future periods.

9 Tangible fixed assets

	Long leasehold property	Plant, equipment fixtures and fittings	Motor Vehicles	Total
	£	£	£	£
Cost or valuation				
At beginning of year	288,728	751,652	282,028	1,322,408
Additions	2,559	-	44,805	47,364
Disposals	-	-	(68,468)	(68,468)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	291,287	751,652	258,365	1,301,304
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	103,577	654,884	172,581	931,042
Charge for year	10,808	36,538	53,759	101,105
On disposals	-	-	(68,468)	(68,468)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	114,385	691,422	157,872	963,679
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2003	176,902	60,230	100,493	337,625
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	185,151	96,768	109,447	391,366
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Investments

Shares in subsidiary undertaking
 £

At 1 January 2003 and 31 December 2003

71,969

Subsidiary undertakings	Principal activity	Class of share	Percentage of shares held
Nordfab DPE Limited	Dormant	Ordinary	100%
Dust Plan Environmental Limited	Dormant	Ordinary	100%

11 Stocks

	2003		2002
	£	£	£
Raw materials and semi-products		145,762	154,673
Work in progress	40,973		16,950
Less payments on account	(35,801)		-
	<u>5,172</u>		<u>16,950</u>
		<u>150,934</u>	<u>171,623</u>

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

12 Debtors

	2003	2002
	£	£
<i>Amounts falling due within one year</i>		
Trade debtors	1,551,197	2,068,512
Amounts owed by group undertakings	96,696	33,956
Amounts recoverable on contracts	315,818	24,994
Other debtors	66,789	10,048
Prepayments and accrued income	16,327	166,753
	<u>2,046,827</u>	<u>2,304,263</u>

The amounts owed by group undertakings comprise

Parent and fellow subsidiary undertakings	<u>96,696</u>	<u>33,956</u>
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Notes (continued)

13 Creditors: amounts falling due within one year

	2003		2002
	£	£	£
Bank loans and overdrafts	1,747,081		1,499,494
Trade creditors	133,481		236,146
Amounts owed to group undertakings	434,989		382,624
Other creditors including taxation and social security:			
Corporation tax			
Other taxes and social security	124,293		204,907
Other creditors	4,917		4,710
	<hr/>		<hr/>
	129,210		209,617
Accruals and deferred income	242,455		441,144
	<hr/>		<hr/>
	2,687,216		2,769,025
	<hr/>		<hr/>
<i>The amounts owed to group undertakings comprise</i>			
Parent and fellow subsidiary undertakings	74,239		38,624
	<hr/>		<hr/>

14 Creditors: amounts falling due after more than one year

	2003	2002
	£	£
Amounts owed to subsidiary undertaking	71,969	71,969
	<hr/>	<hr/>

15 Provisions for liabilities and charges

	Warranty provision £
At beginning of year	33,455
Debit to profit and loss account in year	(2,894)
	<hr/>
At end of year	30,561
	<hr/>

The provision relates to warranty work that may be required to be completed under the terms of contracts completed at the year end.

Notes (continued)

15 Provisions for liabilities and charges (continued)

At 31 December 2003 the company has an unrecognised deferred tax asset of £718,256 (2002: £667,256) comprising of:

	2003 £	2002 £
Accelerated capital allowances	206,375	158,373
Unutilised trading losses	511,881	509,168
	<u>718,256</u>	<u>667,541</u>

16 Called up equity share capital

	2003 £	2002 £
<i>Authorised</i>		
Ordinary shares of £1 each	2,676,043	2,676,043
	<u>2,676,043</u>	<u>2,676,043</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	1,667,640	1,667,640
	<u>1,667,640</u>	<u>1,667,640</u>

17 Reserves

	Profit and loss account £
At beginning of year	(1,654,720)
Retained loss for the year	(246,028)
	<u>(1,900,748)</u>
At end of year	<u>(1,900,748)</u>

18 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
(Loss)/profit for the financial year	(246,028)	52,667
Opening shareholders' funds	72,866	20,199
	<u>(173,162)</u>	<u>72,866</u>
Closing (deficit in shareholders' funds)/shareholders' funds	<u>(173,162)</u>	<u>72,866</u>

Notes (continued)

19 Commitments

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

	2003	2002
	£	£
Contracted	-	-

The company has provided guarantees to its bankers in respect of deposits received from customers which amount to £80,137 (2002 : £76,437).

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 £2,035 (2002 : £1,933) were payable to the fund at the year end and are included in creditors.

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

	2003	2002
	£	£
Operating (loss)/profit	(222,995)	104,733
Depreciation charges	101,105	93,365
Profit on disposal of assets	(3,250)	-
Decrease in stocks	20,689	37,233
Decrease in debtors	257,436	123,814
(Decrease)/increase in creditors	(248,782)	190,114
(Decrease)/increase in warranty provision	(2,894)	4,881
Net cash (outflow)/inflow from operating activities	(98,691)	554,140

22 Cash flow statement

	2003	2002
	£	£
Returns on investment and servicing of finance		
Interest paid	(62,765)	(53,701)
Capital expenditure		
Purchase of tangible fixed assets	(47,364)	(20,087)
Sale of tangible fixed assets	3,250	1,635
	(44,114)	(18,452)

Notes (continued)

23 Reconciliation of net cash flow to movement in net debt

	<i>Note</i>	2003 £	2002 £
(Decrease)/increase in cash	24	(246,452)	481,987
Net debt at beginning of year		(1,491,400)	(1,973,387)
		<hr/>	<hr/>
Net debt at end of year		(1,737,852)	(1,491,400)
		<hr/>	<hr/>

24 Analysis of changes in net debt during the year

	At 31 December 2002 £	Cash flow £	At 31 December 2003 £
Cash at bank and in hand	8,094	1,135	9,229
Bank overdraft	(999,494)	(247,587)	(1,247,081)
	<hr/>	<hr/>	<hr/>
	(991,400)	(246,452)	(1,237,852)
Debt due within one year	(500,000)	-	(500,000)
	<hr/>	<hr/>	<hr/>
Total	(1,491,400)	(246,452)	(1,737,852)
	<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.