

ALTAIR FILTER TECHNOLOGY LTD

**REPORT AND ACCOUNTS
31 JANUARY 2004**



Registered No: 880172

ALTAIR FILTER TECHNOLOGY LTD

REPORT AND ACCOUNTS 2004

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ALTAIR FILTER TECHNOLOGY LTD

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Mr D I S Hinton (Chairman)

Mr A C Steel

Mr P J Elsdon (appointed 1 February 2003)

Mr C M Hegarty (appointed 1 February 2003)

Mr P Lewis (appointed 1 February 2003)

Mr D M Griffiths (appointed 3 March 2003)

SECRETARY

Mr C M Hegarty

AUDITORS

KPMG LLP

Chartered Accountants

Arlington Business Park

Theale

Reading

Berkshire

RG7 4SD

BANKERS

Bank of Scotland

144-148 High Street

Southampton

SO14 2JF

SOLICITORS

Osborne Clarke

Apex Plaza

Forbury Road

Reading

RG1 1AX

REGISTERED OFFICE

Omega Park

Alton

Hants

GU34 2QE

ALTAIR FILTER TECHNOLOGY LTD

DIRECTORS' REPORT

The directors present their report and accounts of the company for the year ended 31 January 2004.

ACTIVITIES

The principal activity of the company is the design and manufacture of air filtration and noise control equipment.

REVIEW OF DEVELOPMENTS

The financial performance of the company is set out on page 5 of the accounts. Sales achieved were £16,563,056 (2003: £14,453,855) with pre-tax profits of £3,104,754 (2003: £2,640,604).

RESEARCH AND DEVELOPMENT

The company continues to invest in the research and development of air filtration and noise control equipment.

DIVIDENDS

Interim dividends of £2,450,000 (2003: £1,850,000) were paid during the year.

CHARITABLE DONATIONS

The company made charitable donations during the year of £2,773 (2003: £2,500)

DIRECTORS AND THEIR INTERESTS

The directors are shown on page 1 and apart from Mr D M Griffiths they all served throughout the year. None of the directors who held office at the end of the year had any interests in the shares of the company and neither Mr D I S Hinton nor Mr D M Griffiths had any interests in the shares of Altair Filter Technology Group Limited. The interests of Mr A C Steel and Mr P J Elsdon in the ordinary shares of Altair Filter Technology Group Limited are disclosed in the accounts of that company, of which they are both directors. The other directors who held office at the end of the financial year had the following interests in the ordinary shares of Altair Filter Technology Group Limited according to the register of directors' interests:

*At 31 January 2004
Ordinary 'B' shares*

Mr C M Hegarty	62,250
Mr P Lewis	62,250

DIRECTORS' REPORT (Continued)

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 for that period. In preparing those financial statements, the directors are required to:

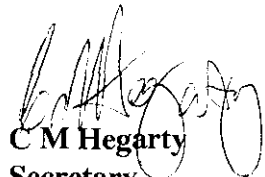
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare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

A resolution to re-appoint KPMG LLP as auditors will be proposed at the Annual General Meeting.

On behalf of the Board



C M Hegarty
Secretary

6 July 2004

Independent auditors' report to the members of Altair Filter Technology Ltd

We have audited the financial statements on pages 5 to 17.

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 3, 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 January 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

*Chartered Accountant
Registered Auditor*

KPMG LLP

8 July 2004

Arlington Business Park
Theale
Reading
RG7 4SD

ALTAIR FILTER TECHNOLOGY LTD

PROFIT AND LOSS ACCOUNT for the year ended 31 January 2004

	<i>Notes</i>	<i>2004</i> <i>£000</i>	<i>2003</i> <i>£000</i>
TURNOVER	2	16,563	14,454
Cost of Sales		(7,999)	(6,425)
GROSS PROFIT		<u>8,564</u>	<u>8,029</u>
Distribution costs		(930)	(780)
Administrative expenses		(4,774)	(4,790)
OPERATING PROFIT		<u>2,860</u>	<u>2,459</u>
Other income		176	168
Interest receivable	6	106	74
Interest payable and similar charges	7	(37)	(60)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>3,105</u>	<u>2,641</u>
Taxation on profit on ordinary activities	8	<u>(602)</u>	<u>(787)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>2,503</u>	<u>1,854</u>
Dividend	9	(2,450)	(1,850)
PROFIT RETAINED FOR THE YEAR		<u>53</u>	<u>4</u>

A statement of the movement on reserves can be found in note 20.

All the company's activities in the current and previous years are classified as continuing.

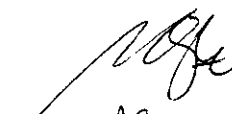
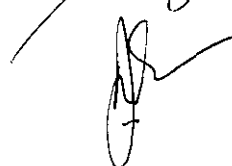
The company has no recognised gains or losses other than the profit for the current and previous years.

ALTAIR FILTER TECHNOLOGY LTD

BALANCE SHEET At 31 January 2004

	Notes	2004 £000	2004 £000	2003 £000	2003 £000
FIXED ASSETS					
Tangible assets	10		660		751
Investments	11		<u>1</u>		<u>1</u>
			661		752
CURRENT ASSETS					
Stocks	12	677		622	
Debtors	13	7,932		3,906	
Cash at bank and in hand		<u>567</u>		<u>418</u>	
		9,176		4,946	
CREDITORS : amounts falling due within one year	14	<u>(7,970)</u>		<u>(3,870)</u>	
NET CURRENT ASSETS			<u>1,206</u>		<u>1,076</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,867		1,828
CREDITORS : amounts falling due after more than one year	15		(133)		(200)
PROVISIONS FOR LIABILITIES AND CHARGES	17		(173)		(120)
NET ASSETS			<u>1,561</u>		<u>1,508</u>
CAPITAL AND RESERVES					
Called up share capital	19	3		3	
Profit and loss account	20	<u>1,558</u>		<u>1,505</u>	
			1,561		1,508
SHAREHOLDERS' FUNDS					
Equity	21	1,559		1,506	
Non-equity	21	<u>2</u>		<u>2</u>	
			<u>1,561</u>		<u>1,508</u>

The accounts were approved by the Board of Directors on 6 July 2004

)
) Directors

NOTES TO THE ACCOUNTS

at 31 January 2004

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 except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated statements.

As the company is a wholly owned subsidiary of Altair Filter Technology Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Altair Filter Technology Group Limited, within which this company is included, can be obtained from Companies House.

Consolidated Accounts

The company is part of a group and under section 228(2)(c) of the Companies Act 1989 is exempt from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Investments

Investments are included at cost, less where appropriate, provision for any permanent or temporary diminution in value. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over the shorter of its expected useful life or the life of the relevant finance leases and hire purchase contracts, as follows:

Plant and machinery	- 15%
Tools and electrical equipment	- 20%
Fixtures, fittings and equipment	- 10% to 33%
Vehicles	- 20% to 50%

NOTES TO THE ACCOUNTS (continued)

at 31 January 2004

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value.

The cost of stocks is calculated using the first in, first out method of valuation and includes the cost of bringing the stock to its present physical state and location.

The cost of work in progress comprises the cost of all direct materials, labour and subcontract charges.

Full provision is made in the current year for any losses identified on contracts nearing completion at the balance sheet date.

Research and development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

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 FRS 19.

Foreign currencies

Transactions in foreign currencies are recorded at the related forward currency contract rate where appropriate or the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the related forward currency contract rate where appropriate or the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the life of the relevant finance leases and hire purchase contracts or over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Pensions

The company operates two defined contribution pension schemes. The assets of both schemes are held separately from those of the company in independently administered funds. The amounts charged to the profit & loss account represent the contributions payable to the schemes in respect of the accounting period.

ALTAIR FILTER TECHNOLOGY LTD

NOTES TO THE ACCOUNTS (continued) at 31 January 2004

2. TURNOVER

Turnover represents amounts invoiced to customers, less returns, for goods and services provided and is exclusive of value added tax.

An analysis of turnover by geographical market is given below:

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
United Kingdom	6,135	4,464
Other European countries	4,318	3,480
Americas	2,162	3,415
Middle East & India	1,618	538
Far East	701	1,323
Africa	1,031	1,143
Other	598	91
	<u>16,563</u>	<u>14,454</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting)

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Depreciation of owned assets	171	145
Depreciation of assets held under finance leases and hire purchase contracts	42	74
Auditors' remuneration:		
Audit fees	20	19
Other services	37	12
Operating lease rentals - motor vehicles	36	54
Rent of land and buildings	281	295
Foreign exchange gains	<u>(185)</u>	<u>(170)</u>

ALTAIR FILTER TECHNOLOGY LTD

NOTES TO THE ACCOUNTS (continued) at 31 January 2004

4. DIRECTORS' REMUNERATION

Emoluments borne by the company are:

	<i>2004</i> <i>£000</i>	<i>2003</i> <i>£000</i>
Emoluments (including pension contributions)	<u>291</u>	<u>746</u>
Emoluments of the highest paid director (excluding pension contributions)	<u>95</u>	<u>746</u>
Number of directors to whom retirement benefits are accruing under money purchase pension schemes	<u>3</u>	<u>1</u>
Aggregate value of company contributions to money purchase pension scheme	<u>19</u>	<u>13</u>
Amount of company contributions to money purchase pension scheme for highest paid director	<u>11</u>	<u>13</u>

During the year, three directors of Altair Filter Technology Limited were remunerated by nc² limited and their emoluments are disclosed in the financial statements of that company.

5. EMPLOYEE COSTS

	<i>2004</i> <i>£000</i>	<i>2003</i> <i>£000</i>
Salaries	2,424	3,114
Social security costs	265	314
Defined contribution pension costs	<u>153</u>	<u>155</u>
	<u>2,842</u>	<u>3,583</u>

The average weekly number of employees during the year was made up as follows:

	<i>2004</i> <i>No.</i>	<i>2003</i> <i>No.</i>
Engineering	36	32
Production	22	21
Sales and distribution	15	15
Administration	<u>16</u>	<u>16</u>
	<u>89</u>	<u>84</u>

ALTAIR FILTER TECHNOLOGY LTD

NOTES TO THE ACCOUNTS (continued) at 31 January 2004

6. INTEREST RECEIVABLE

	2004 £000	2003 £000
Bank deposit interest	14	43
Receivable from group undertakings	92	31
	<u>106</u>	<u>74</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £000	2003 £000
On bank loans and overdrafts	1	1
Finance charges payable in respect of finance leases and hire purchase contracts	18	22
Other interest charges	18	37
	<u>37</u>	<u>60</u>

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in period	2004 £000	2004 £000	2003 £000	2003 £000
<i>Current tax:</i>				
UK corporation tax on profits	620		679	
Adjustment in respect of prior periods	-		8	
<i>Total current tax (note 8(b))</i>		620		687
<i>Deferred tax:</i>				
Origination and reversal of timing differences		(18)		100
<i>Tax on profit on ordinary activities</i>		<u>602</u>		<u>787</u>

NOTES TO THE ACCOUNTS (continued) at 31 January 2004

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	2004 £000	2003 £000
Profit on ordinary activities before tax	<u>3,105</u>	<u>2,641</u>
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2003: 30%)	931	792
<i>Effects of:</i>		
Accrued expenses not deductible for tax purposes in current year (primarily contract provisions)	16	5
Accrued expenses not deductible for tax purposes in prior year but now deductible (employee bonus provisions)	-	(100)
R&D expenditure relief under the Finance Act 2000	(37)	(35)
Other expenditure not deductible for tax purposes (primarily entertaining, expensive car rentals and interest)	8	22
Capital allowances for period in excess of depreciation	(9)	(5)
Adjustment to tax charge in respect of prior periods	-	8
Group relief	(289)	-
<i>Current tax charge for period (note 8(a))</i>	<u>620</u>	<u>687</u>

(c) Factors that may affect future tax charges

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years.

Group relief may not be available at similar levels in future periods.

9. DIVIDENDS

	2004 £000	2003 £000
Ordinary dividend on equity shares - paid	<u>2,450</u>	<u>1,850</u>

ALTAIR FILTER TECHNOLOGY LTD

NOTES TO THE ACCOUNTS (continued) at 31 January 2004

10. TANGIBLE FIXED ASSETS

	<i>Plant and machinery £000</i>	<i>Motor Vehicles £000</i>	<i>Fixtures fittings and equipment £000</i>	<i>Total £000</i>
Cost:				
At 1 February 2003	456	204	749	1,409
Additions	90	-	82	172
Disposals	(34)	(80)	(75)	(189)
At 31 January 2004	<u>512</u>	<u>124</u>	<u>756</u>	<u>1,392</u>
Depreciation:				
At 1 February 2003	161	78	419	658
Charge for the year	53	25	135	213
Disposals	(24)	(39)	(76)	(139)
At 31 January 2004	<u>190</u>	<u>64</u>	<u>478</u>	<u>732</u>
Net book value:				
At 31 January 2004	<u>322</u>	<u>60</u>	<u>278</u>	<u>660</u>
At 31 January 2003	<u>295</u>	<u>126</u>	<u>330</u>	<u>751</u>

Included within amounts for plant and machinery, motor vehicles, fixtures and fittings and equipment are assets held under finance leases and hire purchase contracts with a net book value of £208,179 (2003: £291,808).

Depreciation charged to the profit and loss account during the year in respect of assets held under finance leases and hire purchase contracts was £42,136 (2003: £73,634).

11. INVESTMENTS

	<i>Shares in subsidiary undertaking £000</i>
Cost at 1 February 2002 and 2003	21
Provision for permanent diminution in value	(20)
Net book value at 31 January 2003 and 2004	<u>1</u>

The company holds 100% of the ordinary shares of the following company which is registered in England and Wales.

<i>Name of company</i>	<i>Nature of business</i>
Zellinger & Zollenberg Limited	Dormant

ALTAIR FILTER TECHNOLOGY LTD

NOTES TO THE ACCOUNTS (continued) at 31 January 2004

12. STOCKS

	2004 £000	2003 £000
Raw materials and consumables	479	445
Work in progress	198	177
	<u>677</u>	<u>622</u>

13. DEBTORS

	2004 £000	2003 £000
Trade debtors	5,527	2,422
Amounts owed by group undertakings	2,171	1,152
Other debtors	108	286
Taxes and social security	54	-
Net deferred tax assets	25	-
Prepayments and accrued income	47	46
	<u>7,932</u>	<u>3,906</u>

14. CREDITORS: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	2,091	1,066
Amounts owed to group undertakings	4,237	1,532
Taxes and social security	118	638
Amounts due under finance leases and hire purchase contracts	66	102
Accruals and deferred income	1,452	530
Other creditors	6	2
	<u>7,970</u>	<u>3,870</u>

15. CREDITORS: amounts falling due after more than one year

	2004 £000	2003 £000
Obligations under finance leases and hire purchase contracts	<u>133</u>	<u>200</u>

Analysis of debt:

Debt can be analysed as falling due:

Between one and two years	65	56
Between two and five years	66	125
In five years or more	2	19
	<u>133</u>	<u>200</u>

ALTAIR FILTER TECHNOLOGY LTD

NOTES TO THE ACCOUNTS (continued) at 31 January 2004

16. DEFERRED TAXATION

	2004 £000	2003 £000
Accelerated capital allowances	27	29
Other timing differences	(52)	(36)
<i>Undiscounted debtor for deferred tax</i>	<u>(25)</u>	<u>(7)</u>
Debtor at start of period	(7)	(107)
Deferred tax credit in profit and loss account		
For period (note 8(a))	(18)	100
Debtor at end of period	<u>(25)</u>	<u>(7)</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

	£000
Contract provisions:	
At 1 February 2003	120
Charge/(release) in the year	54
Utilised in the year	(1)
At 31 January 2004	<u>173</u>

Provisions have been made for expected rectification costs on contracts completed in the last two financial years. It is expected that significant amounts of this expenditure will be incurred in the next financial year and all will be incurred within two years of the balance sheet date.

18. DEFINED CONTRIBUTION PENSION COSTS

	2004 £000	2003 £000
Total cost of contributions to defined contributions pension schemes	<u>153</u>	<u>155</u>

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

ALTAIR FILTER TECHNOLOGY LTD

NOTES TO THE ACCOUNTS (continued) at 31 January 2004

19. CALLED UP SHARE CAPITAL

	2004 £000	2003 £000
Authorised, allotted and fully paid:		
1,000 ordinary shares of £1 each	1	1
2,000 deferred ordinary shares of £1 each	<u>2</u>	<u>2</u>
	<u>3</u>	<u>3</u>

The rights attaching to the company's shares are detailed in the Articles of Association. The deferred ordinary shares have no right to participate in any dividend declared by the company, very limited participation on a winding up and no voting rights. They are non-equity shares.

20. RESERVES

	£000
Profit and loss account:	
Balance at 1 February 2003	1,505
Retained profit for the year	53
Balance at 31 January 2004	<u>1,558</u>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £000	2003 £000
Profit for the financial year	2,503	1,854
Dividends	<u>(2,450)</u>	<u>(1,850)</u>
Net addition to shareholders' funds	53	4
Opening shareholders' funds	1,508	1,504
Closing shareholders' funds	<u>1,561</u>	<u>1,508</u>
	2004 £000	2003 £000
Equity interests	1,559	1,506
Non-equity interests	<u>2</u>	<u>2</u>
	<u>1,561</u>	<u>1,508</u>

ALTAIR FILTER TECHNOLOGY LTD

NOTES TO THE ACCOUNTS (continued) at 31 January 2004

22. FINANCIAL COMMITMENTS

At 31 January 2004 the company had annual commitments under operating leases as set out below:

	Motor Vehicles	
	2004	2003
	£000	£000
Operating leases which expire:		
Within one year	-	9
Between one and five years	30	4
	<u>30</u>	<u>13</u>

23. CAPITAL COMMITMENTS

At 31 January 2004 the company had £151,873 (2003: £297,302) future capital expenditure commitments contracted but not provided for.

24. CONTINGENT LIABILITIES

The company is party to cross guarantees in respect of the bank overdraft facilities of the Altair Filter Technology Group Limited group of companies. As at 31 January 2004 the total overdraft facility, inclusive of forward currency contracts and contract guarantees and performance bonds shown below, guaranteed by the company under this agreement amounted to £2,500,000 (2003: £1,950,000).

The group has entered into interest rate swap agreements with the Group's bankers. As at 31 January 2004 these amounted to £244,350 (2003: Nil).

The company has entered into forward currency contracts of £4,685,726 (2003: £4,331,299) and contract guarantees and performance bonds of £398,275 (2003: £48,356) giving a combined total of £5,084,001 (2003: £4,379,655). The forward currency contracts are matched against anticipated inter-company trading receipts and identifiable future cash flows related to specific sales contracts which have been accepted in foreign currencies.

25. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking at 31 January 2004 was Altair Filter Technology Group Limited which is registered in England & Wales. The consolidated financial statements of Altair Filter Technology Group Limited can be obtained from Companies House.

26. RELATED PARTY TRANSACTIONS

Under the exemption provided in FRS 8, the company is not disclosing transactions with other group members as more than 90 per cent of its voting rights are controlled within the group.