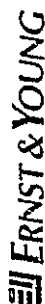


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REPORT AND ACCOUNTS

Airflow Developments Limited

MARCH 31, 1991

 ERNST & YOUNG

Registered in England: Number 550374

Airflow Developments Limited

DIRECTORS

P E Bagley (Chairman)
A C Wilson (President)
R Barnett (Managing) Resigned August 15, 1990
A N Blond (Managing) Appointed August 21, 1990
K R Burroughs

SECRETARY

W H Beglow

REGISTERED OFFICE

Lancaster Road
High Wycombe
Buckinghamshire
HP12 3QP

AUDITORS

Ernst & Young
Apex Plaza
Reading
Berks
RG1 1YE

ERNST & YOUNG

Airflow Developments Limited

DIRECTORS' REPORT

The directors present their report for the year ended March 31, 1991.

ACCOUNTS AND DIVIDEND

The directors submit the audited accounts of the company for the year ended March 31, 1991. The profit after tax for the year available to shareholders, as shown by the consolidated profit and loss account, amounts to £689,715 (1990 - £510,485) after distributing profit sharing bonuses to employees. The directors do not recommend any dividend.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The group has continued to manufacture and distribute air measuring equipment, fans, domestic ventilation units and small electrical motors.

The company has continued to do well even though the sales turnover has decreased because of depressed markets in most areas, including exports.

FIXED ASSETS

The directors are of the opinion that the open market value of the freehold properties of the company is not less than the amounts at which they are included in the accounts. Further details are shown in note 11.

DIRECTORS

The directors of the company during the year ended March 31, 1991 are those listed on page 1.

K R Burroughs retires by rotation and being eligible offers himself for re-election at the Annual General Meeting.

No director had any interests in the company's shares during the year.

CHARITABLE DONATIONS

During the year the company has made charitable donations under deed of covenant amounting to £94,100 (1990 - £93,750) to The Airflow Community Limited.

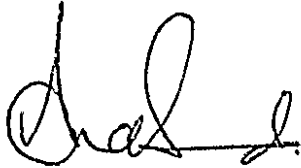
Airflow Developments Limited

DIRECTORS' REPORT

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'D. J. L.', written over a horizontal line.

REPORT OF THE AUDITORS
to the members of Airflow Developments Limited

We have audited the accounts on pages 5 to 20 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the group at March 31, 1991 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Reading

13 August 1991

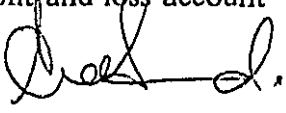
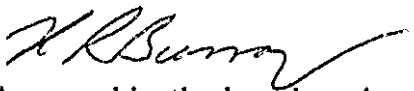
Airflow Developments Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT at March 31, 1991

	<i>Note</i>	<i>1991</i> £	<i>1990</i> £
TURNOVER	2 & 3	10,412,381	10,947,486
Cost of sales		5,555,989	6,707,608
GROSS PROFIT		<u>4,856,392</u>	<u>4,239,878</u>
Distribution costs		(1,688,672)	(1,803,937)
Administrative expenses		(2,287,423)	(1,881,552)
Other operating income		81,732	69,513
NET OPERATING INCOME	4	<u>962,029</u>	<u>618,902</u>
Other income	7	237,887	288,264
PROFIT BEFORE TAXATION		<u>1,199,916</u>	<u>907,166</u>
Tax on profit on ordinary activities	8	510,201	396,681
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	9	<u>£689,715</u>	<u>£510,485</u>
 STATEMENT OF RETAINED RESERVES			
Balance at March 31, 1990		8,262,576	7,738,748
Retained profit for the year		689,715	510,485
Currency exchange movements	1	(6,150)	13,343
Balance at March 31, 1991	10	<u>£8,946,141</u>	<u>£8,262,576</u>

Airflow Developments Limited

CONSOLIDATED BALANCE SHEET at March 31, 1991

	Note	1991 £	1990 £
FIXED ASSETS			
Tangible assets	11	4,453,190	3,385,780
CURRENT ASSETS			
Stocks	13	3,004,979	2,668,591
Debtors	14	2,037,958	2,196,282
Short-term deposits		657,728	1,235,225
Cash at bank and in hand		882,556	809,281
		<u>6,583,221</u>	<u>6,909,379</u>
CREDITORS - amounts falling due within one year	15	(1,870,543)	(1,830,793)
NET CURRENT ASSETS		<u>4,712,678</u>	<u>5,078,586</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,165,868</u>	<u>8,464,366</u>
PROVISION FOR LIABILITIES AND CHARGES	16	(167,347)	(149,410)
		<u>£8,998,521</u>	<u>£8,314,956</u>
CAPITAL AND RESERVES			
Called up share capital	18	52,380	52,380
Profit and loss account	10	8,946,141	8,262,576
) ) Directors			
Approved by the board on August 13, 1991			
		<u>£8,998,521</u>	<u>£8,314,956</u>

Airflow Developments Limited

BALANCE SHEET at March 31, 1991

	Note	1991 £	1990 £
FIXED ASSETS			
Tangible assets	11	4,084,791	2,975,283
Investments	12	711,994	540,026
		<u>4,796,785</u>	<u>3,515,309</u>
CURRENT ASSETS			
Stocks	13	2,411,528	2,101,566
Debtors	14	1,912,925	1,920,963
Short-term deposits		723,183	1,235,225
Cash at bank and in hand		657,728	717,998
		<u>5,705,364</u>	<u>5,975,752</u>
CREDITORS - amounts falling due within one year	15	(1,715,927)	(1,527,712)
NET CURRENT ASSETS		<u>3,989,437</u>	<u>4,448,040</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,786,222</u>	<u>7,963,349</u>
PROVISIONS FOR LIABILITIES AND CHARGES	16	(131,736)	(114,348)
TOTAL ASSETS LESS LIABILITIES		<u>£8,654,486</u>	<u>£7,849,001</u>
CAPITAL AND RESERVES			
Called-up share capital	18	52,380	52,380
Profit and loss account		8,602,106	7,796,621

 Directors

Approved by the board on 13 August 1991

£8,654,486 £7,849,001

Airflow Developments Limited

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS for the year ended March 31, 1991

	1991 £	1990 £
SOURCE OF FUNDS FROM OPERATIONS		
Profit before taxation	1,199,916	907,166
<i>Adjustment for items not involving the movement of funds</i>		
Depreciation	357,265	314,813
Loss on disposal of fixed assets	10,668	2,653
Increase in German Pension Provision	1,107	4,353
(Decrease)/increase in warranty provision	(9,839)	3,244
TOTAL GENERATED FROM OPERATIONS	1,559,117	1,232,229
EXCHANGE ADJUSTMENTS	6,221	9,731
OTHER SOURCES		
Sale of fixed assets	88,970	79,704
TOTAL SOURCES OF FUNDS	1,654,308	1,321,664
FUNDS APPLIED		
Purchase of fixed assets	1,536,684	695,735
Taxation paid	167,928	386,311
	1,704,612	1,082,046
(DECREASE)/INCREASE IN WORKING CAPITAL	£(50,304)	£239,618
<i>Arising from movements in</i>		
Stock	336,388	85,449
Debtors	(158,324)	37,838
Creditors	275,854	56,760
	453,918	180,047
<i>Liquid funds</i>		
Cash at bank	73,275	146,577
Short-term deposits	(577,497)	(87,006)
	£(50,304)	£239,618

Airflow Developments Limited

NOTES TO THE ACCOUNTS at March 31, 1991

1 ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards as follows:

Accounting convention

The accounts are prepared under the historical cost convention.

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and of each of its subsidiaries for the year ended March 31, 1991.

Depreciation and amortisation

Freehold land and long leasehold land and buildings are not depreciated. The directors are of the opinion that amounts chargeable in respect of depreciation on leasehold buildings would not be significant. The cost of other fixed assets is written off either on a reducing basis, or by equal annual instalments over the expected useful lives of the assets. Annual depreciation rates arising from these methods are:

	<i>On reducing balance</i>	<i>Straight Line</i>
Plant & machinery	17.5% to 45%	10% to 33.33%
Fixtures & fittings	17.5% to 20%	5% to 33.33%
Tools & equipment	17.5% to 25%	10% to 12.5%
Motor vehicles	28% to 50%	25%
Buildings	-	2%

Stock and work-in-progress

Stock is valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work-in-progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed overheads and has regard to budgeted normal production. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure is written off as incurred.

NOTES TO THE ACCOUNTS
at March 31, 1991

1 ACCOUNTING POLICIES - (continued)

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all timing differences.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held in a separately administered fund. The pension cost represents contributions payable by the company to the scheme.

Foreign currency translation

The financial statements of overseas subsidiaries are translated into sterling prior to consolidation, by using the average rate for the period for the profit and loss account, and the closing rate for the balance sheet. Differences arising on exchange are shown as movements on reserves.

2 TURNOVER

Turnover comprises the invoice value of goods and services supplied by the group exclusive of VAT and intra-group transactions.

3 ANALYSIS OF TURNOVER

	1991 £	1990 £
UK	8,074,818	8,660,694
Overseas	2,337,563	2,286,792
	<u>£10,412,381</u>	<u>£10,947,486</u>

Airflow Developments Limited

NOTES TO THE ACCOUNTS at March 31, 1991

4 NET OPERATING INCOME is stated after charging

	1991	1990
	£	£
Depreciation of fixed assets	357,265	314,813
Auditors' remuneration	19,200	13,000
Hire of plant and equipment	5,452	1,908
Operating lease rentals - land and buildings	9,478	9,478

5 STAFF COSTS

	1991	1990
	£	£
Wages and salaries	3,990,243	3,962,956
Social security costs	432,943	427,745
Other pension costs	566,421	571,436
	<u>£4,989,607</u>	<u>£4,962,137</u>

This includes remuneration paid to directors of the company of £528,137 (1990 - £463,270) - see note 6.

The average number of persons employed by the group each week in the year was 210 (1990 - 208) and is broken down into the following categories:

	1991	1990
Manufacturing	62	63
Non-manufacturing	148	145
	<u>210</u>	<u>208</u>

Airflow Developments Limited

NOTES TO THE ACCOUNTS at March 31, 1991

6 DIRECTORS' EMOLUMENTS

<i>Directors</i>	<i>1991</i> £	<i>1990</i> £
Remuneration, including pension contributions, profit sharing bonus and the money value of benefits received other than in cash e.g. use of company car and private medical insurance	511,156	447,497
Pension to widow of former director	16,981	15,773
	<u>£528,137</u>	<u>£463,270</u>

The remuneration stated will vary disproportionately from year to year as a result of such influences as profit sharing bonus payments, pension contributions and benefits received other than in cash.

The emoluments as described above, excluding pension contributions, of directors of the company are as follows:

	<i>1991</i> £	<i>1990</i> £
Chairman	15,223	18,538
Highest paid director (1991 includes severance pay of £227,116)	259,411	134,818

Number of directors

Other directors, in scale		
£35,001 to £40,000	1	-
£55,001 to £60,000	-	1
£60,001 to £65,000	1	-
£75,001 to £80,000	-	1
£90,001 to £95,000	1	-
£110,001 to £115,000	-	1

7 OTHER INCOME

	<i>1991</i> £	<i>1990</i> £
Income from current asset investment	237,887	288,264
	<u>£237,887</u>	<u>£288,264</u>

Airflow Developments Limited

NOTES TO THE ACCOUNTS at March 31, 1991

8 TAXATION

The charge based on profit for the year comprises:

	1991 £	1990 £
<i>UK Corporation tax</i>		
Current at 35%	486,991	303,293
Deferred	40,286	6,519
	<u>527,277</u>	<u>309,812</u>
Double taxation relief	(5,870)	(5,803)
	<u>521,407</u>	<u>304,009</u>
Adjustments relating to prior years		
Corporation tax	(4,369)	(7,461)
Deferred tax	(13,618)	6,111
	<u>503,420</u>	<u>302,659</u>
<i>Overseas taxation</i>		
Withholding tax	-	7,402
Charge for the year	6,781	86,620
	<u>£510,201</u>	<u>£396,681</u>

9 PROFIT AFTER TAXATION

Included in profit after taxation is £805,485 (1990 - £560,053) which is dealt with in the accounts of the company. The company is exempt from presenting a profit and loss account by virtue of S230 of the Companies Act 1985.

Airflow Developments Limited

NOTES TO THE ACCOUNTS at March 31, 1991

10 RETAINED PROFITS

	1991 £	1990 £
<i>Retained by</i>		
The company	8,602,106	7,796,621
Subsidiaries	504,591	481,636
Consolidation adjustments	(24,757)	-
Elimination of unrealised stock profits on consolidation	(125,399)	(24,774)
Goodwill on consolidation	(4,250)	(4,250)
Exchange adjustments	(6,150)	13,343
	<u>£8,946,141</u>	<u>£8,262,576</u>

11 GROUP TANGIBLE FIXED ASSETS

	<i>Freehold and long leasehold land and buildings £</i>	<i>Plant and machinery £</i>	<i>Fixtures and fittings, tools and machinery £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
COST					
At March 31, 1990	2,206,840	841,928	1,792,178	341,184	5,182,130
Exchange differences	(9,717)	(5,049)	(1,730)	(2,792)	(19,288)
Additions during year	921,528	22,988	386,869	205,299	1,536,684
Cost of disposals	-	(12,491)	(38,384)	(158,073)	(208,948)
At March 31, 1991	<u>£3,118,651</u>	<u>£847,376</u>	<u>£2,138,933</u>	<u>£385,618</u>	<u>£6,490,578</u>
DEPRECIATION					
At March 31, 1990	54,887	613,246	1,015,867	112,350	1,796,350
Exchange differences	(79)	(3,997)	(1,361)	(1,480)	(6,917)
Charge for year	25,308	52,878	189,727	89,352	357,265
Relating to disposals	-	(9,401)	(24,689)	(75,220)	(109,310)
At March 31, 1991	<u>£80,116</u>	<u>£652,726</u>	<u>£1,179,544</u>	<u>£125,002</u>	<u>£2,037,388</u>
NET BOOK VALUES					
At March 31, 1991	<u>£3,038,535</u>	<u>£194,650</u>	<u>£959,389</u>	<u>£260,616</u>	<u>£4,453,190</u>
At March 31, 1990	<u>£2,151,953</u>	<u>£228,682</u>	<u>£776,311</u>	<u>£228,834</u>	<u>£3,385,780</u>

NOTES TO THE ACCOUNTS
at March 31, 1991

11 COMPANY TANGIBLE FIXED ASSETS

	<i>Freehold and long leasehold land and buildings £</i>	<i>Plant and machinery £</i>	<i>Fixtures and fittings, tools and machinery £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
COST					
At March 31, 1990	2,030,824	574,753	1,580,178	294,170	4,479,925
Additions during year	919,432	9,348	359,079	205,299	1,493,158
Cost of disposals	-	(7,595)	(19,877)	(158,073)	(185,545)
At March 31, 1991	<u>2,950,256</u>	<u>576,506</u>	<u>1,919,380</u>	<u>341,396</u>	<u>5,787,538</u>
DEPRECIATION					
At March 31, 1990	53,476	451,236	911,887	88,043	1,504,642
Charge for year	21,698	25,462	164,400	83,299	294,859
Relating to disposals	-	(4,505)	(17,029)	(75,220)	(96,754)
At March 31, 1991	<u>75,174</u>	<u>472,193</u>	<u>1,059,258</u>	<u>96,122</u>	<u>1,702,747</u>
NET BOOK AMOUNTS					
At March 31, 1991	<u>£2,875,082</u>	<u>£104,313</u>	<u>£860,122</u>	<u>£245,274</u>	<u>£4,084,791</u>
At March 31, 1990	<u>£1,977,348</u>	<u>£123,517</u>	<u>£668,291</u>	<u>£206,127</u>	<u>£2,975,283</u>

12 SUBSIDIARY COMPANIES

	<i>1991 £</i>	<i>1990 £</i>
AIRFLOW LUFTECHNIK GmbH		
50,000 DM shares at cost	4,464	4,464
Loan account	65,583	114,980
	<u>£70,047</u>	<u>£119,444</u>

Airflow Developments Limited

NOTES TO THE ACCOUNTS at March 31, 1991

12 SUBSIDIARY COMPANIES (CONTINUED)

	1991 £	1990 £
STEMSHIRE ENGINEERING LIMITED		
Ordinary shares at cost	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
AIRFLOW PROPERTIES INC		
Ordinary shares at cost	609	609
Loan account	177,032	177,032
	<u>177,641</u>	<u>177,641</u>
AIRFLOW TECHNICAL PRODUCTS INC		
Ordinary shares at cost	1	1
Loan account	459,305	237,940
	<u>459,306</u>	<u>237,941</u>
	<u>£711,994</u>	<u>£540,026</u>

These companies are wholly-owned subsidiaries.

Airflow Lufttechnik GmbH, incorporated in Germany, is principally engaged in the manufacture and distribution of air measuring equipment and fans. Stemshire Engineering Limited is principally engaged in electric motor and gearbox manufacture.

Airflow Technical Products Inc was incorporated in the United States in 1982 and commenced trading in April 1990, marketing the group's instruments in the American market.

Airflow Properties Inc was incorporated in the United States in 1990 and holds the title to the building rented by Airflow Technical Products Inc.

NOTES TO THE ACCOUNTS

at March 31, 1991

13 STOCK AND WORK IN PROGRESS

	<i>Group</i>		<i>Company</i>	
	<i>1991</i>	<i>1990</i>	<i>1991</i>	<i>1990</i>
	£	£	£	£
Raw materials	1,606,502	1,655,480	1,378,984	1,413,461
Work-in-progress	122,869	138,411	108,701	109,530
Finished goods	1,275,608	874,700	923,843	578,575
	<u>£3,004,979</u>	<u>£2,668,591</u>	<u>£2,411,528</u>	<u>£2,101,566</u>

In the directors' opinion, the replacement cost of stocks is not materially different from the balance sheet valuation.

14 DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>1991</i>	<i>1990</i>	<i>1991</i>	<i>1990</i>
	£	£	£	£
<i>Due within one year</i>				
Trade debtors	2,008,765	2,129,977	1,763,974	1,803,151
Amounts owed by subsidiary companies	-	-	128,347	87,283
Other debtors	18,768	49,345	10,464	18,463
Prepayments and accrued income	10,425	16,960	10,140	12,066
	<u>£2,037,958</u>	<u>£2,196,282</u>	<u>£1,912,925</u>	<u>£1,920,963</u>

Airflow Developments Limited

NOTES TO THE ACCOUNTS at March 31, 1991

15 CREDITORS - amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>1991</i>	<i>1990</i>	<i>1991</i>	<i>1990</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade creditors	576,608	620,486	482,292	454,470
Amount owed to holding company	1,211	149	1,211	149
Amount owed to subsidiary companies	-	-	91,669	-
Corporation tax	651,966	336,363	585,516	283,760
Value Added Tax	141,275	197,360	141,275	197,360
Other taxation and social security	79,973	70,280	76,838	68,111
Other creditors	340,395	436,075	334,082	409,479
Accruals and deferred income	76,071	55,697	-	-
Pension contributions	3,044	114,383	3,044	114,383
	<u>£1,870,543</u>	<u>£1,830,793</u>	<u>£1,715,927</u>	<u>£1,527,712</u>

16 PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Group</i>		<i>Company</i>	
	<i>1991</i>	<i>1990</i>	<i>1991</i>	<i>1990</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Deferred taxation (note 17)	84,952	58,283	67,036	41,733
Warranty provisions	64,700	74,539	64,700	72,615
German pension obligations	17,695	16,588	-	-
	<u>£167,347</u>	<u>£149,410</u>	<u>£131,736</u>	<u>£114,348</u>

17 DEFERRED TAXATION

	<i>Group</i>		<i>Company</i>	
	<i>1991</i>	<i>1990</i>	<i>1991</i>	<i>1990</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Provision at March 31, 1990	58,283	45,653	41,733	17,953
Charge for year	26,669	12,630	25,303	23,780
Provision at March 31, 1991	<u>£84,952</u>	<u>£58,283</u>	<u>£67,036</u>	<u>£41,733</u>

Airflow Developments Limited

NOTES TO THE ACCOUNTS at March 31, 1991

17 DEFERRED TAXATION (CONTINUED)

Full provision for deferred taxation has been made, comprising:

	<i>Group</i>		<i>Company</i>	
	<i>1991</i>	<i>1990</i>	<i>1991</i>	<i>1990</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Accelerated capital allowances	101,742	121,069	82,976	96,450
Short-term timing differences	(16,790)	(62,786)	(15,940)	(54,717)
	<u>£84,952</u>	<u>£58,283</u>	<u>£67,036</u>	<u>£41,733</u>

18 CALLED-UP SHARE CAPITAL

	<i>1991</i>	<i>Authorised 1990</i>	<i>1991</i>	<i>Issued and fully paid 1990</i>
Ordinary shares of £1 each	£80,000	£80,000	£52,380	£52,380

19 CAPITAL AND OTHER COMMITMENTS

At March 31, 1991 the directors had authorised future capital expenditure which amounted to:

	<i>Group</i>		<i>Company</i>	
	<i>1991</i>	<i>1990</i>	<i>1991</i>	<i>1990</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Contracted	30,779	132,053	27,124	132,053
Not contracted	147,838	427,689	141,838	422,689
	<u>£178,617</u>	<u>£559,742</u>	<u>£168,962</u>	<u>£554,742</u>

The company had at the year end a commitment to pay to The Airflow Community Limited, by Deeds of Covenant, £127,400 over the next three years.

Airflow Developments Limited

NOTES TO THE ACCOUNTS at March 31, 1991

20 OBLIGATIONS UNDER NON CANCELLABLE OPERATING LEASES

Group	1991 <i>Land and buildings</i>	1990 <i>Land and buildings</i>
Operating leases expiring in excess of five years	£9,478	£9,478

21 CONTINGENT LIABILITIES

The company guaranteed an overdraft facility for Airflow Lufttechnik GmbH up to a maximum of DM 100,000, if required.

The company has also granted a £10,000 guarantee in favour of H M Customs & Excise.

22 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company to be The Airflow Community Limited, a company registered under the Charities Act 1960, and incorporated in the UK.