

Company Registration No. 550374 (England and Wales)

AIRFLOW DEVELOPMENTS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

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AIRFLOW DEVELOPMENTS LIMITED
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AIRFLOW DEVELOPMENTS LIMITED
COMPANY INFORMATION

DIRECTORS

A. Siggins
G. Mueller
J. Mueller

SECRETARY

G. Mueller

COMPANY NUMBER

550374

REGISTERED OFFICE

Lancaster Road
High Wycombe
Buckinghamshire
HP12 3QP

AUDITORS

HW, Chartered Accountants
Sterling House
5 Buckingham Place
Bellfield Road West
High Wycombe
Buckinghamshire
HP13 5HQ

BUSINESS ADDRESS

Lancaster Road
High Wycombe
Buckinghamshire
HP12 3QP

BANKERS

HSBC Bank PLC
1 Corn Market
High Wycombe
Buckinghamshire
HP11 2AY

**AIRFLOW DEVELOPMENTS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2008**

The directors submit their report and the financial statements of Airflow Developments Limited for the year ended 31st March 2008.

Principal activities

The principal activity of the group during the year continued to be that of the manufacture and distribution of air measuring equipment, fans and domestic ventilation.

Review of Business

Sales increased this year in line with budget expectations.

2008 saw a significant increase in Gross Profit that was primarily driven by currency, which drove down the cost of sales. The directors expect this to reverse in the coming year as we are seeing signs of the pound weakening against the dollar and Euro.

Good control over administration costs also contributed towards a much improved Operating Profit this year.

The group KPI's have been as follows: -

Gross Profit	48.11%	(2007; 46.55%)
Operating Profit	13.95%	(2007; 7.35%)
Return on Capital	25.74%	(2007; 14.62%)
Current Ratio	3.48:1	(2007; 2.71:1)
Quick Ratio	2.66:1	(2007; 1.89:1)
Gearing	0.21:1	(2007; 0.29:1)

Results and dividends

The results for the year are set out on page 5.

Ordinary dividends of £206,000 (2007: £258,000) were proposed and paid during the year.

Directors

The following directors have held office since 1 April 2007:-

J. W. Johnson-Watts	(Resigned 2 April 2008)
J. R. H. Stevenson-Hamilton	(Resigned 2 April 2008)
A. Siggins	(Appointed 21 May 2008)
G. Mueller	(Appointed 2 April 2008)
J. Mueller	(Appointed 2 April 2008)

**AIRFLOW DEVELOPMENTS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2008**

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires 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 the group and of the profit or loss of the group for that period. In preparing those financial statements, directors are required to:

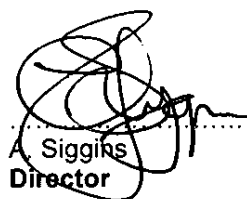
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to the auditor

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make them aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board


A. Siggins
Director

Date: 14/6/09

**AIRFLOW DEVELOPMENTS LIMITED
INDEPENDENT AUDITORS' REPORT TO
THE MEMBERS OF AIRFLOW DEVELOPMENTS LIMITED**

We have audited the financial statements of Airflow Developments Limited for the year ended 31 March 2008 set out on pages 5 to 24. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

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

As described in the Statement of Directors' Responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group at 31 March 2008 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements

HW, Chartered Accountants
HW, Chartered Accountants

Registered Auditor

15th January 2009

Sterling House
5 Buckingham Place
Bellfield Road West
High Wycombe
Buckinghamshire
HP 13 5HQ

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008**

	Notes	2008 £	2007 £
Turnover	1	9,043,506	8,080,563
Cost of sales		<u>(4,692,342)</u>	<u>(4,319,222)</u>
Gross profit		4,351,164	3,761,341
Other operating expenses (net)	2	<u>(3,089,532)</u>	<u>(3,167,273)</u>
OPERATING PROFIT		1,261,632	594,068
Interest receivable and similar Income	3	7,080	4,504
Interest payable and similar charges	4	<u>(70,158)</u>	<u>(64,546)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	1,198,554	534,026
Taxation	7	<u>(314,332)</u>	<u>(25,747)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	8	<u>884,222</u>	<u>508,279</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2008**

	2008	2007
	£	£
Profit for the financial year	884,222	508,279
Currency translation gains on foreign currency net investments	126,567	(1,446)
Total profits recognised since last annual report	1,010,789	506,833

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2008**

	Notes	2008	2007
		£	£
FIXED ASSETS			
Tangible assets	10	<u>678,859</u>	<u>777,039</u>
CURRENT ASSETS			
Stocks	13	1,161,326	1,111,678
Debtors	15	4,091,013	3,776,071
Cash at bank and in hand		<u>674,347</u>	<u>315,768</u>
		5,926,686	5,203,517
CREDITORS: Amounts falling due within one year	17	<u>(1,704,132)</u>	<u>(1,917,415)</u>
NET CURRENT ASSETS		<u>4,222,554</u>	<u>3,286,102</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,901,413	4,063,141
CREDITORS: Amounts falling due after more than one year	19	(327,680)	(290,966)
PROVISION FOR LIABILITIES AND CHARGES	21	<u>(9,018)</u>	<u>(12,249)</u>
		<u>4,564,715</u>	<u>3,759,926</u>
CAPITAL AND RESERVES			
Called up share capital	22	52,380	52,380
Other reserves	23	740,000	740,000
Profit and loss account	23	<u>3,772,335</u>	<u>2,967,546</u>
SHAREHOLDERS' FUNDS	25	<u>4,564,715</u>	<u>3,759,926</u>

Approved by the board on 14/1/09

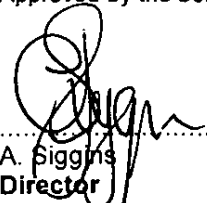

A. Siggins
Director

AIRFLOW DEVELOPMENTS LIMITED

**COMPANY BALANCE SHEET
AS AT 31 MARCH 2008**

	Notes	2008	2007
		£	£
FIXED ASSETS			
Tangible assets	11	644,100	746,304
Investments	12	70,892	75,892
		<u>714,992</u>	<u>822,196</u>
CURRENT ASSETS			
Stocks	14	652,967	714,625
Debtors	16	3,968,694	3,767,748
Cash at bank and in hand		507,834	163,361
		<u>5,129,495</u>	<u>4,645,734</u>
CREDITORS: Amounts falling due within one year	18	<u>(1,401,900)</u>	<u>(1,737,623)</u>
NET CURRENT ASSETS		<u>3,727,595</u>	<u>2,908,111</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,442,587</u>	<u>3,730,307</u>
CREDITORS: Amounts falling due after more than one year	20	(315,471)	(629,849)
PROVISION FOR LIABILITIES AND CHARGES	21	<u>(54,580)</u>	<u>(49,230)</u>
		<u>4,072,536</u>	<u>3,051,228</u>
CAPITAL AND RESERVES			
Called up share capital	22	52,380	52,380
Other reserves	24	740,000	740,000
Profit and loss account	24	3,280,156	2,258,848
SHAREHOLDERS' FUNDS	26	<u>4,072,536</u>	<u>3,051,228</u>

Approved by the board on 14/1/09


A. Higgins
Director

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008**

	Notes	2008 £	2007 £
Cash inflow from operating activities	27a	832,300	256,233
Returns on investments and servicing of finance	27b	(63,078)	(60,042)
Taxation		(18,794)	78,725
Capital expenditure and financial investment	27b	(32,076)	(50,578)
Dividends paid		(206,000)	(258,000)
CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES AND FINANCING		512,352	(33,662)
Financing	27b	(35,776)	(111,833)
INCREASE/(DECREASE) IN CASH IN THE YEAR	27c	476,576	(145,495)
		2008 £	2007 £
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase/(decrease) in cash in the year		476,576	(145,495)
Foreign exchange movement on bank loan balance		(50,803)	-
Cash outflow from decrease in debt		35,776	111,833
Change in net debt resulting from cash flows		461,549	(33,662)
MOVEMENT IN NET DEBT IN THE PERIOD		461,549	(33,662)
NET (DEBT) AT 1 APRIL 2007		(764,006)	(730,344)
NET (DEBT) AT 31 MARCH 2008	27c	(302,457)	(764,006)

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2008

1. Basis of accounting

The financial statements are prepared under the historical cost convention.

2. Basis of consolidation

The consolidated financial statements incorporate those of Airflow Developments Limited and all of its subsidiary undertakings for the year. No profit and loss account has been presented for Airflow Developments Limited as permitted by Section 230 of the Companies Act 1985.

3. Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

4. Research and Development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

5. Tangible fixed assets and depreciation

Fixed assets other than freehold land are stated at historical cost less depreciation.

Depreciation is provided at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:-

Freehold buildings	2% Straight line
Plant and machinery	10% Straight line or over the life of the asset
Fixtures, fittings and equipment	10%/ 12.5% / 20% Straight line or over the life of the asset
Motor vehicles	25% Straight line – vans

6. Investments

Fixed asset investments are stated at cost less provision for diminution in value.

7. Stock

Stock is valued at the lower of cost and net realisable value.

8. Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2008

9. Pension Contributions

The pension costs charged in the financial statements represent the contribution payable by the group during the year in accordance with FRS 17.

10. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

Assets and liabilities of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

The trading figures for overseas subsidiaries are translated at the average exchange rate for the year.

11. Deferred Taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1. Turnover

The group's turnover was derived from the group's principal activities. Turnover can be analysed as follows:-

	2008 £	2007 £
UK	4,488,597	4,233,174
Overseas	4,554,909	3,847,389
	<u>9,043,506</u>	<u>8,080,563</u>

2. Net operating expenses

	2008 £	2007 £
Administrative and distribution expenses	3,948,908	3,628,448
Other operating income	(859,376)	(461,175)
Total	<u>3,089,532</u>	<u>3,167,273</u>

3. Interest receivable and similar income

	2008 £	2007 £
Bank interest	<u>7,080</u>	<u>4,504</u>

4. Interest payable and similar charges

	2008 £	2007 £
Hire purchase/finance leases	631	1,453
Other interest	69,527	63,093
	<u>70,158</u>	<u>64,546</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

5. Employees

The average weekly number of persons (including directors) employed by the group during the period was:

	2008 No.	2007 No.
Manufacturing	22	26
Non-manufacturing	60	58
	<u>82</u>	<u>84</u>

	2008 £	2007 £
Staff costs:		
Wages and salaries	2,006,561	1,895,139
Social security costs	263,964	256,260
Other pension costs	61,908	43,480
	<u>2,332,433</u>	<u>2,194,879</u>

	2008 £	2007 £
Directors' emoluments:		
Emoluments for qualifying services	<u>8,690</u>	<u>10,000</u>

6. Profit on ordinary activities before taxation

	2008 £	2007 £
Profit on ordinary activities before taxation is stated after charging:		

Depreciation and amounts written off tangible fixed assets:
Charge for the year:

owned	129,494	133,195
leased	700	4,349
Auditors' remuneration	18,291	10,730
Operating lease rentals	266,917	254,205
(Profit)/Loss on disposal of fixed assets	5,062	(1,480)
(Profit) on foreign exchange	<u>(6,334)</u>	<u>(6,757)</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

7. Taxation

	2008 £	2007 £
Current year tax:		
Foreign tax	44,096	13,214
UK corporation tax	25,335	13,364
Prior years:		
Foreign Tax	(1,366)	(36,845)
Current tax charge	68,065	(10,267)
Deferred tax charge	246,267	36,014
	314,332	25,747
Factors affecting tax charge for the period		
Profit/(loss) on ordinary activities before taxation	1,198,554	534,026
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2007: 19%)	239,711	101,465
Effects of:		
Expenses not deductible	24,449	2,162
Depreciation in excess of capital allowances	7,217	1,340
Adjustments for prior years	(1,366)	(36,845)
Tax losses utilised	(214,669)	(82,012)
Foreign tax adjustment	12,723	3,623
	(171,646)	(111,732)
Current tax charge	68,065	(10,267)

Airflow Developments Limited has estimated losses of £1,303,698 (2007: £2,505,841) available for carry forward against future trading profits.

8. Profit/(Loss) on Ordinary Activities after Taxation

The profit in the accounts of the parent company amounted to £1,227,308 (2007: £434,167).

9. Dividends

	2008 £	2007 £
Ordinary interim paid	206,000	258,000

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

10. Tangible fixed assets – group

	Land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
1 April 2007	364,580	736,226	3,400,235	47,075	4,548,116
Additions	-	9,471	23,525	-	32,996
Disposals	-	(4,230)	-	(15,870)	(20,100)
31 March 2008	364,580	741,467	3,423,760	31,205	4,561,012
Depreciation					
1 April 2007	65,925	666,621	2,991,558	46,973	3,771,077
Charge for the year	7,292	39,440	83,360	102	130,194
Disposals	-	(3,248)	-	(15,870)	(19,118)
31 March 2008	73,217	702,813	3,074,918	31,205	3,882,153
Net book value					
31 March 2008	291,363	38,654	348,842	-	678,859
31 March 2007	298,655	69,605	408,677	102	777,039

Included above are assets held under finance leases or hire purchase contracts as follows:

	Net book value £	Depreciation charge for the year £
Fixtures, fittings and equipment		
31 March 2008	3,911	700
31 March 2007	24,995	4,349

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

11. Tangible fixed assets – company

	Land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
1 April 2007	355,293	646,701	3,246,266	34,758	4,283,018
Additions	-	-	18,851	-	18,851
Disposals	-	(4,230)	-	(15,870)	(20,100)
31 March 2008	355,293	642,471	3,265,117	18,888	4,281,769
Depreciation					
1 April 2007	65,478	582,787	2,853,691	34,758	3,536,714
On disposals	-	(3,248)	-	(15,870)	(19,118)
Charge for the year	6,950	34,264	78,859	-	120,073
31 March 2008	72,428	613,803	2,932,550	18,888	3,637,669
Net book value					
31 March 2008	282,865	28,668	332,567	-	644,100
31 March 2007	289,815	63,914	392,575	-	746,304

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment £
Net book values	
At 31 March 2008	3,911
At 31 March 2007	24,995
Depreciation charge for the year	
At 31 March 2008	700
At 31 March 2007	4,349

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

12. Fixed asset investments – company

	Shares in group undertakings £
At 1 April 2007	75,892
Disposals	<u>(5,000)</u>
At 31 March 2008	<u>70,892</u>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings:			
Airflow Lufttechnik GmbH	Germany	Ordinary	100

The principal activity of Airflow Lufttechnik GmbH is similar to that of Airflow Developments Limited.

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves £	Profit for the year £
Airflow Lufttechnik GmbH	<u>651,285</u>	<u>107,303</u>

13. Stocks and work in progress – group

	2008 £	2007 £
Raw materials and consumables	234,793	321,408
Finished goods and goods for resale	<u>926,533</u>	<u>790,270</u>
	<u>1,161,326</u>	<u>1,111,678</u>

14. Stocks and works in progress – company

	2008 £	2007 £
Raw materials and consumables	234,793	321,408
Finished goods and goods for resale	<u>418,174</u>	<u>393,217</u>
	<u>652,967</u>	<u>714,625</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

15. Debtors – group

	2008 £	2007 £
Trade debtors	1,432,380	1,240,688
Other debtors	2,226,864	1,814,187
Prepayments and accrued income	202,790	245,950
Deferred tax	228,979	475,246
	<u>4,091,013</u>	<u>3,776,071</u>

The deferred tax asset is recoverable over a period of more than one year (see note 21).

16. Debtors – company

	2008 £	2007 £
Trade debtors	1,081,772	963,762
Amounts owed by subsidiary undertakings	259,718	287,087
Other debtors	2,226,864	1,814,188
Prepayments and accrued income	171,361	227,465
Deferred tax	228,979	475,246
	<u>3,968,694</u>	<u>3,767,748</u>

The deferred tax asset is recoverable over a period of more than one year (see note 21).

17. Creditors: Amounts falling due within one year - group

	2008 £	2007 £
Bank loans and overdrafts	27,417	145,414
Factoring balance	620,707	638,019
Obligations under finance lease and hire purchase contracts	1,000	5,375
Trade creditors	505,246	702,605
Corporation tax	25,335	13,364
Other taxes and social security costs	250,517	118,872
Other creditors	273,910	293,766
	<u>1,704,132</u>	<u>1,917,415</u>

Net obligations under finance leases and hire purchase contracts are secured by fixed charges on the assets concerned.

Bank loans and overdraft and the balance due to the factoring company are secured by fixed and floating charges over the assets of Airflow Developments Limited.

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

18. Creditors: Amounts falling due within one year – company

	2008 £	2007 £
Bank loans and overdrafts	27,417	145,414
Factoring balance	620,707	638,019
Obligations under finance lease and hire purchase contracts	1,000	5,375
Trade creditors	341,273	597,139
Accruals and deferred income	106,560	71,373
Corporation tax	25,335	13,364
Other taxes and social security costs	177,196	92,528
Other creditors	102,412	174,411
	<u>1,401,900</u>	<u>1,737,623</u>

Net obligations under finance leases and hire purchase contracts are secured by fixed charges on the assets concerned.

Bank loans and overdraft and the balance due to the factoring company are secured by fixed and floating charges over the assets of Airflow Developments Limited.

19. Creditors: Amounts falling due after more than one year – group

	2008 £	2007 £
Bank loan	<u>327,680</u>	<u>290,967</u>

The bank loan is secured by a fixed and floating charge over the assets of Airflow Developments Limited.

20. Creditors: Amounts falling due after more than one year – company

	2008 £	2007 £
Amounts due to subsidiary undertakings	<u>315,471</u>	<u>629,849</u>

21. Provisions for liabilities and charges – group and company

	German Pension Provision £	Company Warranty Remedial Provision £	Group Total £
Balance at 1 April 2007	(36,981)	49,230	12,249
Transfer to/(from) profit and loss account	<u>(8,581)</u>	<u>5,350</u>	<u>(3,231)</u>
Balance at 31 March 2008	<u>(45,562)</u>	<u>54,580</u>	<u>9,018</u>

The warranty provision is expected to reverse over a period of greater than one year.

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

21. Provisions for liabilities and charges – group and company (continued)

	2008 £	2007 £
The deferred tax asset (included in debtors, note 15 and note 16) is made up as follows:		
Balance at 1 April 2007	(475,246)	(511,260)
Profit and loss account	<u>246,267</u>	<u>36,014</u>
Balance at 31 March 2008	<u>(228,979)</u>	<u>(475,246)</u>
	2008 £	2007 £
Accelerated capital allowances	23,090	25,922
Tax losses available	<u>(252,069)</u>	<u>(501,168)</u>
	<u>(228,979)</u>	<u>(475,246)</u>

22. Share capital

	2008 £	2007 £
Authorised		
80,000 Ordinary shares of £1 each	80,000	80,000
740,000 Redeemable 6% Preference shares of £1 each	<u>740,000</u>	<u>740,000</u>
	<u>820,000</u>	<u>820,000</u>
Allotted, issued and fully paid		
52,380 Ordinary shares of £1 each	<u>52,380</u>	<u>52,380</u>

23. Statement of movement on reserves – group

	Profit & loss account	Capital redemption reserve
Balance at 1 April 2007	2,967,546	740,000
Retained profit for the year	884,222	-
Ordinary interim dividend paid	(206,000)	-
Currency translation gains on foreign currency net investments	<u>126,567</u>	<u>-</u>
Balance at 31 March 2008	<u>3,772,335</u>	<u>740,000</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

24. Statement of movement on reserves – company

	Profit & loss account	Capital redemption reserve
Balance at 1 April 2007	2,258,848	740,000
Retained profit for the year	1,227,308	-
Ordinary interim dividend paid	(206,000)	-
Balance at 31 March 2008	3,280,156	740,000

25. Reconciliation of movement in shareholders' funds – group

	2008 £	2007 £
Profit for the financial year	884,222	508,279
Currency exchange movement	126,567	(1,446)
Dividends	(206,000)	(258,000)
Net addition in shareholders' funds	804,789	248,833
Opening shareholders' funds	3,759,926	3,511,093
Closing shareholders' funds	4,564,715	3,759,926

26. Reconciliation of movement in shareholders' funds – company

	2008 £	2007 £
Profit for the financial year	1,227,308	434,167
Dividends	(206,000)	(258,000)
Net addition in shareholders' funds	1,021,308	176,167
Opening shareholders' funds	3,051,228	2,875,061
Closing shareholders' funds	4,072,536	3,051,228

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

27. Cash flows

	2008	2007
	£	£
a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating Profit	1,261,632	594,068
Depreciation	130,194	137,544
Loss/(profit) on sale of fixed assets	5,062	(1,482)
(Increase) in stocks and work in progress	(49,648)	(245,216)
(Increase) in debtors	(561,209)	(15,237)
(Decrease) in creditors	(77,067)	(222,930)
(Decrease)/increase in provisions	(3,231)	10,932
Exchange gain/(loss)	126,567	(1,446)
	<u>832,300</u>	<u>256,233</u>
b) Analysis of cash flows for headings netted in the cash flow		
	2008	2007
	£	£
Returns on investments and servicing of finance:		
Interest received	7,080	4,504
Interest paid	(70,158)	(64,546)
Net cash (outflow) for returns on investment and servicing of finance	<u>(63,078)</u>	<u>(60,042)</u>
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(32,996)	(55,997)
Sale of tangible fixed assets	170	5,419
Sale of investment	750	-
Net cash (outflow) for capital expenditure and financial investment	<u>(32,076)</u>	<u>(50,578)</u>
Financing:		
Capital element of hire purchase paid	(4,375)	(8,633)
Capital element of bank loan repaid	(14,089)	(22,837)
Other short term loans repaid	(17,312)	(80,363)
Net cash (outflow) from financing	<u>(35,776)</u>	<u>(111,833)</u>

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

27. Cash flows (continued)

c)	At 1 April 2007	Cash flows	At 31 March 2008
Net cash:			
Cash at bank and in hand	315,768	358,579	674,347
Bank overdraft	(145,414)	117,997	(27,417)
Factoring balance	(638,019)	17,312	(620,707)
Net cash	(467,665)	493,888	26,223
Debt:			
Amounts falling due less than 1 year	(5,375)	4,375	(1,000)
Amounts falling due after 1 year	(290,966)	(36,714)	(327,680)
	(764,006)	461,549	(302,457)

28. Pension commitments – group

The group makes contributions to employees' personal pension plans.

The pension cost charge represents contributions payable by the group to the plans and amounted to £61,908 (2007: £43,480).

29. Financial commitments

At 31 March 2008 the company and group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2008 £	2007 £
Expiry date:		
In over five years	235,333	290,333
	Other 2008 £	2007 £
Expiry date:		
Within one year	4,987	9,845
Between two and five years	54,875	12,139
In over five years	57,500	-
	117,362	21,984

AIRFLOW DEVELOPMENTS LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

30. Transactions with directors

	Amount Outstanding		Maximum in year
	2008 £	2007 £	
J W Johnson-Watts	166,000	35,676	166,000
J R H Stevenson-Hamilton	166,000	34,317	166,000

These loans bear no interest, have no fixed repayment terms and are included within other debtors. The balances have been repaid in full subsequent to the year end.

31. Related party transactions

Transactions and balances with the following companies, related by virtue of common directorships and ultimate shareholdings were as follows:

At 1 April 2007 Airflow Developments Limited had made loans to Wyse (Holdings) Limited (formerly The Wyse Group Limited), a company connected through common directorship, totalling £923,000. During this year, Airflow made further loans to Wyse totalling £765,000 and received partial repayments totalling £805,250 such that, at 31 March 2008, the total loans owed to Airflow by Wyse amounted to £882,750, which is included in other debtors.

Knockholt Drywall Limited (formerly Wyse Drywall Limited) a company owned by Laboursite Rail Group Limited a subsidiary of Wyse (Holdings) Limited repaid its loan to Airflow Developments Limited of £765,000. The amount outstanding at the balance sheet date amounted to £nil (2007: £765,000).

During the year Airflow Developments Limited made a loan of £959,450 (2007: £nil) to Radarzone Limited, a company connected through common directorship. At the balance sheet date Radarzone owed Airflow £959,450 (2007: £nil) and is included in other debtors.

All of the above loans are non-interest bearing.

During the year, the company received £235,000 (2007: £229,000) for management services and rent from Laboursite Group Limited, a company owned by Wyse (Holdings) Limited. At the balance sheet date the amount owed to Airflow Developments was £16,243 (2007: £18,794) and is included within other debtors.

During the year, the company received £364,667 (2007: £24,000) for management services from Wysepower Limited, a company connected through common directorship. At the balance sheet date the amount owed by Wysepower Limited was £nil (2007: £6,858).