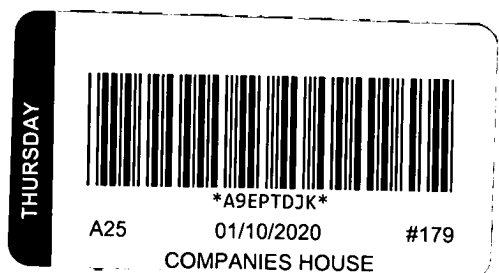


Company Registration No. 00550374 (England and Wales)

**AIRFLOW DEVELOPMENTS LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



# AIRFLOW DEVELOPMENTS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	A Siggins G Mueller J Mueller
<b>Secretary</b>	G Mueller
<b>Company number</b>	00550374
<b>Registered office</b>	Aidelle House Lancaster Road Cressex Business Park High Wycombe Buckinghamshire HP12 3QP
<b>Auditor</b>	Haines Watts Sterling House 5 Buckingham Place Bellfield Road West High Wycombe Buckinghamshire HP13 5HQ
<b>Bankers</b>	HSBC Bank PLC 1 Corn Market High Wycombe Buckinghamshire HP11 2AY

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# **AIRFLOW DEVELOPMENTS LIMITED**

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# AIRFLOW DEVELOPMENTS LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present the strategic report for the year ended 31 December 2019.

### Principal activities

The principal activity of the company and group continued to be the manufacture and distribution of air moving equipment for both the domestic and commercial sector.

### Fair review of the business

Sales were £26.4 million for the year compared to £23.2 million in 2018, an increase of 13.8% (11.6% at constant exchange rates).

Margins remained constant.

Administrative expenses were 5.8% higher than 2018 as the group continues to invest in growing its sales and marketing teams.

The group produced an Operating Profit of £2,114,333 compared to the previous year £717,461 including a gain on disposal of foreign property of £716,716. Operating Profit is considered to be a key performance indicator of the group. Profit after Tax was £1,683,581, compared to £604,743 last year.

### Future developments and risks

The group has a strong balance sheet with cash balances at year end standing at £5,554K. The increase in the year of £1,425K is due to profits of £1,683,581 plus good control over working capital.

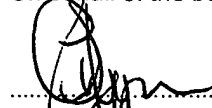
The group continues to develop new products to extend its range and also to meet new, stringent building regulations. The directors are confident that the recent investments that have been made in people, products, facilities and marketing will lead to increased market share and sales.

The group sources many of its components in US dollars and Euros and is therefore at risk of adverse exchange rate movements, this is considered to be a key risk/ uncertainty that the group faces. The directors manage this risk by hedging and invoicing its export customers in these currencies. In response to COVID-19, the directors have taken the steps that they feel necessary to mitigate the risk posed by the pandemic to the business. The directors remain of the opinion that the future prospects of the group are good.

### Financial Control

The directors acknowledge responsibility for the group's systems of internal financial control and believe these systems are appropriate to the business. No material losses or contingencies have arisen during the year that would require disclosure by the directors.

On behalf of the board



A Siggins  
Director

23 September 2020

# AIRFLOW DEVELOPMENTS LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present their annual report and financial statements for the year ended 31 December 2019.

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Siggins  
G Mueller  
J Mueller

### Results and dividends


The results for the year are set out on page 7. The directors do not recommend payment of a final dividend.

### Statement of disclosure to 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 themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

  
A Siggins  
Director  
23 September 2020

23 September 2020

# **AIRFLOW DEVELOPMENTS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# AIRFLOW DEVELOPMENTS LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF AIRFLOW DEVELOPMENTS LIMITED

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#### Opinion

We have audited the financial statements of Airflow Developments Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, not all future events or conditions can be predicted. The COVID-19 viral pandemic is one of the most significant economic events for the UK with unprecedented levels of uncertainty of outcomes. It is therefore difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and wider economy. The directors' view on the impact of COVID-19 is disclosed in the accounting policies note 1.3.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# **AIRFLOW DEVELOPMENTS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF AIRFLOW DEVELOPMENTS LIMITED**

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#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# **AIRFLOW DEVELOPMENTS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF AIRFLOW DEVELOPMENTS LIMITED**

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#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

**Kapil Davda (Senior Statutory Auditor)**  
for and on behalf of Haines Watts

**23/09/2020**  
.....

**Chartered Accountants**  
**Statutory Auditor**

Sterling House  
5 Buckingham Place  
Bellfield Road West  
High Wycombe  
Buckinghamshire  
United Kingdom  
HP13 5HQ

# AIRFLOW DEVELOPMENTS LIMITED

## GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	4	26,364,658	23,185,099
Cost of sales		(16,599,872)	(14,554,684)
<b>Gross profit</b>		<b>9,764,786</b>	<b>8,630,415</b>
Administrative expenses		(8,542,811)	(8,076,820)
Other operating income		175,642	163,866
Exceptional item	3	716,716	-
<b>Operating profit</b>	<b>5</b>	<b>2,114,333</b>	<b>717,461</b>
Interest receivable and similar income	10	9,189	6,171
Interest payable and similar expenses	9	-	(84)
<b>Profit before taxation</b>		<b>2,123,522</b>	<b>723,548</b>
Tax on profit	11	(439,941)	(118,805)
<b>Profit for the financial year</b>		<b>1,683,581</b>	<b>604,743</b>

Profit for the financial year is all attributable to the owners of the parent company.

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

# AIRFLOW DEVELOPMENTS LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

---

	2019 £	2018 £
Profit for the year	1,683,581	604,743
Other comprehensive income		
Currency translation differences	(94,295)	35,954
Total comprehensive income for the year	<u>1,589,286</u>	<u>640,697</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

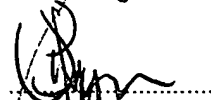
# AIRFLOW DEVELOPMENTS LIMITED

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Tangible assets	12		2,885,923		3,072,515
<b>Current assets</b>					
Stocks	16	3,140,798		2,775,924	
Debtors	17	3,667,013		3,530,677	
Cash at bank and in hand		5,553,748		4,129,052	
		12,361,559		10,435,653	
<b>Creditors: amounts falling due within one year</b>	18	(2,666,556)		(2,467,298)	
<b>Net current assets</b>			9,695,003		7,968,355
<b>Total assets less current liabilities</b>			12,580,926		11,040,870
<b>Provisions for liabilities</b>	19		(968,601)		(1,017,831)
<b>Net assets</b>			11,612,325		10,023,039
<b>Capital and reserves</b>					
Called up share capital	22	2,852,380		2,852,380	
Capital redemption reserve		740,000		740,000	
Profit and loss reserves		8,019,945		6,430,659	
<b>Total equity</b>			11,612,325		10,023,039

The financial statements were approved by the board of directors and authorised for issue on 23 September 2020 and are signed on its behalf by:

  
A Siggil  
Director

# AIRFLOW DEVELOPMENTS LIMITED

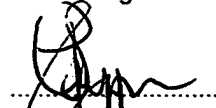
## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

23 September 2020

	Notes	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	12	2,669,942	2,948,166
Investments	13	70,892	70,892
		<u>2,740,834</u>	<u>3,019,058</u>
<b>Current assets</b>			
Stocks	16	1,821,233	1,651,765
Debtors	17	1,837,735	1,930,869
Cash at bank and in hand		3,612,415	2,411,661
		<u>7,271,383</u>	<u>5,994,295</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(1,330,108)</u>	<u>(1,430,790)</u>
<b>Net current assets</b>		<u>5,941,275</u>	<u>4,563,505</u>
<b>Total assets less current liabilities</b>		<u>8,682,109</u>	<u>7,582,563</u>
<b>Provisions for liabilities</b>	19	<u>(276,212)</u>	<u>(271,945)</u>
<b>Net assets</b>		<u><u>8,405,897</u></u>	<u><u>7,310,618</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	2,852,380	2,852,380
Capital redemption reserve		740,000	740,000
Profit and loss reserves		4,813,517	3,718,238
<b>Total equity</b>		<u><u>8,405,897</u></u>	<u><u>7,310,618</u></u>

The financial statements were approved by the board of directors and authorised for issue on 23 September 2020 and are signed on its behalf by:

  
A Siggins  
Director

Company Registration No. 00550374

# AIRFLOW DEVELOPMENTS LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2018</b>	2,852,380	740,000	5,789,962	9,382,342
<b>Year ended 31 December 2018:</b>				
Profit for the year	-	-	604,743	604,743
Other comprehensive income:				
Currency translation differences	-	-	35,954	35,954
<b>Total comprehensive income for the year</b>	-	-	640,697	640,697
<b>Balance at 31 December 2018</b>	2,852,380	740,000	6,430,659	10,023,039
<b>Year ended 31 December 2019:</b>				
Profit for the year	-	-	1,683,581	1,683,581
Other comprehensive income:				
Currency translation differences on overseas subsidiaries	-	-	(94,295)	(94,295)
<b>Total comprehensive income for the year</b>	-	-	1,589,286	1,589,286
<b>Balance at 31 December 2019</b>	2,852,380	740,000	8,019,945	11,612,325

# AIRFLOW DEVELOPMENTS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2018</b>	2,852,380	740,000	3,299,098	6,891,478
<b>Year ended 31 December 2018:</b>				
Profit and total comprehensive income for the year	-	-	419,140	419,140
<b>Balance at 31 December 2018</b>	2,852,380	740,000	3,718,238	7,310,618
<b>Year ended 31 December 2019:</b>				
Profit and total comprehensive income for the year	-	-	1,095,279	1,095,279
<b>Balance at 31 December 2019</b>	2,852,380	740,000	4,813,517	8,405,897

# AIRFLOW DEVELOPMENTS LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	28	979,508		871,005	
Interest paid		-		(84)	
Income taxes paid		(156,655)		(249,430)	
<b>Net cash inflow from operating activities</b>		<u>822,853</u>		<u>621,491</u>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(230,686)		(126,876)	
Proceeds on disposal of tangible fixed assets		917,635		-	
Interest received		<u>9,189</u>		<u>6,171</u>	
<b>Net cash generated from/(used in) investing activities</b>		696,138		(120,705)	
<b>Net cash used in financing activities</b>		<u>-</u>		<u>-</u>	
<b>Net increase in cash and cash equivalents</b>		1,518,991		500,786	
Cash and cash equivalents at beginning of year		4,129,052		3,592,446	
Effect of foreign exchange rates		<u>(94,295)</u>		<u>35,820</u>	
<b>Cash and cash equivalents at end of year</b>		<u><u>5,553,748</u></u>		<u><u>4,129,052</u></u>	

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

#### Company information

Airflow Developments Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Aidelle House, Lancaster Road, Cressex Business Park, High Wycombe, Buckinghamshire, United Kingdom, HP12 3QP.

The group consists of Airflow Developments Limited and all of its subsidiaries.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 Basis of consolidation

The consolidated financial statements incorporate those of Airflow Developments Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2019.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

#### 1.3 Going concern

The financial statements have been prepared on a going concern basis. The directors have reviewed and considered relevant information, including the annual budget and future cash flows in making their assessment. In particular, in response to the COVID-19 pandemic, the directors have tested their cash flow analysis to take into account the impact on their business of possible scenarios brought on by the impact of COVID-19, alongside the measures that they can take to mitigate the impact. Based on these assessments, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available, the directors have concluded that they can continue to adopt the going concern basis in preparing the annual report and accounts.

#### 1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

#### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

#### 1.6 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### 1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

#### 1.9 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.10 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

### 1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

The deferred tax balance is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.12 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### 1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.14 Retirement benefits

##### Defined Contribution Plan

Contributions payable to the defined contribution retirement benefit scheme for the period is recognised as:

- As a liability; after deducting any amount already paid
- As an expense as the amount falls due.

#### 1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### 1.16 Foreign exchange

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

Assets and liabilities of overseas subsidiaries are translated at the rate ruling at the balance sheet date and the trading figures are translated at the average exchange rate for the year. Exchange differences arising are dealt with through reserves.

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

The directors' judgement is applied when calculating the warranty and pension provisions.

#### Taxation

The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

#### Deferred taxation

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation rates and taxation rates.

3	Exceptional item	2019 £	2018 £
	Profit on disposal of property	(716,716)	-
4	Turnover and other revenue		

The company does not disclose its turnover by geographic market as it considers that it would be detrimental to its business.

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 5 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	(84,855)	(141,854)
Research and development costs	165,583	115,713
Depreciation of owned tangible fixed assets	216,359	197,608
Cost of stocks recognised as an expense	16,599,872	14,554,684
Operating lease charges	247,314	206,104
	<u>          </u>	<u>          </u>

### 6 Auditors' remuneration

	2019 £	2018 £
Fees payable to the company's auditor:		
For audit services		
Audit of the financial statements of the group and company	10,500	10,000
	<u>          </u>	<u>          </u>

### 7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	2019 Number	2018 Number
Manufacturing	18	19
Non-manufacturing	97	90
	<u>          </u>	<u>          </u>
	115	109
	<u>          </u>	<u>          </u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	4,902,303	4,593,189
Social security costs	207,089	217,289
Pension costs	693,118	623,555
	<u>          </u>	<u>          </u>
	5,802,510	5,434,033
	<u>          </u>	<u>          </u>

### Remuneration of key management personnel

There are no key management personnel other than the directors.

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 8 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	117,068	115,435
Company pension contributions to defined contribution schemes	5,963	5,850
	<u>123,031</u>	<u>121,285</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 1).

### 9 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	-	84
	<u>-</u>	<u>84</u>

### 10 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	9,189	6,171
	<u>9,189</u>	<u>6,171</u>

### 11 Taxation

	2019 £	2018 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	43,126	34,162
Adjustments in respect of prior periods	-	(25,622)
Overseas tax	134,224	-
	<u>177,350</u>	<u>8,540</u>
Total UK current tax		
Foreign current tax on profits for the current period	258,324	111,646
	<u>435,674</u>	<u>120,186</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	4,267	(1,381)
	<u>4,267</u>	<u>(1,381)</u>
Total tax charge for the year	<u>439,941</u>	<u>118,805</u>

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 11 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	2,123,522	723,548
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	403,469	137,474
Tax effect of expenses that are not deductible in determining taxable profit	22,059	10,048
Adjustments in respect of prior years	-	(25,622)
Research and development tax credit	(52,622)	(16,336)
Effective overseas tax	234,376	54,163
Taxation of capital gains	(136,176)	-
Patent box deduction	(31,165)	(40,922)
Taxation charge for the year	439,941	118,805

#### 12 Tangible fixed assets

Group	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2019	2,691,452	147,999	2,808,226	41,868	5,689,545
Additions	-	29,200	201,486	-	230,686
Disposals	(355,293)	(27,623)	(105,847)	-	(488,763)
At 31 December 2019	2,336,159	149,576	2,903,865	41,868	5,431,468
<b>Depreciation and impairment</b>					
At 1 January 2019	299,024	144,388	2,137,875	35,743	2,617,030
Depreciation charged in the year	43,707	6,513	164,389	1,750	216,359
Eliminated in respect of disposals	(154,374)	(27,623)	(105,847)	-	(287,844)
At 31 December 2019	188,357	123,278	2,196,417	37,493	2,545,545
<b>Carrying amount</b>					
At 31 December 2019	2,147,802	26,298	707,448	4,375	2,885,923
At 31 December 2018	2,392,428	3,611	670,351	6,125	3,072,515

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 12 Tangible fixed assets

(Continued)

Company	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2019	2,691,452	62,022	2,377,710	41,868	5,173,052
Additions	-	-	75,551	-	75,551
Disposals	(355,293)	-	-	-	(355,293)
At 31 December 2019	2,336,159	62,022	2,453,261	41,868	4,893,310
<b>Depreciation and impairment</b>					
At 1 January 2019	297,513	62,022	1,829,608	35,743	2,224,886
Depreciation charged in the year	43,707	-	107,399	1,750	152,856
Eliminated in respect of disposals	(154,374)	-	-	-	(154,374)
At 31 December 2019	186,846	62,022	1,937,007	37,493	2,223,368
<b>Carrying amount</b>					
At 31 December 2019	2,149,313	-	516,254	4,375	2,669,942
At 31 December 2018	2,393,939	-	548,102	6,125	2,948,166

### 13 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	14	-	-	70,892	70,892

### 14 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct
Airflow Lufttechnik GmbH Germany	Manufacture & distribution of air moving equipment.	Ordinary	100

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 15 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	3,474,127	3,329,044	1,700,998	1,816,052
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	1,847,678	1,979,017	804,703	1,028,980

### 16 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Finished goods and goods for resale	3,140,798	2,775,924	1,821,233	1,651,765

### 17 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
<b>Amounts falling due within one year:</b>				
Trade debtors	2,779,358	2,583,158	1,700,998	1,816,052
Other debtors	694,769	745,886	-	-
Prepayments and accrued income	192,886	201,633	136,737	114,817
	3,667,013	3,530,677	1,837,735	1,930,869

### 18 Creditors: amounts falling due within one year

	Group 2019 £	2018 £	Company 2019 £	2018 £
Trade creditors	363,124	699,224	130,716	301,490
Corporation tax payable	313,181	34,162	177,350	34,162
Other taxation and social security	505,697	454,119	348,055	357,648
Other creditors	942,042	757,244	495,623	487,937
Accruals and deferred income	542,512	522,549	178,364	239,553
	2,666,556	2,467,298	1,330,108	1,430,790

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 19 Provisions for liabilities

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Pension obligations		692,389	745,886	-	-
Warranty provision		225,000	225,000	225,000	225,000
		<u>917,389</u>	<u>970,886</u>	<u>225,000</u>	<u>225,000</u>
Deferred tax liabilities	20	51,212	46,945	51,212	46,945
		<u>968,601</u>	<u>1,017,831</u>	<u>276,212</u>	<u>271,945</u>

	Pension obligations £	Warranty provision £	Total £
<b>Group</b>			
At 1 January 2019	745,886	225,000	970,886
Reversal of provision	(53,497)	-	(53,497)
At 31 December 2019	<u>692,389</u>	<u>225,000</u>	<u>917,389</u>
	Pension obligations £	Warranty provision £	Total £
<b>Company</b>			
At 1 January 2019 and 31 December 2019	<u>-</u>	<u>225,000</u>	<u>225,000</u>

### 20 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2019 £	Liabilities 2018 £
<b>Group</b>		
Accelerated capital allowances	<u>51,212</u>	<u>46,945</u>
	Liabilities 2019 £	Liabilities 2018 £
<b>Company</b>		
Accelerated capital allowances	<u>51,212</u>	<u>46,945</u>

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

20 Deferred taxation		(Continued)	
	Group 2019 £	Company 2019 £	
<b>Movements in the year:</b>			
Liability at 1 January 2019	46,945	46,945	
Charge to profit or loss	4,267	4,267	
Liability at 31 December 2019	<u>51,212</u>	<u>51,212</u>	

21 Retirement benefit schemes		2019 £	2018 £
<b>Defined contribution schemes</b>			
Charge to profit and loss in respect of defined contribution schemes		<u>693,118</u>	<u>623,555</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund.

22 Share capital		Group and company	
		2019 £	2018 £
<b>Allotted, issued and fully paid</b>			
52,380 Ordinary shares of £1 each		52,380	52,380
2,800,000 Redeemable preference shares of £1 each		<u>2,800,000</u>	<u>2,800,000</u>
		<u>2,852,380</u>	<u>2,852,380</u>

The company has one class of ordinary shares which carry voting rights, rights to dividend distributions and rights on a company wind up.

The company has one class of preference shares which carry rights to dividend distributions and rights on a company wind up.

Called-up share capital - represents the nominal value of shares that have been issued.

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 23 Operating lease commitments

#### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Within one year	175,657	152,605	175,657	152,605
Between two and five years	277,077	284,986	277,077	284,986
	<u>452,734</u>	<u>437,591</u>	<u>452,734</u>	<u>437,591</u>

### 24 Parent company profit for year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

Parent company's profit for the financial year was £1,095,279 (2018: £419,140).

### 25 Controlling party

The immediate holding company is Top Air A.G, a company registered in Germany. The ultimate controlling company is M4 Verwaltungs GmbH, a company registered in Germany.

### 26 Related party transactions

The company is a wholly owned subsidiary of Top Air A.G, the consolidated financial statements of which are publically available. Accordingly, the company has taken advantage of the exemption in Section 33 of FRS 102 from disclosing transactions with other group companies of the Top Air A.G group.

# AIRFLOW DEVELOPMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 27 Financial risk management

#### Foreign exchange transactional currency exposure

The group is exposed to currency exchange risk, due to a proportion of its payables and operating expenses being denominated in non-Sterling currencies. The net exposure of each currency is closely monitored and managed by management.

#### Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows.

#### Customer credit exposure

The group may offer credit terms to its customers allowing payment of the debt after delivery of the goods and services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. The risk is mitigated by strong credit control, client acceptance procedures and close management of on-going customer relationships.

### 28 Cash generated from group operations

	2019 £	2018 £
Profit for the year after tax	1,683,581	604,743
Adjustments for:		
Taxation charged	439,941	118,805
Finance costs	-	84
Investment income	(9,189)	(6,171)
Gain on disposal of tangible fixed assets	(716,716)	-
Depreciation and impairment of tangible fixed assets	216,359	197,608
(Decrease)/increase in provisions	(53,497)	4,680
Movements in working capital:		
(Increase) in stocks	(364,874)	(318,950)
(Increase)/decrease in debtors	(136,336)	168,772
(Decrease)/increase in creditors	(79,761)	101,434
Cash generated from operations	979,508	871,005