

Company Registration No. 00550374 (England and Wales)

AIRFLOW DEVELOPMENTS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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AIRFLOW DEVELOPMENTS LIMITED

COMPANY INFORMATION

Directors	A Siggins G Mueller J Mueller
Secretary	G Müller
Company number	00550374
Registered office	Aidelle House Lancaster Road Cressex Business Park High Wycombe Buckinghamshire HP12 3QP
Auditor	Haines Watts Suite G02, Aston Court Kingsmead Business Park Frederick Place High Wycombe Buckinghamshire HP11 1JU
Bankers	HSBC Bank PLC 1 Corn Market High Wycombe Buckinghamshire HP11 2AY

AIRFLOW DEVELOPMENTS LIMITED

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AIRFLOW DEVELOPMENTS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Principal activities

The principal activity of the group continued to be the manufacture and distribution of ventilation equipment.

Fair review of the business

Sales were £26.3 million for the year compared to £26.4 million in 2019, a slight decrease due entirely to the impact of Covid-19. Margins increased to 37.8% despite the continued weakness of sterling following Brexit.

Administrative expenses were 4.6% lower than 2019 as a result of the directors taking action to reduce discretionary expenditure.

The group produced an Operating Profit of £2,313,320 compared to the previous year £2,114,333. Operating Profit is considered to be a key performance indicator of the group. Profit after Tax was £1,624,746 compared to £1,683,581 last year.

Future developments and risks

The group has a strong balance sheet with cash balances at year end standing at £7.6 million. The increase in the year of just over £2 million is due to the above-mentioned profits plus good control over working capital.

The group's range of products play an important part in bringing fresh air in and extracting the stale air out. These same products are also able to recover the energy already used to heat or cool the building. With the current emphasis on health and well-being, clean air in the home, the workplace and leisure facilities has never been more important. The group is positioned well to react to the increased awareness of the need for better indoor air quality. Regulations and directives continue to apply new minimums for energy efficiency and performance of ventilation products in the residential and commercial sectors and this has a positive impact on the value of the ventilation market. The group continues to develop new products to extend its range and also to meet these 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 retained most of its staff during the pandemic by reducing discretionary expenditure, utilising Government support schemes and setting up staff to work remotely from home. The group ensured that those people who had to attend the business worked in Covid-secure conditions.

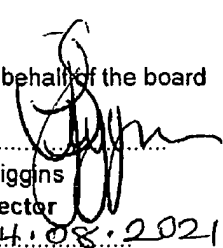
The group is grateful to all the staff that kept the business running during this unusual and difficult year.

The group sources many of its components in US dollars and Euros and is therefore at risk of adverse exchange rate movements which are considered to be the key risks/ uncertainties that the company faces. The directors manage this risk by hedging and invoicing its export customers in these currencies. The directors consider that the future prospects of the group are good.

Financial Control

The directors acknowledge responsibility for the company'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

04.08.2021

AIRFLOW DEVELOPMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

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

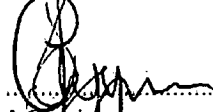
The results for the year are set out on page 8. The directors do not recommend payment of a final dividend.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the group'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 group's auditors are aware of that information.

On behalf of the board


.....
A Siggins
Director

04.08.2021

AIRFLOW DEVELOPMENTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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 2020 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 2020 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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

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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

AIRFLOW DEVELOPMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AIRFLOW DEVELOPMENTS LIMITED

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

During the audit we identify and assess the risk of material misstatements of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud and error; and to respond appropriately to those risks.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and the sector in which it operates. We determined that the following laws and regulations were most significant: The Companies Act 2006, UK GAAP, UK corporation tax laws and the Data Protection Act.
- We obtained an understanding of how the group are complying with those legal and regulatory frameworks and made enquiries to the management of known or suspected instances of fraud and non-compliance with laws and regulations.
- We corroborated our enquiries, where possible, through our review of board minutes, other relevant meeting minutes and review of correspondence with regulatory bodies and also obtained management representations regarding compliance with applicable laws and regulations.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the audit team included:

- Identifying and assessing the controls, management has in place to prevent and detect fraud, including the existence of supervisory controls;
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process including the existence of a monthly management accounts review process;
- Challenging assumptions and judgements made by management in its significant accounting estimates and judgements, (in particular in relation to depreciation and provisioning in respect of stock, bad debts and warranty claims);
- Identifying and testing journal entries, in particular journal entries posted with usual account combinations; and
- Assessing the extent of compliance with the relevant laws and regulations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations are from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusions. There is always the unavoidable risks that material misstatements in the financial statements may not be detected despite the audit being properly performed in accordance with UK Auditing standards.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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

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

04/08/2021

Chartered Accountants
Statutory Auditor

Suite G02 Aston Court
Kingsmead Business Park
Frederick Place
High Wycombe
Buckinghamshire
United Kingdom
HP11 1JU

AIRFLOW DEVELOPMENTS LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	4	26,262,081	26,364,658
Cost of sales		(16,329,165)	(16,599,872)
Gross profit		9,932,916	9,764,786
Administrative expenses		(8,149,631)	(8,542,811)
Other operating income		530,035	175,642
Exceptional item	3	-	716,716
Operating profit	5	2,313,320	2,114,333
Interest receivable and similar income	9	5,905	9,189
Profit before taxation		2,319,225	2,123,522
Tax on profit	10	(694,479)	(439,941)
Profit for the financial year		1,624,746	1,683,581

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 2020

	2020 £	2019 £
Profit for the year	1,624,746	1,683,581
Other comprehensive income		
Currency translation differences	181,524	(94,295)
Total comprehensive income for the year	<u>1,806,270</u>	<u>1,589,286</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 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	11		2,735,265		2,885,923
Current assets					
Stocks	15	3,231,840		3,140,798	
Debtors	16	4,001,222		3,667,013	
Cash at bank and in hand		7,605,595		5,553,748	
		14,838,657		12,361,559	
Creditors: amounts falling due within one year	17	(2,941,228)		(2,666,556)	
Net current assets			11,897,429		9,695,003
Total assets less current liabilities			14,632,694		12,580,926
Provisions for liabilities					
Provisions	19	1,146,834		917,389	
Deferred tax liability	20	67,265		51,212	
			(1,214,099)		(968,601)
Net assets			13,418,595		11,612,325
Capital and reserves					
Called up share capital	22		2,852,380		2,852,380
Capital redemption reserve			740,000		740,000
Profit and loss reserves			9,826,215		8,019,945
Total equity			13,418,595		11,612,325

The financial statements were approved by the board of directors and authorised for issue on 04.08.2021 and signed on its behalf by:

A Siggins
Director

AIRFLOW DEVELOPMENTS LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	11	2,556,000		2,669,942	
Investments	12	70,892		70,892	
		<u>2,626,892</u>		<u>2,740,834</u>	
Current assets					
Stocks	15	1,875,684		1,821,233	
Debtors	16	1,675,363		1,837,735	
Cash at bank and in hand		5,101,463		3,612,415	
		<u>8,652,510</u>		<u>7,271,383</u>	
Creditors: amounts falling due within one year	17	<u>(1,902,280)</u>		<u>(1,330,108)</u>	
Net current assets		<u>6,750,230</u>		<u>5,941,275</u>	
Total assets less current liabilities		<u>9,377,122</u>		<u>8,682,109</u>	
Provisions for liabilities					
Provisions	19	225,000		225,000	
Deferred tax liability	20	67,265		51,212	
		<u>(292,265)</u>		<u>(276,212)</u>	
Net assets		<u>9,084,857</u>		<u>8,405,897</u>	
Capital and reserves					
Called up share capital	22	2,852,380		2,852,380	
Capital redemption reserve		740,000		740,000	
Profit and loss reserves		5,492,477		4,813,517	
Total equity		<u>9,084,857</u>		<u>8,405,897</u>	

The financial statements were approved by the board of directors and authorised for issue on 04.08.2021.. and are signed on its behalf by:

.....
A Siggils
Director

Company Registration No. 00550374

AIRFLOW DEVELOPMENTS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2019	2,852,380	740,000	6,430,659	10,023,039
Year ended 31 December 2019:				
Profit for the year	-	-	1,683,581	1,683,581
Other comprehensive income:				
Currency translation differences	-	-	(94,295)	(94,295)
Total comprehensive income for the year	-	-	1,589,286	1,589,286
Balance at 31 December 2019	2,852,380	740,000	8,019,945	11,612,325
Year ended 31 December 2020:				
Profit for the year	-	-	1,624,746	1,624,746
Other comprehensive income:				
Currency translation differences on overseas subsidiaries	-	-	181,524	181,524
Total comprehensive income for the year	-	-	1,806,270	1,806,270
Balance at 31 December 2020	2,852,380	740,000	9,826,215	13,418,595

AIRFLOW DEVELOPMENTS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2019	2,852,380	740,000	3,718,238	7,310,618
Year ended 31 December 2019:				
Profit and total comprehensive income for the year	-	-	1,095,279	1,095,279
Balance at 31 December 2019	2,852,380	740,000	4,813,517	8,405,897
Year ended 31 December 2020:				
Profit and total comprehensive income for the year	-	-	678,960	678,960
Balance at 31 December 2020	2,852,380	740,000	5,492,477	9,084,857

AIRFLOW DEVELOPMENTS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from operations	28	2,537,309		979,508	
Income taxes paid		(532,238)		(156,655)	
Net cash inflow from operating activities		<u>2,005,071</u>		<u>822,853</u>	
Investing activities					
Purchase of tangible fixed assets		(140,653)		(230,686)	
Proceeds on disposal of tangible fixed assets		-		917,635	
Interest received		5,905		9,189	
Net cash (used in)/generated from investing activities		<u>(134,748)</u>		<u>696,138</u>	
Net cash used in financing activities			-		-
Net increase in cash and cash equivalents		<u>1,870,323</u>		<u>1,518,991</u>	
Cash and cash equivalents at beginning of year		5,553,748		4,129,052	
Effect of foreign exchange rates		181,524		(94,295)	
Cash and cash equivalents at end of year		<u><u>7,605,595</u></u>		<u><u>5,553,748</u></u>	

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020.

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 2020

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 and cash equivalents 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 2020

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 2020

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 2020

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 profit or loss 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 leased asset are consumed.

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.17 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 2020

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	2020 £	2019 £
	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 2020

5 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(82,342)	(84,855)
Research and development costs	164,064	165,583
Government grants	(320,468)	-
Depreciation of owned tangible fixed assets	291,311	216,359
Cost of stocks recognised as an expense	16,329,165	16,599,872
Operating lease charges	262,583	247,314

6 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor:		
For audit services		
Audit of the financial statements of the group and company	10,850	10,500

7 Employees

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

	2020 Number	2019 Number
Manufacturing	17	18
Non-manufacturing	97	97
	114	115

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	4,856,023	4,902,303
Social security costs	222,574	207,089
Pension costs	736,815	693,118
	5,815,412	5,802,510

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 2020

8 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	128,802	117,068
Company pension contributions to defined contribution schemes	7,200	5,963
	<u>136,002</u>	<u>123,031</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 1).

9 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	<u>5,905</u>	<u>9,189</u>

10 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	115,967	43,126
Overseas tax	-	134,224
Total UK current tax	<u>115,967</u>	<u>177,350</u>
Foreign current tax on profits for the current period	<u>562,459</u>	<u>258,324</u>
Total current tax	<u>678,426</u>	<u>435,674</u>
Deferred tax		
Origination and reversal of timing differences	<u>16,053</u>	<u>4,267</u>
Total tax charge for the year	<u>694,479</u>	<u>439,941</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Taxation

(Continued)

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

	2020 £	2019 £
Profit before taxation	2,319,225	2,123,522
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	440,653	403,469
Tax effect of expenses that are not deductible in determining taxable profit	41,212	22,059
Research and development tax credit	(25,439)	(52,622)
Effective overseas tax	275,945	234,376
Taxation of capital gains	-	(136,176)
Patent box deduction	(37,892)	(31,165)
Taxation charge for the year	694,479	439,941

11 Tangible fixed assets

Group	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2020	2,336,159	149,576	2,903,865	41,868	5,431,468
Additions	-	-	140,653	-	140,653
Disposals	-	-	(21,148)	-	(21,148)
At 31 December 2020	2,336,159	149,576	3,023,370	41,868	5,550,973
Depreciation and impairment					
At 1 January 2020	188,357	123,278	2,196,417	37,493	2,545,545
Depreciation charged in the year	36,771	11,004	239,161	4,375	291,311
Eliminated in respect of disposals	-	-	(21,148)	-	(21,148)
At 31 December 2020	225,128	134,282	2,414,430	41,868	2,815,708
Carrying amount					
At 31 December 2020	2,111,031	15,294	608,940	-	2,735,265
At 31 December 2019	2,147,802	26,298	707,448	4,375	2,885,923

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Tangible fixed assets (Continued)

Company	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2020	2,336,159	62,022	2,453,261	41,868	4,893,310
Additions	-	-	92,430	-	92,430
At 31 December 2020	2,336,159	62,022	2,545,691	41,868	4,985,740
Depreciation and impairment					
At 1 January 2020	186,846	62,022	1,937,007	37,493	2,223,368
Depreciation charged in the year	36,771	-	165,226	4,375	206,372
At 31 December 2020	223,617	62,022	2,102,233	41,868	2,429,740
Carrying amount					
At 31 December 2020	2,112,542	-	443,458	-	2,556,000
At 31 December 2019	2,149,313	-	516,254	4,375	2,669,942

12 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	13	-	-	70,892	70,892

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 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 2020

14 Financial instruments

	Group 2020 £	2019 £	Company 2020 £	2019 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	3,763,357	3,474,127	1,554,947	1,700,998
Carrying amount of financial liabilities				
Measured at amortised cost	2,011,366	1,847,678	1,348,314	804,703

15 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Finished goods and goods for resale	3,231,840	3,140,798	1,875,684	1,821,233

16 Debtors

	Group 2020 £	2019 £	Company 2020 £	2019 £
Amounts falling due within one year:				
Trade debtors	2,840,086	2,779,358	1,554,947	1,700,998
Other debtors	923,271	694,769	-	-
Prepayments and accrued income	237,865	192,886	120,416	136,737
	4,001,222	3,667,013	1,675,363	1,837,735

17 Creditors: amounts falling due within one year

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Loans and overdrafts	18	-	-	284,930	-
Trade creditors		496,483	363,124	273,999	130,716
Corporation tax payable		459,369	313,181	133,697	177,350
Other taxation and social security		470,493	505,697	420,269	348,055
Other creditors		1,015,221	942,042	593,772	495,623
Accruals and deferred income		499,662	542,512	195,613	178,364
		2,941,228	2,666,556	1,902,280	1,330,108

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Loans and overdrafts

	Group 2020 £	2019 £	Company 2020 £	2019 £
Loans from group undertakings	-	-	284,930	-
Payable within one year	-	-	284,930	-

19 Provisions for liabilities

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Pension obligations		921,834	692,389	-	-
Warranty provision		225,000	225,000	225,000	225,000
Deferred tax liabilities	20	1,146,834 67,265	917,389 51,212	225,000 67,265	225,000 51,212
		1,214,099	968,601	292,265	276,212

	Pension obligations £	Warranty provision £	Total £
Group			
At 1 January 2020	692,389	225,000	917,389
Additional provisions in the year	229,445	-	229,445
At 31 December 2020	921,834	225,000	1,146,834
Company			
At 1 January 2020 and 31 December 2020	-	225,000	225,000

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 £	Liabilities 2019 £
Group		
Accelerated capital allowances	67,265	51,212

	Liabilities 2020 £	Liabilities 2019 £
Company		
Accelerated capital allowances	67,265	51,212

	Group 2020 £	Company 2020 £
Movements in the year:		
Liability at 1 January 2020	51,212	51,212
Charge to profit or loss	16,053	16,053
Liability at 31 December 2020	67,265	67,265

21 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	736,815	693,118

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.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

22 Share capital

	Group and company	
	2020	2019
	£	£
Allotted, issued and fully paid		
52,380 Ordinary shares of £1 each	52,380	52,380
2,800,000 Redeemable preference shares of £1 each	2,800,000	2,800,000
	<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.

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		Company	
	2020	2019	2020	2019
	£	£	£	£
Within one year	142,148	175,657	142,148	175,657
Between two and five years	124,585	277,077	124,585	277,077
	<u>266,733</u>	<u>452,734</u>	<u>266,733</u>	<u>452,734</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 £678,960 (2019: £1,095,279).

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.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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

	2020 £	2019 £
Profit for the year after tax	1,624,746	1,683,581
Adjustments for:		
Taxation charged	694,479	439,941
Investment income	(5,905)	(9,189)
Gain on disposal of tangible fixed assets	-	(716,716)
Depreciation and impairment of tangible fixed assets	291,311	216,359
Increase/(decrease) in provisions	229,445	(53,497)
Movements in working capital:		
(Increase) in stocks	(91,042)	(364,874)
(Increase) in debtors	(334,209)	(136,336)
Increase/(decrease) in creditors	128,484	(79,761)
Cash generated from operations	2,537,309	979,508