Company Registration No. 00550374 (England and Wales)

# AIRFLOW DEVELOPMENTS LIMITED

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

MONDAY
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COMPANIES HOUSE

# AIRFLOW DEVELOPMENTS LIMITED

## COMPANY INFORMATION

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

# AIRFLOW DEVELOPMENTS LIMITED

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# AIRFLOW DEVELOPMENTS LIMITED

## STRATEGIC REPORT

## *FOR THE YEAR ENDED 31 DECEMBER 2015*

The directors present the strategic report and financial statements for the year ended 31 December 2015.

**Fair review of the business**

Sales were £17.9 million for the year compared to £15.7 million in 2014, an increase of 14% with both the UK and the German operations performing well. At constant exchange rates this growth is 17%.

Margins dropped to 41% reflecting the increase in high-value, lower-margin sales of heat recovery systems.

Expenditure was 9.7% higher than 2014 due to planned increases in personnel and marketing costs in order to gain further increases in market share.

The group produced an Operating Profit of £808,726 compared to the previous year £724,373. Profit before Tax was £810,981, 13.8% higher than last year.

**Future Developments and risks**

The group has a strong balance sheet with cash balances at year end standing at £2,774K, an increase of £1,140k on the previous year end.

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 products in US dollars and Euros and is therefore at risk of adverse exchange rate movements. The directors manage this risk by maintaining significant funds in both currencies which are purchased whenever rates are thought to be favourable. In addition nearly 50% of the company's sales are invoiced in either Euros or US dollars and this partially offsets any such adverse variances.

The directors consider that the future prospects of the company are good.

On behalf of the board

.....

A Siggins

**Director**

1/6/16

.....

# AIRFLOW DEVELOPMENTS LIMITED

## DIRECTORS' REPORT

## *FOR THE YEAR ENDED 31 DECEMBER 2015*

The directors present their annual report and financial statements for the year ended 31 December 2015.

**Principal activities**
The principal activity of the company and group continued to be the manufacture and distribution of air moving equipment.

**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
J Mueller
G Mueller

**Results and dividends**
The results for the year are set out on page 6. The directors do not recommend payment of a final dividend.

**Statement of disclosure to auditors**
(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**
19/9/16
.....

# AIRFLOW DEVELOPMENTS LIMITED

## DIRECTORS' RESPONSIBILITIES STATEMENT

### *FOR THE YEAR ENDED 31 DECEMBER 2015*

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

We have audited the group and parent company financial statements (the "financial statements") of Airflow Developments Limited for the year ended 31 December 2015 set out on pages 6 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

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 2015 and of its 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.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## TO THE MEMBERS OF AIRFLOW DEVELOPMENTS LIMITED

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

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.

**Colin Fletcher (Senior Statutory Auditor)**
**for and on behalf of Haines Watts**

1 September 2016

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

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

# AIRFLOW DEVELOPMENTS LIMITED

## CONSOLIDATED INCOME STATEMENT

### *FOR THE YEAR ENDED 31 DECEMBER 2015*

| | Notes | 2015<br>£ | 2014<br>£ |
|---|---|---|---|
| Turnover | 4 | 17,847,102 | 15,686,223 |
| Cost of sales | | (10,504,313) | (9,008,889) |
| **Gross profit** | | 7,342,789 | 6,677,334 |
| Administrative expenses | | (6,671,242) | (6,085,329) |
| Other operating income | | 137,179 | 132,368 |
| **Operating profit** | 5 | 808,726 | 724,373 |
| Interest receivable and similar income | 9 | 2,687 | 2,131 |
| Interest payable and similar charges | 10 | (432) | (13,801) |
| **Profit before taxation** | | 810,981 | 712,703 |
| Taxation | 11 | (211,583) | (129,026) |
| **Profit for the financial year** | 24 | 599,398 | 583,677 |

The income statement has been prepared on the basis that all operations are continuing operations.

# AIRFLOW DEVELOPMENTS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### *FOR THE YEAR ENDED 31 DECEMBER 2015*

| | 2015<br>£ | 2014<br>£ |
|---|---|---|
| **Profit for the year** | 599,398 | 583,677 |
| **Other comprehensive income** | | |
| Currency translation differences | (86,717) | (99,907) |
| **Total comprehensive income for the year** | 512,681 | 483,770 |

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

# AIRFLOW DEVELOPMENTS LIMITED

## GROUP STATEMENT OF FINANCIAL POSITION

### *AS AT 31 DECEMBER 2015*

| | Notes | 2015 £ | 2015 £ | 2014 £ | 2014 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | **12** | | 2,752,447 | | 2,772,546 |
| **Current assets** | | | | | |
| Stocks | **16** | 2,207,434 | | 2,474,466 | |
| Debtors | **17** | 3,467,443 | | 3,053,243 | |
| Cash at bank and in hand | | 2,774,434 | | 1,634,905 | |
| | | 8,449,311 | | 7,162,614 | |
| **Creditors: falling due within one year** | **18** | (2,253,388) | | (1,543,393) | |
| Net current assets | | | 6,195,923 | | 5,619,221 |
| **Total assets less current liabilities** | | | 8,948,370 | | 8,391,767 |
| **Provisions for liabilities** | **19** | | (563,273) | | (519,351) |
| **Net assets** | | | 8,385,097 | | 7,872,416 |
| **Capital and reserves** | | | | | |
| Called up share capital | **22** | | 2,852,380 | | 2,852,380 |
| Capital redemption reserve | **23** | | 740,000 | | 740,000 |
| Profit and loss reserves | **24** | | 4,792,717 | | 4,280,036 |
| **Equity attributable to owners of the parent company** | | | 8,385,097 | | 7,872,416 |

The financial statements were approved by the board of directors and authorised for issue on 1/9/16 and are signed on its behalf by:

.....

A Siggins
**Director**

# AIRFLOW DEVELOPMENTS LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION

### *AS AT 31 DECEMBER 2015*

| | Notes | 2015 £ | 2015 £ | 2014 £ | 2014 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | **12** | | 2,665,751 | | 2,667,390 |
| Investments | **13** | | 70,892 | | 70,892 |
| | | | 2,736,643 | | 2,738,282 |
| **Current assets** | | | | | |
| Stocks | **16** | 1,479,899 | | 1,536,869 | |
| Debtors | **17** | 1,891,776 | | 1,798,694 | |
| Cash at bank and in hand | | 1,843,962 | | 1,280,779 | |
| | | 5,215,637 | | 4,616,342 | |
| **Creditors: falling due within one year** | **18** | (1,226,384) | | (992,442) | |
| Net current assets | | | 3,989,253 | | 3,623,900 |
| **Total assets less current liabilities** | | | 6,725,896 | | 6,362,182 |
| **Provisions for liabilities** | **19** | | (108,324) | | (102,000) |
| **Net assets** | | | 6,617,572 | | 6,260,182 |
| **Capital and reserves** | | | | | |
| Called up share capital | **22** | | 2,852,380 | | 2,852,380 |
| Capital redemption reserve | **23** | | 740,000 | | 740,000 |
| Profit and loss reserves | **24** | | 3,025,192 | | 2,667,802 |
| **Total equity** | | | 6,617,572 | | 6,260,182 |

The financial statements were approved by the board of directors and authorised for issue on 1/9/16 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 2015*

| | Notes | Share capital £ | Capital redemption reserve £ | Profit and loss reserves £ | Total £ | Total £ |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | | 52,380 | 740,000 | 3,796,266 | 4,588,646 | 4,588,646 |
| **Period ended 31 December 2014:** | | | | | | |
| Profit for the year | | - | - | 583,677 | 583,677 | 583,677 |
| Other comprehensive income: | | | | | | - |
| Currency translation differences | | - | - | (99,907) | (99,907) | (99,907) |
| Total comprehensive income for the year | | - | - | 483,770 | 483,770 | 483,770 |
| Bonus issue of shares | 22 | 2,800,000 | - | - | 2,800,000 | 2,800,000 |
| **Balance at 31 December 2014** | | 2,852,380 | 740,000 | 4,280,036 | 7,872,416 | 7,872,416 |
| **Period ended 31 December 2015:** | | | | | | |
| Profit for the year | | - | - | 599,398 | 599,398 | 599,398 |
| Other comprehensive income: | | | | | | |
| Currency translation differences on overseas subsidiaries | | - | - | (86,717) | (86,717) | (86,717) |
| Total comprehensive income for the year | | - | - | 512,681 | 512,681 | 512,681 |
| **Balance at 31 December 2015** | | 2,852,380 | 740,000 | 4,792,717 | 8,385,097 | 8,385,097 |

# AIRFLOW DEVELOPMENTS LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

### *FOR THE YEAR ENDED 31 DECEMBER 2015*

| | Notes | Share capital £ | Capital redemption reserve £ | Profit and loss reserves £ | Total £ |
|---|---|---|---|---|---|
| **Balance at 1 January 2014** | | 52,380 | 740,000 | 2,223,404 | 3,015,784 |
| **Period ended 31 December 2014:** | | | | | |
| Profit and total comprehensive income for the year | | - | - | 444,398 | 444,398 |
| Bonus issue of shares | **22** | 2,800,000 | - | - | 2,800,000 |
| **Balance at 31 December 2014** | | 2,852,380 | 740,000 | 2,667,802 | 6,260,182 |
| **Period ended 31 December 2015:** | | | | | |
| Profit and total comprehensive income for the year | | - | - | 357,390 | 357,390 |
| **Balance at 31 December 2015** | | 2,852,380 | 740,000 | 3,025,192 | 6,617,572 |

# AIRFLOW DEVELOPMENTS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

### *FOR THE YEAR ENDED 31 DECEMBER 2015*

| | Notes | 2015 £ | 2015 £ | 2014 £ | 2014 £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 31 | | 1,499,537 | | 764,203 |
| Interest paid | | | (432) | | (13,801) |
| Income taxes paid | | | (130,811) | | (62,795) |
| **Net cash inflow from operating activities** | | | 1,368,294 | | 687,607 |
| **Investing activities** | | | | | |
| Purchase of tangible fixed assets | | (145,084) | | (88,016) | |
| Proceeds on disposal of tangible fixed assets | | 349 | | 1,251 | |
| Interest received | | 2,687 | | 2,131 | |
| **Net cash used in investing activities** | | | (142,048) | | (84,634) |
| **Financing activities** | | | | | |
| Net effect of foreign exchange differences | | (86,717) | | (99,907) | |
| Issue of preference shares | | - | | 2,800,000 | |
| Repayment of preference shares | | - | | (2,800,000) | |
| **Net cash used in financing activities** | | | (86,717) | | (99,907) |
| **Net increase in cash and cash equivalents** | | | 1,139,529 | | 503,066 |
| Cash and cash equivalents at beginning of year | | | 1,634,905 | | 1,131,839 |
| **Cash and cash equivalents at end of year** | | | 2,774,434 | | 1,634,905 |

### 1 Authorisation of financial statements and statement of compliance with FRS 102 Accounting policies

The financial statements of Airflow Developments Limited (the "group") were authorised for issue by the Board of Directors and the balance sheet has been signed on the board's behalf by A. Siggins. Airflow Developments Limited is a limited company domiciled and incorporated in England and Wales. The registered office is Aidelle House, Lancaster Road, Cressex Business Park, High Wycombe, Bucks, United Kingdom, HP12 3QP.

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' as it applies to the financial statements as at 31 December 2015.

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 principal accounting policies adopted are set out below in note 2.

### 2 Accounting policies

#### 2.1 Basis of preparation

Airflow Developments Limited transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

#### 2.2 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 2015.

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.

#### 2.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 2.4 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.

**2 Accounting policies** **(Continued)**

**2.5 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 income statement.

**2.6 Impairment of fixed assets**

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible 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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**2.7 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.

**2 Accounting policies** **(Continued)**

**2.8 Cash and cash equivalents**

Cash and cash equivalents 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.

**2.9 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 statement of financial position 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 trade and other receivables 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.

***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 publically 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.

**2 Accounting policies** **(Continued)**

***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.

Basic financial liabilities, including trade and other payables, 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 receipts discounted at a market rate of interest.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 payables 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.

**2.10 Equity instruments**

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

**2.11 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 income statement 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.

**2 Accounting policies** **(Continued)**

***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.

**2.12 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 in measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

**2.13 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.

**2.14 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 fall due.

**2.15 Leases**

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

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.

**2 Accounting policies** **(Continued)**

**2.16 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.

**3 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 dilapidations 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.

## 4 Turnover

**Turnover analysed by geographical market**

| | 2015 £ | 2014 £ |
|---|---|---|
| UK | 9,315,320 | 8,036,544 |
| Overseas | 8,531,782 | 7,649,679 |
| | 17,847,102 | 15,686,223 |

## 5 Operating profit

| | 2015 £ | 2014 £ |
|---|---|---|
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange losses/(gains) | (88,113) | (167,022) |
| Research and development costs | 97,982 | 98,062 |
| Depreciation of owned tangible fixed assets | 165,400 | 119,048 |
| (Profit)/Loss on disposal of tangible fixed assets | (567) | 6,331 |
| Cost of stocks recognised as an expense | 10,504,313 | 9,008,889 |
| Operating lease charges | 175,891 | 156,662 |

## 6 Auditors' remuneration

| Fees payable to the company's auditor: | 2015 £ | 2014 £ |
|---|---|---|
| **For audit services** | | |
| Audit of the financial statements of the group and company | 14,500 | 14,500 |

## 7 Employees

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

| | 2015 Number | 2014 Number |
|---|---|---|
| Manufacturing | 20 | 19 |
| Non-manufacturing | 76 | 72 |
| | 96 | 91 |

## 7 Employees (Continued)

Their aggregate remuneration comprised:

| | 2015 £ | 2014 £ |
|---|---|---|
| Wages and salaries | 3,523,188 | 3,351,623 |
| Social security costs | 201,813 | 187,834 |
| Pension costs | 413,444 | 376,333 |
| | 4,138,445 | 3,915,790 |

## 8 Directors' remuneration

| | 2015 £ | 2014 £ |
|---|---|---|
| Remuneration for qualifying services | 102,730 | 111,502 |
| Company pension contributions to defined contribution schemes | 5,330 | 2,250 |
| | 108,060 | 113,752 |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2014 - 1).

## 9 Interest receivable and similar income

| | 2015 £ | 2014 £ |
|---|---|---|
| **Interest income** | | |
| Interest on bank deposits | 2,687 | 2,131 |

## 10 Interest payable and similar charges

| | 2015 £ | 2014 £ |
|---|---|---|
| **Interest on financial liabilities measured at amortised cost:** | | |
| Interest on bank overdrafts and loans | 432 | 13,801 |

## 11 Taxation

| | 2015 £ | 2014 £ |
|---|---|---|
| **Current tax** | | |
| UK corporation tax on profits for the current period | 19,346 | 216 |
| Adjustments in respect of prior periods | - | (12,921) |
| Total UK current tax | 19,346 | (12,705) |
| Foreign current tax on profits for the current period | 124,271 | 73,388 |
| Total current tax | 143,617 | 60,683 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 67,966 | 68,343 |
| Total tax charge | 211,583 | 129,026 |

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

| | 2015 £ | 2014 £ |
|---|---|---|
| Profit before taxation | 810,981 | 712,703 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2014: 21.00%) | 162,196 | 149,668 |
| Tax effect of expenses that are not deductible in determining taxable profit | 11,800 | 1,018 |
| Adjustments in respect of prior years | - | (12,921) |
| Double tax relief | (1,760) | (6,393) |
| Research and development tax credit | (23,715) | (26,211) |
| Other non-reversing timing differences | 10,391 | (6,580) |
| Effect of overseas tax rates | 52,671 | 30,445 |
| Tax expense for the year | 211,583 | 129,026 |

## 12 Tangible fixed assets

| Group | Land and buildings Freehold | Plant and machinery | Fixtures, fittings & equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Cost** | | | | | |
| At 1 January 2015 | 2,691,452 | 137,554 | 1,924,606 | 34,868 | 4,788,480 |
| Additions | - | 3,514 | 141,570 | - | 145,084 |
| Disposals | - | - | (4,333) | - | (4,333) |
| At 31 December 2015 | 2,691,452 | 141,068 | 2,061,843 | 34,868 | 4,929,231 |
| **Depreciation and impairment** | | | | | |
| At 1 January 2015 | 149,408 | 127,702 | 1,719,937 | 18,888 | 2,015,935 |
| Depreciation charged in the year | 35,667 | 9,136 | 116,602 | 3,995 | 165,400 |
| Eliminated in respect of disposals | - | - | (4,551) | - | (4,551) |
| At 31 December 2015 | 185,075 | 136,838 | 1,831,988 | 22,883 | 2,176,784 |
| **Carrying amount** | | | | | |
| At 31 December 2015 | 2,506,377 | 4,230 | 229,855 | 11,985 | 2,752,447 |
| At 31 December 2014 | 2,542,044 | 9,852 | 204,670 | 15,980 | 2,772,546 |

| Company | Land and buildings Freehold | Plant and machinery | Fixtures, fittings & equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Cost** | | | | | |
| At 1 January 2015 | 2,691,452 | 62,022 | 1,586,718 | 34,868 | 4,375,060 |
| Additions | - | - | 124,252 | - | 124,252 |
| At 31 December 2015 | 2,691,452 | 62,022 | 1,710,970 | 34,868 | 4,499,312 |
| **Depreciation and impairment** | | | | | |
| At 1 January 2015 | 147,897 | 62,022 | 1,478,863 | 18,888 | 1,707,670 |
| Depreciation charged in the year | 35,667 | - | 86,229 | 3,995 | 125,891 |
| At 31 December 2015 | 183,564 | 62,022 | 1,565,092 | 22,883 | 1,833,561 |
| **Carrying amount** | | | | | |
| At 31 December 2015 | 2,507,888 | - | 145,878 | 11,985 | 2,665,751 |
| At 31 December 2014 | 2,542,044 | - | 109,366 | 15,980 | 2,667,390 |

## 13 Fixed asset investments

| | Notes | Group 2015 £ | Group 2014 £ | Company 2015 £ | Company 2014 £ |
|---|---|---|---|---|---|
| Investments in subsidiaries | 14 | - | - | 70,892 | 70,892 |

## 14 Subsidiaries

Details of the company's subsidiaries at 31 December 2015 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 equiptment. | Ordinary | 100 |

The aggregate capital and reserves and the profit for the year of the subsidiaries noted above was as follows:

| Name of undertaking | Profit for year £ | Capital and Reserves £ |
|---|---|---|
| Airflow Lufttechnik GmbH | 241,204 | 1,888,841 |

## 15 Financial instruments

| | Group 2015 £ | Group 2014 £ | Company 2015 £ | Company 2014 £ |
|---|---|---|---|---|
| **Carrying amount of financial assets** | | | | |
| Debt instruments measured at amortised cost | 3,337,960 | 2,884,833 | 1,775,734 | 1,630,284 |
| Equity instruments measured at cost less impairment | - | - | 70,892 | 70,892 |
| **Carrying amount of financial liabilities** | | | | |
| Measured at amortised cost | 1,634,675 | 1,084,881 | 863,776 | 652,367 |

## 16 Stocks

| | Group 2015 £ | Group 2014 £ | Company 2015 £ | Company 2014 £ |
|---|---|---|---|---|
| Finished goods and goods for resale | 2,207,434 | 2,474,466 | 1,479,899 | 1,536,869 |

## 17 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Amounts falling due within one year:** | £ | £ | £ | £ |
| Trade debtors | 2,869,107 | 2,394,788 | 1,775,628 | 1,622,642 |
| Other debtors | 468,853 | 490,045 | 106 | 7,642 |
| Prepayments and accrued income | 129,483 | 106,768 | 116,042 | 106,768 |
| | 3,467,443 | 2,991,601 | 1,891,776 | 1,737,052 |
| Deferred tax asset (note 20) | - | 61,642 | - | 61,642 |
| | 3,467,443 | 3,053,243 | 1,891,776 | 1,798,694 |

## 18 Creditors: falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | £ | £ | £ | £ |
| Corporation tax payable | 19,346 | 216 | 19,346 | 216 |
| Other taxation and social security | 599,367 | 458,296 | 343,262 | 339,859 |
| Trade creditors | 625,027 | 379,668 | 150,176 | 144,483 |
| Amounts due to subsidiary undertakings | - | - | 73,609 | 45,627 |
| Other creditors | 588,900 | 433,338 | 391,931 | 325,911 |
| Accruals and deferred income | 420,748 | 271,875 | 248,060 | 136,346 |
| | 2,253,388 | 1,543,393 | 1,226,384 | 992,442 |

## 19 Provisions for liabilities

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 |
| | Notes | £ | £ | £ | £ |
| Pension obligations | | 454,949 | 417,351 | - | - |
| Warranty provision | | 102,000 | 102,000 | 102,000 | 102,000 |
| Deferred tax liabilities | 20 | 6,324 | - | 6,324 | - |
| | | 563,273 | 519,351 | 108,324 | 102,000 |

## 19 Provisions for liabilities (Continued)

Movements on provisions apart from deferred tax liabilities:

| Group | Pension obligations £ | Warranty provision £ | Total £ |
|---|---|---|---|
| At 1 January 2015 | 417,351 | 102,000 | 519,351 |
| Additional provisions in the year | 37,598 | - | 37,598 |
| At 31 December 2015 | 454,949 | 102,000 | 556,949 |

| Company | Warranty provision £ | Total £ |
|---|---|---|
| At 1 January 2015 | 102,000 | 102,000 |
| At 31 December 2015 | 102,000 | 102,000 |

## 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:

| Group | Liabilities 2015 £ | Liabilities 2014 £ | Assets 2015 £ | Assets 2014 £ |
|---|---|---|---|---|
| Decelerated capital allowances | 6,324 | - | - | 6,299 |
| Tax losses | - | - | - | 55,343 |
| | 6,324 | - | - | 61,642 |

| Company | Liabilities 2015 £ | Liabilities 2014 £ | Assets 2015 £ | Assets 2014 £ |
|---|---|---|---|---|
| Decelerated capital allowances | 6,324 | - | - | 6,299 |
| Tax losses | - | - | - | 55,343 |
| | 6,324 | - | - | 61,642 |

## 20 Deferred taxation (Continued)

| Movements in the year: | Group 2015 £ | Company 2015 £ |
|---|---|---|
| (Asset) at 1 January 2015 | (61,642) | (61,642) |
| Charge to profit or loss | 67,966 | 67,966 |
| (Asset) at 31 December 2015 | 6,324 | 6,324 |

## 21 Retirement benefit schemes

| Defined contribution schemes | 2015 £ | 2014 £ |
|---|---|---|
| Charge to profit and loss in respect of defined contribution schemes | 413,444 | 376,333 |

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 2015 £ | 2014 £ |
|---|---|---|
| **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 |
| | 2,852,380 | 2,852,380 |

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 Capital redemption reserve

| | Group 2015 £ | 2014 £ | Company 2015 £ | 2014 £ |
|---|---|---|---|---|
| At beginning and end of year | 740,000 | 740,000 | 740,000 | 740,000 |

## 24 Profit and loss reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | £ | £ | £ | £ |
| At the beginning of the year | 4,280,036 | 3,796,267 | 2,667,802 | 2,223,404 |
| Profit for the year | 599,398 | 583,677 | 357,390 | 444,398 |
| Currency translation differences | (86,717) | (99,907) | - | - |
| At the end of the year | 4,792,717 | 4,280,037 | 3,025,192 | 2,667,802 |

## 25 Reserves

Profit and loss account - includes all current and prior period retained profits and losses.

Capital redemption reserve - non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

## 26 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | £ | £ | £ | £ |
| Within one year | 132,558 | 121,072 | 132,558 | 121,072 |
| Between two and five years | 189,234 | 102,190 | 189,234 | 102,190 |
| | 321,792 | 223,262 | 321,792 | 223,262 |

## 27 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.

## 28 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:

Holding company's profit for the financial year was £327,718 (2014: £444,398).

## 29 Financial risk managment

**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.

## 30 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.

## 31 Cash generated from operations

| | 2015<br>£ | 2014<br>£ |
|---|---|---|
| Profit for the year after tax | 599,398 | 583,677 |
| Adjustments for: | | |
| Taxation charged | 211,583 | 129,026 |
| Finance costs | 432 | 13,801 |
| Investment income | (2,687) | (2,131) |
| (Gain)/loss on disposal of tangible fixed assets | (567) | 6,331 |
| Depreciation and impairment of tangible fixed assets | 165,400 | 119,048 |
| Increase in provisions | 43,923 | 50,255 |
| Movements in working capital: | | |
| Decrease/(increase) in stocks | 267,032 | (375,828) |
| (Increase)/decrease in debtors | (475,842) | 215,043 |
| Increase in creditors | 690,865 | 24,981 |
| **Cash generated from operations** | 1,499,537 | 764,203 |