

Company Registration No. 00550374 (England and Wales)

AIRFLOW DEVELOPMENTS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016



AIRFLOW DEVELOPMENTS LIMITED

COMPANY INFORMATION

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

AIRFLOW DEVELOPMENTS LIMITED

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AIRFLOW DEVELOPMENTS LIMITED

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AIRFLOW DEVELOPMENTS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present the strategic report for the year ended 31 December 2016.

Fair review of the business

Sales were £18.8 million for the year compared to £17.8 million in 2015, an increase of 5.6%.

Margins decreased to 39.5% reflecting the weakness of sterling following Brexit and an increase in higher value sales of heat recovery systems.

Administrative expenses were 10.9% higher than 2015 due to the company continuing its strategy of investing in personnel and marketing costs in order to gain further increases in market share.

The company produced an Operating Profit of £144,554 compared to the previous year £808,726. Profit after Tax was £85,621, compared to £599,398 last year.

Future Developments and risks

The company has a strong balance sheet with cash balances at year end standing at £2,147K. The decrease in the year of £628K is mainly due to capital expenditure of £522K, most of which was incurred on the Air Academy in High Wycombe. This has already attracted many favourable comments from customers, suppliers and trade associations.

The company 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.

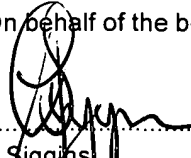
The company sources many of its products in US dollars and Euros and is therefore at risk of adverse exchange rate movements. The directors manage this risk by maintaining significant funds in both currencies which are purchased whenever rates are thought to be favourable. In addition about 53% of the company's sales are invoiced in currencies other than sterling and this partially offsets any such adverse variances.

The directors consider that the future prospects of the company 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
22/9/17

AIRFLOW DEVELOPMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and financial statements for the year ended 31 December 2016.

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
G Mueller
J Mueller

Results and dividends

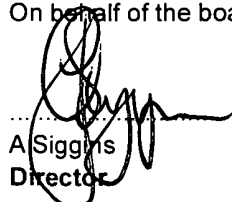
The results for the year are set out on page 6. The directors do not recommend payment of a final dividend.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



A Siggins
Director

22/9/17

AIRFLOW DEVELOPMENTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 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 auditor

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 2016 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, 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.

AIRFLOW DEVELOPMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AIRFLOW DEVELOPMENTS LIMITED

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.



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

22/09/2017

Chartered Accountants
Statutory Auditor

AIRFLOW DEVELOPMENTS LIMITED

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	3	18,758,254	17,847,102
Cost of sales		(11,341,631)	(10,504,313)
Gross profit		7,416,623	7,342,789
Administrative expenses		(7,398,595)	(6,671,242)
Other operating income		126,526	137,179
Operating profit	4	144,554	808,726
Interest receivable and similar income	8	2,927	2,687
Interest payable and similar expenses	9	-	(432)
Profit before taxation		147,481	810,981
Tax on profit	10	(61,860)	(211,583)
Profit for the financial year	22	85,621	599,398

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

The Income Statement 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 2016

	2016 £	2015 £
Profit for the year	85,621	599,398
Other comprehensive income		
Currency translation differences	299,696	(86,717)
Total comprehensive income for the year	<u>385,317</u>	<u>512,681</u>

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

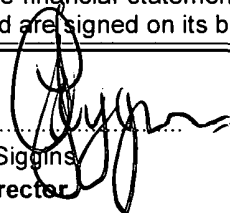
AIRFLOW DEVELOPMENTS LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	11		3,149,906		2,752,447
Current assets					
Stocks	15	2,522,111		2,207,434	
Debtors	16	3,442,685		3,467,443	
Cash at bank and in hand		2,146,727		2,774,434	
		<u>8,111,523</u>		<u>8,449,311</u>	
Creditors: amounts falling due within one year	17	<u>(1,707,655)</u>		<u>(2,253,388)</u>	
Net current assets			<u>6,403,868</u>		<u>6,195,923</u>
Total assets less current liabilities			<u>9,553,774</u>		<u>8,948,370</u>
Provisions for liabilities	18		<u>(783,360)</u>		<u>(563,273)</u>
Net assets			<u><u>8,770,414</u></u>		<u><u>8,385,097</u></u>
Capital and reserves					
Called up share capital	21	2,852,380		2,852,380	
Capital redemption reserve	23	740,000		740,000	
Profit and loss reserves	22	5,178,034		4,792,717	
Total equity			<u><u>8,770,414</u></u>		<u><u>8,385,097</u></u>

The financial statements were approved by the board of directors and authorised for issue on 22/9/17.....
and are signed on its behalf by:


.....
A Siggins
Director

AIRFLOW DEVELOPMENTS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	11	3,034,007		2,665,751	
Investments	12	70,892		70,892	
		<u>3,104,899</u>		<u>2,736,643</u>	
Current assets					
Stocks	15	1,498,739		1,479,899	
Debtors	16	1,860,521		1,891,776	
Cash at bank and in hand		1,361,064		1,843,962	
		<u>4,720,324</u>		<u>5,215,637</u>	
Creditors: amounts falling due within one year	17	(1,012,855)		(1,226,384)	
Net current assets		<u>3,707,469</u>		<u>3,989,253</u>	
Total assets less current liabilities		<u>6,812,368</u>		<u>6,725,896</u>	
Provisions for liabilities	18	(185,525)		(108,324)	
Net assets		<u><u>6,626,843</u></u>		<u><u>6,617,572</u></u>	
Capital and reserves					
Called up share capital	21	2,852,380		2,852,380	
Capital redemption reserve	23	740,000		740,000	
Profit and loss reserves	22	3,034,463		3,025,192	
Total equity		<u><u>6,626,843</u></u>		<u><u>6,617,572</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 22/09/17 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 2016

	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2015	2,852,380	740,000	4,280,036	7,872,416
Year ended 31 December 2015:				
Profit for the year	-	-	599,398	599,398
Other comprehensive income:				
Currency translation differences	-	-	(86,717)	(86,717)
Total comprehensive income for the year	-	-	512,681	512,681
Balance at 31 December 2015	2,852,380	740,000	4,792,717	8,385,097
Year ended 31 December 2016:				
Profit for the year	-	-	85,621	85,621
Other comprehensive income:				
Currency translation differences on overseas subsidiaries	-	-	299,696	299,696
Total comprehensive income for the year	-	-	385,317	385,317
Balance at 31 December 2016	2,852,380	740,000	5,178,034	8,770,414

AIRFLOW DEVELOPMENTS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2015	2,852,380	740,000	2,667,802	6,260,182
Year 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
Year ended 31 December 2016:				
Profit and total comprehensive income for the year	-	-	9,271	9,271
Balance at 31 December 2016	2,852,380	740,000	3,034,463	6,626,843

AIRFLOW DEVELOPMENTS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	30		(344,342)		1,493,211
Interest paid			-		(432)
Income taxes paid			(65,696)		(124,487)
Net cash (outflow)/inflow from operating activities			(410,038)		1,368,292
Investing activities					
Purchase of tangible fixed assets		(522,009)		(145,084)	
Proceeds on disposal of tangible fixed assets		-		349	
Interest received		2,927		2,687	
Net cash used in investing activities			(519,082)		(142,048)
Financing activities					
Net effect of foreign exchange differences		301,413		(86,715)	
Net cash generated from/(used in) financing activities			301,413		(86,715)
Net (decrease)/increase in cash and cash equivalents			(627,707)		1,139,529
Cash and cash equivalents at beginning of year			2,774,434		1,634,905
Cash and cash equivalents at end of year			2,146,727		2,774,434

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 Basis of preparation

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.

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 2016.

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

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.

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 2016

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 income statement.

1.6 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.

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 and cash equivalents

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

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 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 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 2016

1 Accounting policies

(Continued)

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 direct issue 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 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.

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 2016

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 fall due.

1.15 Leases

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

1.16 Foreign exchange

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

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

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 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.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

3 Turnover

Turnover analysed by geographical market

	2016 £	2015 £
UK	8,754,670	9,315,320
Overseas	10,003,584	8,531,782
	<u>18,758,254</u>	<u>17,847,102</u>

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	(84,893)	(88,113)
Research and development costs	110,621	97,982
Depreciation of owned tangible fixed assets	124,550	165,400
(Profit)/Loss on disposal of tangible fixed assets	-	(567)
Cost of stocks recognised as an expense	11,341,631	10,504,313
Operating lease charges	247,391	156,662
	<u>11,719,099</u>	<u>10,625,075</u>

5 Auditors' remuneration

	2016 £	2015 £
Fees payable to the company's auditor:		
For audit services		
Audit of the financial statements of the group and company	<u>14,500</u>	<u>14,500</u>

6 Employees

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

	2016 Number	2015 Number
Manufacturing	20	20
Non-manufacturing	80	76
	<u>100</u>	<u>96</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

6 Employees

(Continued)

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	3,963,176	3,523,188
Social security costs	216,025	201,813
Pension costs	485,178	413,444
	<u>4,664,379</u>	<u>4,138,445</u>

7 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	84,097	102,730
Company pension contributions to defined contribution schemes	4,363	5,330
	<u>88,460</u>	<u>108,060</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2015 - 1).

8 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	2,927	2,687
	<u>2,927</u>	<u>2,687</u>

9 Interest payable and similar expenses

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	-	432
	<u>-</u>	<u>432</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

10 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	(17,898)	19,346
Adjustments in respect of prior periods	(90)	-
Total UK current tax	(17,988)	19,346
Foreign current tax on profits for the current period	46,439	124,271
Total current tax	28,451	143,617
Deferred tax		
Other adjustments	33,409	67,966
Total tax charge for the year	61,860	211,583

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

	2016 £	2015 £
Profit before taxation	147,481	810,981
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	29,496	162,196
Tax effect of expenses that are not deductible in determining taxable profit	(12,736)	11,800
Unutilised tax losses carried forward	74,539	-
Double tax relief	(5,768)	(1,760)
Research and development tax credit	(17,898)	(23,715)
Timing differences	(30,875)	10,391
Effect of overseas tax rates	46,439	52,671
Patent box deduction	(21,337)	-
Taxation charge for the year	61,860	211,583

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

11 Tangible fixed assets

Group	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2016	2,691,452	141,068	2,061,843	34,868	4,929,231
Additions	-	2,079	519,930	-	522,009
Disposals	-	(1,955)	(44,635)	-	(46,590)
At 31 December 2016	2,691,452	141,192	2,537,138	34,868	5,404,650
Depreciation and impairment					
At 1 January 2016	185,075	136,838	1,831,988	22,883	2,176,784
Depreciation charged in the year	34,740	2,694	83,121	3,995	124,550
Eliminated in respect of disposals	-	(1,955)	(44,635)	-	(46,590)
At 31 December 2016	219,815	137,577	1,870,474	26,878	2,254,744
Carrying amount					
At 31 December 2016	2,471,637	3,615	666,664	7,990	3,149,906
At 31 December 2015	2,506,377	4,230	229,855	11,985	2,752,447
Company					
	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2016	2,691,452	62,022	1,710,970	34,868	4,499,312
Additions	-	-	458,230	-	458,230
At 31 December 2016	2,691,452	62,022	2,169,200	34,868	4,957,542
Depreciation and impairment					
At 1 January 2016	183,564	62,022	1,565,092	22,883	1,833,561
Depreciation charged in the year	34,740	-	51,239	3,995	89,974
At 31 December 2016	218,304	62,022	1,616,331	26,878	1,923,535
Carrying amount					
At 31 December 2016	2,473,148	-	552,869	7,990	3,034,007
At 31 December 2015	2,507,888	-	145,878	11,985	2,665,751

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

12 Fixed asset investments

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	13	-	-	70,892	70,892

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2016 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

14 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	3,192,880	3,337,960	1,744,995	1,775,734
Carrying amount of financial liabilities				
Measured at amortised cost	1,485,620	1,634,675	791,981	863,776

15 Stocks

	Group 2016 £	2015 £	Company 2016 £	2015 £
Finished goods and goods for resale	2,522,111	2,207,434	1,498,739	1,479,899

16 Debtors

	Group 2016 £	2015 £	Company 2016 £	2015 £
Amounts falling due within one year:				
Trade debtors	2,595,680	2,869,107	1,737,695	1,775,628
Other debtors	597,200	468,853	7,300	106
Prepayments and accrued income	249,805	129,483	115,526	116,042
	3,442,685	3,467,443	1,860,521	1,891,776

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

17 Creditors: amounts falling due within one year

	Group 2016 £	2015 £	Company 2016 £	2015 £
Trade creditors	558,998	625,027	259,023	150,176
Amounts due to group undertakings	-	-	8,312	73,609
Corporation tax payable	(17,899)	19,346	(17,899)	19,346
Other taxation and social security	239,934	599,367	238,773	343,262
Other creditors	638,506	588,900	398,171	391,931
Accruals and deferred income	288,116	420,748	126,475	248,060
	<u>1,707,655</u>	<u>2,253,388</u>	<u>1,012,855</u>	<u>1,226,384</u>

18 Provisions for liabilities

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Pension obligations		597,835	454,949	-	-
Warranty provision		145,792	102,000	145,792	102,000
		<u>743,627</u>	<u>556,949</u>	<u>145,792</u>	<u>102,000</u>
Deferred tax liabilities	19	39,733	6,324	39,733	6,324
		<u>783,360</u>	<u>563,273</u>	<u>185,525</u>	<u>108,324</u>

Group	Pension obligations £	Warranty provision £	Total £
At 1 January 2016	597,835	102,000	699,835
Additional provisions in the year	-	43,792	43,792
At 31 December 2016	<u>597,835</u>	<u>145,792</u>	<u>743,627</u>
	Pension obligations £	Warranty provision £	Total £
Company			
At 1 January 2016	-	102,000	102,000
Additional provisions in the year	-	43,792	43,792
At 31 December 2016	<u>-</u>	<u>145,792</u>	<u>145,792</u>

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

19 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 2016 £	Liabilities 2015 £
Group		
Accelerated capital allowances	39,733	6,324
	<u>39,733</u>	<u>6,324</u>
	Liabilities 2016 £	Liabilities 2015 £
Company		
Accelerated capital allowances	39,733	6,324
	<u>39,733</u>	<u>6,324</u>
	Group 2016 £	Company 2016 £
Movements in the year:		
Liability at 1 January 2015	6,324	6,324
Charge to profit or loss	33,409	33,409
	<u>39,733</u>	<u>39,733</u>
Liability at 31 December 2015	39,733	39,733

20 Retirement benefit schemes

	2016 £	2015 £
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	485,178	413,444
	<u>485,178</u>	<u>413,444</u>

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

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

21 Share capital

	Group and company	
	2016	2015
	£	£
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.

22 Profit and loss reserves

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
At the beginning of the year	4,792,717	4,280,036	3,025,192	2,667,802
Profit for the year	85,621	599,398	9,271	357,390
Currency translation differences	299,696	(86,717)	-	-
At the end of the year	<u>5,178,034</u>	<u>4,792,717</u>	<u>3,034,463</u>	<u>3,025,192</u>

23 Capital redemption reserve

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
At beginning and end of year	<u>740,000</u>	<u>740,000</u>	<u>740,000</u>	<u>740,000</u>

24 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.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

25 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 2016 £	2015 £	Company 2016 £	2015 £
Within one year	132,558	265,116	121,367	132,558
Between two and five years	189,234	378,468	104,375	189,234
	<u>321,792</u>	<u>643,584</u>	<u>225,742</u>	<u>321,792</u>

26 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 (loss)/profit for the financial year is made up as follows:

Holding company's (loss)/profit for the financial year was £9,271 ; (2015: £357,390).

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 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.

AIRFLOW DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

29 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.

30 Cash generated from group operations

	2016 £	2015 £
Profit for the year after tax	85,621	599,398
Adjustments for:		
Taxation charged	61,860	211,583
Finance costs	-	432
Investment income	(2,927)	(2,687)
Gain on disposal of tangible fixed assets	-	(567)
Depreciation and impairment of tangible fixed assets	124,550	165,400
Increase in provisions	186,678	37,598
Movements in working capital:		
(Increase)/decrease in stocks	(314,677)	267,032
Decrease/(increase) in debtors	24,758	(475,842)
(Decrease)/increase in creditors	(510,205)	690,864
Cash (absorbed by)/generated from operations	(344,342)	1,493,211