Generation Two Limited

Registered number: 08008574

Directors' report and financial statements

For the year ended 31 December 2016

GENERATION TWO LIMITED

COMPANY INFORMATION

Directors	J Otterson H Sharratt A Garstang N Gibbard M Garstang S Valentine
Registered number	08008574
Registered office	Coolair House Globe Lane Dukinfield Cheshire SK16 4UJ
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor One St Peter's Square Manchester M2 3DE
Bankers	National Westminster Bank plc 1 Spinningfields Square Deansgate Manchester M3 3AP

GENERATION TWO LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

The Directors present their Strategic Report for Generation Two Limited and subsidiary companies ("The Group") for the year ended 31 December 2016.

Business review

Incorporated in March 2012 the company is the non-trading ultimate parent company of Coolair Equipment Limited. There remain no plans for the company to trade in the future.

The focus of the Group remains the supply and installation of air conditioning systems and commercial heating products.

The Board are pleased to report that trading remained at a high level consistent with the previous two years in 2016. A slight fall in gross margin has been experienced due to general market pressures and some uncertainty within the construction industry due to the political situation in the UK at the present time. Overheads have remained generally steady and controlled. The reported fall in pre-tax profit is a result of a bad debt of £400,000 unfortunately experienced at the end of 2016. As the group continues to trade very healthily with no reliance on bank finance this had no significant impact on cash flow or trading.

Once again most of 2016's turnover came from our traditional air conditioning market. Having recently gained MSC Accreditation, much emphasis within the business has this year been placed on standardisation and improvement of internal procedures and staff development. The group is investing in organic growth over the coming years which will be greatly assisted by good internal processes and staff with the right knowledge of how to apply them. Refcom Elite Accreditation was achieved early in 2017, and already holding ISO 9001, our next goal is to achieve ISO 14001.

Due to the healthy profits generated in 2016 and their re-investment in the business, cash flow grows increasingly healthy with no reliance on external finance. We are seeing a continually improving trend in payment terms from customers and debt recovery difficulties which have been experienced over the last few years appear to be easing.

Principal risks and uncertainties

The Group operates in a highly competitive market but the quality and breadth of the product ranges offered minimise the risk of losing sales to its key competitors. The company manages this risk by providing the best selection of market-leading, established products to its customers, and by investing in, training and retaining outstanding sales, technical and support staff. The Group's commitment to training and promoting exceptional personnel has enabled it to maintain strong relationships with its customers over many years, and has been the true key to the company's long term success.

Financial key performance indicators

In addition to the universal KPIs of turnover and gross margin the group considers its specific KPIs to be:-

- Order levels
- Sales generated per salesman
- Average cash levels

Levels of secured orders are crucial to short-term planning of labour requirements & purchasing levels but more importantly provide the key indication of upturn or downturn in future workload, enabling management to react quickly and make appropriate changes on a strategic level. Average monthly order levels over the last 5 years have been £6.8M (from £6.5M last year) and levels at each of the last two year ends were:-

	December 2016	December 2015
Secured orders	£7,344,794	£6,255,398

Coolair firmly believe that our sales force is our best asset. Average sales per salesman is an indicator of the state of the market plus when this figure drops it also indicates that there may be problems with individual performance which need to be rectified. We would not expect this figure to drop below £1M without good reason, and at each of the last two year ends the levels were:-

	December 2016	December 2015
Average sales per salesman	£1.47M	£1.41M

Coolair trade with no reliance on external finance. Average monthly cash levels are the key indicator not just of trading conditions but of the strength and durability of our customer base. Average cash holdings (measured on a monthly basis) over the last 5 years have been £522,922 (down from £536,945 last year) and holdings at each of the last two year ends were:-

	December 2016	December 2015
Average monthly cash balance	£184,082	£201,408

The Board are extremely positive about the long term future growth and direction of Coolair. Our staff remain our most important asset and we retain a good mix of youth and experience, both of which we see as equal in importance to sustaining a successful company and providing a consistent service to our clients in to the long term future.

This report was approved by the board on and signed on its behalf.

H Sharratt
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

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

Directors' responsibilities statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Company and the Group 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 for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Results and dividends

The profit for the year, before taxation, amounted to £701,190 (2015 - £1,163,231).

The Directors proposed that no dividends shall be paid in 2016 (2015: £nil)

Directors

The Directors who served during the year were:

J Otterson
H Sharratt
A Garstang
N Gibbard
M Garstang
S Valentine

Future developments

The Board are optimistic about the long term future growth and direction of Coolair and have developed a Mission Statement: “To create the ideal indoor environment for people to live, work and play, now and always.” This emphasises our commitments to:-

- partnering with our customers and suppliers to provide the best solutions for their needs;
- quality installation and after care of both cooling and heating products in the commercial environment; and
- sustainability of both the environment and of Coolair as a company long into the future.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on and signed on its behalf.

H Sharratt
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERATION TWO LIMITED

We have audited the financial statements of Generation Two Limited for the year ended 31 December 2016 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Consolidated Statement of Cash Flows, the Group and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 " The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the 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 the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

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

- the information given in the Group Strategic Report and Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERATION TWO LIMITED

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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, 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.

Neil Barton (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
One St Peter's Square
Manchester
M2 3DE

Date:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover	**4**	27,921,543	28,216,990
Cost of sales		(22,439,010)	(22,487,923)
Gross profit		5,482,533	5,729,067
Administrative expenses		(4,779,708)	(4,561,039)
Operating profit	**5**	702,825	1,168,028
Interest receivable and similar income	**9**	1,636	2,782
Interest payable and expenses	**10**	(3,271)	(7,579)
Profit before taxation		701,190	1,163,231
Tax on profit	**11**	(218,294)	(320,692)
Profit for the year		482,896	842,539

There were no recognised gains and losses for 2016 or 2015 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 13 to 33 form part of these financial statements.

GENERATION TWO LIMITED
REGISTERED NUMBER: 08008574

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note		2016 £		2015 £
Fixed assets					
Intangible assets	**12**		2,961,536		3,154,680
Tangible assets	**13**		634,687		699,834
Investment property			193,925		193,925
			3,790,148		4,048,439
Current assets					
Stocks	**16**	52,557		48,159	
Debtors: amounts falling due after more than one year	**17**	1,042,779		743,116	
Debtors: amounts falling due within one year	**17**	7,118,185		7,258,901	
Cash at bank and in hand	**18**	1,176,951		829,075	
		9,390,472		8,879,251	
Creditors: amounts falling due within one year	**19**	(5,559,023)		(5,729,735)	
Net current assets			3,831,449		3,149,516
Total assets less current liabilities			7,621,597		7,197,955
Creditors: amounts falling due after more than one year	**20**		(145,000)		(210,121)
Provisions for liabilities					
Deferred taxation	**23**	(5,867)		-	
			(5,867)		-
Net assets			7,470,730		6,987,834
Capital and reserves					
Called up share capital	**24**		200		200
Share premium account	**25**		4,799,998		4,799,998
Profit and loss account	**25**		2,670,532		2,187,636
			7,470,730		6,987,834

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

H Sharratt
Director

The notes on pages 13 to 33 form part of these financial statements.

GENERATION TWO LIMITED
REGISTERED NUMBER: 08008574

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note		2016 £		2015 £
Fixed assets					
Investments	**14**		6,500,000		6,500,000
Current assets					
Debtors: amounts falling due within one year	**17**	198		198	
Net current assets			198		198
Total assets less current liabilities			6,500,198		6,500,198
Net assets			6,500,198		6,500,198
Capital and reserves					
Called up share capital	**24**		200		200
Share premium account	**25**		4,799,998		4,799,998
Profit and loss account	**25**		1,700,000		1,700,000
			6,500,198		6,500,198

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

H Sharratt
Director

The notes on pages 13 to 33 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	200	4,799,998	2,187,636	6,987,834
Comprehensive income for the year				
Profit for the year	-	-	482,896	482,896
Total comprehensive income for the year	-	-	482,896	482,896
At 31 December 2016	200	4,799,998	2,670,532	7,470,730

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	200	4,799,998	1,345,097	6,145,295
Comprehensive income for the year				
Profit for the year	-	-	842,539	842,539
Total comprehensive income for the year	-	-	842,539	842,539
At 31 December 2015	200	4,799,998	2,187,636	6,987,834

The notes on pages 13 to 33 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	200	4,799,998	1,700,000	6,500,198
Total comprehensive income for the year	-	-	-	-
At 31 December 2016	200	4,799,998	1,700,000	6,500,198

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	200	4,799,998	1,700,000	6,500,198
Total comprehensive income for the year	-	-	-	-
At 31 December 2015	200	4,799,998	1,700,000	6,500,198

The notes on pages 13 to 33 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	482,896	842,539
Adjustments for:		
Amortisation of intangible assets	193,144	193,144
Depreciation of tangible assets	83,571	80,346
Interest paid	3,271	7,579
Interest received	(1,636)	(2,782)
Taxation charge	218,294	320,692
(Increase)/decrease in stocks	(4,398)	11,032
(Increase) in debtors	(170,515)	(315,488)
Increase/(decrease) in creditors	31,177	(276,381)
Corporation tax (paid)	(352,601)	(339,609)
Net cash generated from operating activities	483,203	521,072
Cash flows from investing activities		
Purchase of tangible fixed assets	(18,424)	(62,366)
Interest received	1,636	2,782
Net cash from investing activities	(16,788)	(59,584)
Cash flows from financing activities		
Repayment of loans	(115,268)	(94,932)
Interest paid	(3,271)	(7,579)
Net cash used in financing activities	(118,539)	(102,511)
Net increase in cash and cash equivalents	347,876	358,977
Cash and cash equivalents at beginning of year	829,075	470,098
Cash and cash equivalents at the end of year	1,176,951	829,075
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,176,951	829,075
	1,176,951	829,075

1. General information

Generation Two Limited ('the company') is a limited company incorporated in England and Wales (registered number 08008574). The address of the registered office and principal place of business is:

Coolair House
Globe Lane
Dukinfield
Cheshire
SK16 4UJ

The company is the ultimate parent company of Coolair Management Company Limited and Coolair Equipment Limited, both of which are incorporated in England and Wales.

The principal activity of the company is that of a holding company.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3)

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2. Accounting policies (continued)

2.3 Going concern

These financial statements have been prepared on a going concern basis.

The current economic conditions present increased risks for all business. In response to such conditions, the directors have carefully considered these risks, including an assessment of uncertainty on future trading projection for a period of at least 12 months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis.

Based on this assessment, the directors consider that the Company maintians an appropiate level of liquidity, suficcient to meet the demands of the business including any capital and servicing obligations of external debt liabilities.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the forseeable future and that there are no material uncertainties that lead to significant doubt upon the Company's ability to continue as a going concern. Thus the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer’s interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 4% straight line
Leasehold improvements	- 4% straight line
Motor vehicles	- 33% straight line
Fixtures & fittings	- 20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.7 Operating leases: Lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

2. Accounting policies (continued)

2.8 Operating leases: Lessor

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

2.9 Investment property

Investment property is carried at fair value determined annually and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.12 Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related cots as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from cariations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first forseen.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. Accounting policies (continued)

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.15 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.17 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.18 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.19 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.20 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2. Accounting policies (continued)

2.22 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and asusmptions are based on the best and most reliable evidence avaliable at the time when decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future period.

Critical judgements in applying the Company's accounting policies

The critical judgements that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

(i) Assessing indicators of impairment
In assessing whether there have been any indicators of impaired assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

(ii) Recognition of deferred tax assets
Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(i) Recoverability of Debtors
The Company establishes a provision for debtors that are estimated not to be recoverable. When assessing recoverability the directors consider the ageing of the debtors, past experience of recoverability, the credit profile of the client plus any known contractual problems. Provision is made for all debtors in dispute with clients, plus all retentions exceeding three years in age.

(ii) Determining residual values and useful economic lives of property, plant and equipment
The Company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be made by management.

(iii) Valuation of investment properties
Investment properties are professionally valued annually using a yield of methodology using market rental values capitalised at a market capitalisation rate, but there is an inevitable degree of judgment involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Installation of air conditioning	27,921,543	28,216,990

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	83,571	80,346
Amortisation of intangible assets, including goodwill	193,144	193,144
Other operating lease rentals	141,492	127,347
Defined contribution pension cost	198,159	201,473

All audit fees are borne by Coolair Equipment Limited.

6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	20,500	20,000
Fees payable to the Group's auditor and its associates in respect of:		
Other services relating to taxation	2,500	3,200
All other services	2,350	4,000
	4,850	7,200

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	4,028,998	3,480,591
Social security costs	69,344	305,996
Cost of defined contribution scheme	198,159	201,473
	4,296,501	3,988,060

The average monthly number of employees, including the Directors, during the year was as follows:

	2016 No.	2015 No.
Engineers	48	48
Warehouse and distribution	1	1
Sales	20	20
Management and administration	24	24
	93	93

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	935,557	677,181
Company contributions to defined contribution pension schemes	76,010	71,800
	1,011,567	748,981

During the year retirement benefits were accruing to 6 Directors (2015 - 6) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £91,352 (2015 - £NIL).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £12,200 (2015 - £11,300).

9. Interest receivable

	2016 £	2015 £
Other interest receivable	1,636	2,782

10. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	3,270	7,579
Other interest payable	1	-
	3,271	7,579

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	157,506	309,247
Adjustments in respect of previous periods	43,353	-
Total current tax	200,859	309,247
Deferred tax		
Origination and reversal of timing differences	52,623	9,623
Adjustment to prior period	(40,689)	1,822
Effect of tax rate change on opening balance	5,501	-
Total deferred tax	17,435	11,445
Taxation on profit on ordinary activities	218,294	320,692

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	701,190	1,163,231
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	140,238	235,554
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	38,629	39,065
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	32,596	31,109
Fixed asset differences	7,954	12,644
Adjustments to tax charge in respect of prior periods	2,664	1,822
Adjust opening and closing deferred tax to average rate of 20% (2015: 20.25%)	(3,787)	498
Total tax charge for the year	218,294	320,692

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Intangible assets

Group and Company

	Goodwill £
Cost	
At 1 January 2016	3,862,874
At 31 December 2016	3,862,874
Amortisation	
At 1 January 2016	708,194
Charge for the year	193,144
At 31 December 2016	901,338
Net book value	
At 31 December 2016	2,961,536
At 31 December 2015	3,154,680

Generation Two Limited purchased 100% of the share capital of Coolair Management Company Limited on 27 April 2012. Goodwill arising on this acquisition totalled £3,862,874 and is being amortised over 20 years.

13. Tangible fixed assets

Group

	Freehold property £	Leasehold improve-ments £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation					
At 1 January 2016	669,867	128,439	11,440	329,684	1,139,430
Additions	2,620	-	-	15,804	18,424
At 31 December 2016	672,487	128,439	11,440	345,488	1,157,854
Depreciation					
At 1 January 2016	128,703	69,609	11,440	229,844	439,596
Charge for the year on owned assets	34,647	5,124	-	43,800	83,571
At 31 December 2016	163,350	74,733	11,440	273,644	523,167
Net book value					
At 31 December 2016	509,137	53,706	-	71,844	634,687
At 31 December 2015	541,164	58,830	-	99,840	699,834

14. Fixed asset investments

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Coolair Management Company Limited	Ordinary	100 %	Dormant holding company

Indirect Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Coolair Equipment Limited	Ordinary	100 %	Supply and installation of air conditioning systems and commercial heating products

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	6,500,000
At 31 December 2016	6,500,000
Net book value	
At 31 December 2016	6,500,000
At 31 December 2015	6,500,000

15. Investment Property

The 2016 valuations were made by the Directors, on an open market value for existing use basis.

16. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Finished goods and goods for resale	52,557	48,159	-	-

Stock recognised in cost of sales during the year as an expense was £12,913,363 (2015: £12,759,236).

17. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Due after more than one year				
Trade debtors	1,042,779	743,116	-	-

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Due within one year				
Trade debtors	6,752,509	7,057,677	-	-
Other debtors	22,530	7,323	198	198
Prepayments and accrued income	343,146	182,333	-	-
Deferred taxation	-	11,568	-	-
	7,118,185	7,258,901	198	198

18. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	1,176,951	829,075	-	-

19. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	-	95,147	-	-
Trade creditors	3,885,495	3,729,668	-	-
Corporation tax	157,505	309,247	-	-
Other taxation and social security	824,753	766,171	-	-
Other creditors	52,258	37,409	-	-
Accruals and deferred income	639,012	792,093	-	-
	5,559,023	5,729,735	-	-

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	-	20,121	-	-
Other creditors	145,000	190,000	-	-
	145,000	210,121	-	-

The bank loan is secured by a first legal charge over Coolair House, Globe Lane, Dukinfield.

21. Loans

Analysis of the maturity of loans is given below:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts falling due within one year				
Bank loans	-	95,147	-	-
Amounts falling due 2-5 years				
Bank loans	-	20,121	-	-
	-	115,268	-	-

22. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	8,994,769	8,637,191	198	198
	8,994,769	8,637,191	198	198
Financial liabilities				
Financial liabilities measured at amortised cost	(4,082,753)	(4,072,345)	-	-

Financial assets that are debt instruments measured at amortised cost comprise of cash and cash equivalents, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise of bank loans, trade creditors and other creditors.

23. Deferred taxation

Group

	2016 £
At beginning of year	11,568
Charged to profit or loss	(17,435)
At end of year	(5,867)

The deferred taxation balance is made up as follows:

	Group 2016 £	Group 2015 £
Accelerated capital allowances	(31,211)	23,013
Short term timing differences	25,344	(9,623)
Adjustment for prior period	-	(1,822)
	(5,867)	11,568

24. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
10,000 Ordinary A shares of £0.01 each	100	100
10,000 Ordinary B shares of £0.01 each	100	100
	200	200

Ordinary A shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

Ordinary B shares attracts the same voting and dividend rights as the ordinary A shares.

25. Reserves

Share premium account

This reserve represents the amount above the nominal value received for issued share capital, less transaction costs

Capital redemption reserve

The capital redemption reserve represents the historic purchase of own shares.

Profit & loss account

This reserve represents the cumilative profit and losses.

26. Pension commitments

The Group operates a defined contribution pension scheme for the benefit of employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £198,159 (2015: £201,473). There were outstanding contributions of £7,258 (2015: £17,409) at the end of the year which are included within creditors.

27. Commitments under operating leases

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £
Not later than 1 year	120,796	92,995
Later than 1 year and not later than 5 years	56,333	80,000
	177,129	172,995

Operating lease expenses in the year for the group totalled £141,492 (2015: £127,347).

28. Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under FRS 102.

There are considered to be no key management personnel other than the Directors. Directors remuneration has been disclosed in note 8.

29. Controlling party

The Company has no ultimate controlling party.