Coolair Equipment Limited

Registered number: 02883010

Abbreviated accounts

For the year ended 31 December 2011

COOLAIR EQUIPMENT LIMITED

COMPANY INFORMATION

DIRECTORS	J J Otterson H Sharratt M J Bintliff A A Garstang N Gibbard M Gorton N S Parker
COMPANY NUMBER	02883010
REGISTERED OFFICE	Coolair House Globe Lane Dukinfield Cheshire SK16 4UJ
AUDITORS	Mazars LLP Chartered Accountants & Statutory Auditors The Lexicon 10/12 Mount Street Manchester M2 5NT
BANKERS	National Westminster Bank plc 1 Spinningfields Square Deansgate Manchester M3 3AP

COOLAIR EQUIPMENT LIMITED

CONTENTS

The following pages do not form part of the statutory financial statements:

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year continued to be the supply of air conditioning equipment and allied products.

BUSINESS REVIEW

The focus of the business remains the supply and installation of air conditioning systems across the UK commercial sector.

2011 saw an unprecedented 23% increase in turnover despite the continuing recessionary conditions, resulting in the second best trading year in our 32 year history. This growth was achieved by an overall increase in the number of smaller contracts won (£10,000 - £100,000) and the development of ties with existing and new clients, not through the acquisition of one-off large projects. Trading within the construction industry remains extremely competitive which continues to drive margins down. However, the volume of work available for tender appears not to be decreasing with the market in the South remaining particularly buoyant.

The Board are extremely pleased to report a healthy growth in profits due to this increase in turnover. This has been combined with a review of materials prices in a continued effort to improve margins and provide clients with the best possible value for money.

Cash flow remains healthy with no reliance on external finance. As reported last year, the increasing trend of business failures across the construction sector appears to be continuing, with bad debts representing a key business risk now more than ever. Only two material write-offs were suffered during 2011 (£280,000) plus a number of smaller bad debts.

In addition to the universal KPIs of turnover and gross margin the company 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 and 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 £6.5M (from £6.3M last year) and levels at each of the last two year ends were:-

	December 2011	December 2010
Secured orders	£4,934,586	£6,373,503

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 2011	December 2010
Average sales per salesman	£1.39M	£1.13M

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 £434,829 (up from £176,924 last year) and holdings at each of the last two year ends were:-

	December 2011	December 2010
Average monthly cash balance	£832,854	£430,136

The Board are optimistic about the long term future growth and direction of Coolair but remain cautious regarding short-term results due to continued uncertainty within the UK economy and Eurozone. In line with future growth plans seven new young employees were recruited across the company between January and October 2011. All will receive several years training in the technical and contractual aspects of air conditioning installation before moving on to sales roles with the widest background knowledge and experience possible. This will ensure that Coolair’s reputation for providing the best possible design and installation service to our clients continues.

RESULTS

The profit for the year, after taxation, amounted to £651,172 (2010 - £339,948).

DIRECTORS

The directors who served during the year were:

J J Otterson
H Sharratt
M J Bintliff
A A Garstang
N Gibbard
M Gorton
N S Parker

PRINCIPAL RISKS AND UNCERTAINTIES

The company 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. Coolair'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.

The company's activities expose it primarily to the following risks:

Credit Risk

The company's main financial asset is its trade debtor balance, and the company's credit risk is principally attributable to this. The amounts disclosed in the balance sheet are net of allowances for doubtful debts plus all outstanding retention balances in excess of three years old. The company has no significant debt concentration of credit risk, with exposure spread over approximately 450 customers in 2010.

Liquidity Risk

Although the company retains an overdraft facility of £550k secured over its current assets this has not been utilised since March 2009. Coolair now trades with surplus cash funds with no reliance on bank loans, overdrafts or parent company funding.

Interest Rate and Cash Flow Risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances which earn interest at variable rates. Interest cash flows are not material for day to day working capital requirements.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROVISION OF INFORMATION TO AUDITORS

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

AUDITORS

The directors propose that Mazars LLP remain in office as auditors to the company under section 487(2) Companies Act 2006.

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

....
H Sharratt
Director

Date:

Coolair House
Globe Lane
Dukinfield
Cheshire
SK16 4UJ

INDEPENDENT AUDITORS' REPORT TO COOLAIR EQUIPMENT LIMITED UNDER SECTION 449 OF THE COMPANIES ACT 2006

We have examined the abbreviated accounts set out on pages 5 to 14 together with the financial statements of Coolair Equipment Limited for the year ended 31 December 2011 prepared under section 396 of the Companies Act 2006.

This report is made solely to the company in accordance with section 449 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special Auditors' 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, for our work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the abbreviated accounts in accordance with section 445 of the Companies Act 2006.

It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you. This report, including our opinion, has been prepared for and only for the company's members as a body. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in this 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 work, for this report, or for the opinions we have formed.

BASIS OF OPINION

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared.

The scope of our work for the purpose of this report does not include examining events occurring after the date of our Auditors' report on the full financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 445(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations made under that section.

Pamela Dawes (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants & Statutory Auditors and

The Lexicon
10/12 Mount Street
Manchester
M2 5NT

Date:

ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £	2010 £
TURNOVER	1	26,391,767	21,481,310
GROSS PROFIT		4,838,128	4,004,516
Administrative expenses		(3,917,876)	(3,479,664)
Share of profit from equity accounted investees	2	920,252	524,852
Interest receivable and similar income		3,527	4,507
Interest payable and similar charges	5	(809)	(2,972)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		922,970	526,387
Tax on profit on ordinary activities	6	(271,798)	(186,439)
PROFIT FOR THE FINANCIAL YEAR	14	651,172	339,948

All amounts relate to continuing operations.

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account.

The notes on pages 7 to 14 form part of these financial statements.

COOLAIR EQUIPMENT LIMITED
Registered number: 02883010

ABBREVIATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Tangible assets	7		123,050		130,547
CURRENT ASSETS					
Stocks	8	57,025		47,354	
Debtors	9	7,588,344		8,000,674	
Cash at bank and in hand		1,253,770		642,222	
		8,899,139		8,690,250	
CREDITORS: amounts falling due within one year	10	(5,931,157)		(6,255,342)	
NET CURRENT ASSETS			2,967,982		2,434,908
TOTAL ASSETS LESS CURRENT LIABILITIES			3,091,032		2,565,455
CREDITORS: amounts falling due after more than one year	11		(210,000)		(336,000)
PROVISIONS FOR LIABILITIES					
Deferred tax	12		(4,018)		(3,613)
NET ASSETS			2,877,014		2,225,842
CAPITAL AND RESERVES					
Called up share capital	13		76,000		76,000
Capital redemption reserve	14		24,000		24,000
Profit and loss account	14		2,777,014		2,125,842
SHAREHOLDERS' FUNDS	15		2,877,014		2,225,842

The abbreviated accounts, which have been prepared in accordance with the special provisions of section 445(3) of the Companies Act 2006 relating to medium-sized companies, were approved and authorised for issue by the board and were signed on its behalf on

....
H Sharratt
Director

The notes on pages 7 to 14 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.3 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	4% straight line
Fixtures & fittings	-	20% straight line

1.4 OPERATING LEASES

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.5 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.6 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 costs 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 variations 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 foreseen.

1. ACCOUNTING POLICIES (continued)

1.7 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.8 PENSIONS

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2. OPERATING PROFIT

The operating profit is stated after charging:

	2011 £	2010 £
Depreciation of tangible fixed assets:		
- owned by the company	23,743	20,881
Auditors' remuneration	20,000	20,000
Auditors' remuneration - non-audit	8,000	6,000
Operating lease rentals:		
- plant and machinery	266,774	214,943
- other operating leases	104,040	102,070

3. STAFF COSTS

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

	2011	2010
	£	£
Wages and salaries	3,006,924	3,018,566
Social security costs	308,347	277,178
Other pension costs	139,781	152,686
	3,455,052	3,448,430

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

	2011	2010
	No.	No.
Engineers	46	43
Warehouse and distribution	1	1
Sales	17	13
Management and administration	20	23
	84	80

4. DIRECTORS' REMUNERATION

	2011	2010
	£	£
Emoluments	695,939	795,807
Company pension contributions to defined contribution pension schemes	72,860	107,963

During the year retirement benefits were accruing to 6 directors (2010 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £136,888 (2010 - £140,445).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,360 (2010 - £12,360).

5. INTEREST PAYABLE

	2011	2010
	£	£
On bank loans and overdrafts	70	5
Other interest payable	739	2,967
	809	2,972

6. TAXATION

	2011 £	2010 £
ANALYSIS OF TAX CHARGE IN THE YEAR		
CURRENT TAX (see note below)		
UK corporation tax charge on profit for the year	269,459	179,033
Adjustments in respect of prior periods	1,934	-
TOTAL CURRENT TAX	271,393	179,033
DEFERRED TAX (see note 12)		
Origination and reversal of timing differences	405	7,406
TAX ON PROFIT ON ORDINARY ACTIVITIES	271,798	186,439

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 28% (2010 - 28%). The differences are explained below:

	2011 £	2010 £
Profit on ordinary activities before tax	922,970	526,387
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 - 28%)	258,432	147,388
EFFECTS OF:		
Non-tax deductible amortisation of goodwill and impairment	-	40,977
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	35,233	-
Capital allowances for year in excess of depreciation	(1,353)	(7,406)
Small company relief	(7,122)	(1,822)
Change in tax rate	(15,731)	(104)
Other timing differences leading to an increase (decrease) in taxation	1,934	-
CURRENT TAX CHARGE FOR THE YEAR (see note above)	271,393	179,033

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges.

7. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Fixtures & fittings £	Total £
COST			
At 1 January 2011	122,941	128,407	251,348
Additions	-	16,246	16,246
At 31 December 2011	122,941	144,653	267,594
DEPRECIATION			
At 1 January 2011	44,946	75,855	120,801
Charge for the year	4,908	18,835	23,743
At 31 December 2011	49,854	94,690	144,544
NET BOOK VALUE			
At 31 December 2011	73,087	49,963	123,050
At 31 December 2010	77,995	52,552	130,547

8. STOCKS

	2011 £	2010 £
Finished goods and goods for resale	57,025	47,354

9. DEBTORS

	2011 £	2010 £
DUE AFTER MORE THAN ONE YEAR		
Trade debtors	817,086	664,269
DUE WITHIN ONE YEAR		
Trade debtors	6,592,085	7,162,952
Other debtors	55,101	53,200
Prepayments and accrued income	124,072	120,253
	7,588,344	8,000,674

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Trade creditors	3,617,213	4,124,841
Corporation tax	269,459	178,320
Social security and other taxes	1,148,321	775,027
Other creditors	99,323	329,157
Accruals and deferred income	796,841	847,997
	5,931,157	6,255,342

Included in other creditors are loans from the two directors who resigned during the prior year. In total, £86,500 is outstanding at the year end (2010: £444,000) of which £Nil (2010: £126,000) is due in more than one year (see note 12).

There is a debenture charge over the assets of the company dated 6 April 1995.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £	2010 £
Other creditors	210,000	336,000

Creditors include amounts not wholly repayable within 5 years as follows:

	2011 £	2010 £
Deferred consideration	210,000	210,000

12. DEFERRED TAXATION

	2011 £	2010 £
At beginning of year	3,613	(3,793)
Charge for year	405	7,406
At end of year	4,018	3,613

The provision for deferred taxation is made up as follows:

	2011 £	2010 £
Accelerated capital allowances	4,018	3,613

13. SHARE CAPITAL

	2011	2010
	£	£
ALLOTTED, CALLED UP AND FULLY PAID		
76,000 Ordinary shares of £1 each	76,000	76,000

14. RESERVES

	Capital redempt'n reserve	Profit and loss account
	£	£
At 1 January 2011	24,000	2,125,842
Profit for the year		651,172
At 31 December 2011	24,000	2,777,014

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011	2010
	£	£
Opening shareholders' funds	2,225,842	2,954,811
Profit for the year	651,172	339,948
Dividends (Note 16)	-	(1,068,917)
Closing shareholders' funds	2,877,014	2,225,842

16. DIVIDENDS

	2011	2010
	£	£
ORDINARY		
Deferred Consideration	210,000	210,000
Dividends paid on equity capital	(210,000)	858,917
	-	1,068,917

On 31 August 2010 Coolair Equipment Limited proposed and paid a dividend £11.30 per ordinary share (£858,917) to the shareholder directors on their retirement from the company. No additional dividends have been proposed at the year end (2009: £nil).

17. PENSION COMMITMENTS

The company 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 £139,781 (2010: £152,686). There were outstanding contributions of £12,823 (2010:

17. PENSION COMMITMENTS (continued)

£11,157) at the end of the year which are included within creditors.

18. OPERATING LEASE COMMITMENTS

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2011	2010	2011	2010
	£	£	£	£
EXPIRY DATE:				
Within 1 year	11,250	37,500	84,924	-
Between 2 and 5 years	-	13,500	-	84,924
After more than 5 years	19,850	19,850	-	-

Total aggregate commitments held under non-cancellable operating leases at 31 December 2011 relating to land and buildings is £112,154 (2010: £182,004) and other operating leases is £84,924 (2010: £226,464). This is based upon the assumption that the leases will all run to their expiration date and therefore does not account for any break clauses that may be in place. It also excludes any increases in rent that may be payable following any scheduled rent reviews implicit in the lease agreement.

19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

On 31 December 2010 the company became a 100% subsidiary of Coolair Management Company Limited. Copies of the parent company accounts are available from Companies House, Crown Way, Maindy, Cardiff.

	2011	2010
	£	£
At 1 January	-	296,223
Share of Profit	-	8,918
Disposal in associate	-	(305,141)
At 31 December	-	-

The company's share of profit in Coolair Services Limited, its equity accounted investee for the year, was £Nil (2010: £Nil). On 3 April 2009 the company disposed of the entire shareholding of Coolair Services Limited for a consideration of £425,000. Cash included in the associate disposed of at year end was £Nil (2010: £Nil). The company made a gain on disposal of £119,859.