Coolair Equipment Limited

Registered number: 02883010

Annual report and financial statements

For the year ended 31 December 2019

COOLAIR EQUIPMENT LIMITED

COMPANY INFORMATION

Directors	J Otterson H Sharratt A Garstang J Garstang N Gibbard
Registered number	02883010
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

COOLAIR EQUIPMENT LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The Directors present their Strategic Report for Coolair Equipment Limited ("Coolair") for the year ended 31 December 2019.

Business review

The focus of the business is the supply, installation, service and maintenance of air conditioning systems and commercial heating products.

After challenging years in 2017 and 2018, due to strong strategic planning the company has seen a return to expected levels of turnover and profitability in 2019.

Our Northern and Midlands regions were both profitable, building on a strong client base and seeing younger members of their sales teams growing in confidence and experience. Our Southern region reported a loss but the picture was a significant improvement on 2018 when this office suffered the impact of circumstances beyond our control, specifically two long-standing clients shifting their business focus from commercial to residential, a sector in which Coolair do not operate plus a significant loss on one contract due to unforeseen issues with the site. Our national maintenance department reported a breakeven position for the year due to this being an expanding division being given significant investment in preparation for future growth.

Throughout 2019 cash flow remained healthy and bad debts were minimal. All bad and doubtful debts are fully provided against in line with our standard policy. Coolair continued to trade without reliance on external debt and this has continued through in to 2020.

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.

Impact of Brexit

The Directors continue to assess the potential implications of the United Kingdom's withdrawal from the European Union. Although there is an appreciation that there is a level of uncertainty associated with this, no significant direct implications are expected.

Impact of Covid-19

The full impact of COVID-19 is still unknown, but the company is taking every precaution possible to mitigate any potential impact to our staff, suppliers and customers.

The impact on the company of the COVID-19 pandemic in 2020 has not been as severe as initially feared. Coolair's three offices have remained open since the lockdown began, with some staff working from home where necessary. At time of filing our forward order book is at above average levels and we continue to trade with no reliance on bank finance. We have worked in close partnership with key suppliers to ensure that availability of equipment and materials has not been affected and have seen minimal disruption within our supply chain. Whilst turnover decreased in the three months April to June 2020 due to COVID-19 it has since returned to normal expected levels.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Financial key performance indicators

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 & 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 £7.1M (2018 £7.1M) and levels at each of the last two year-ends were:

	December 2019	December 2018
Secured orders	£6,691,604	£7,401,734

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 2019	December 2018
Average sales per salesman	£1.51M	£1.10M

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 £274,215 (down from £296,835 last year) and holdings at each of the last two year-ends were:

	December 2019	December 2018
Average monthly cash balance	£243,814	£28,389

The Board are cautiously optimistic about the long-term future growth and direction of Coolair. The order book across all offices has returned to healthy levels, ensuring a return to profitability in 2019. Additionally, our in-house Aftersales division goes from strength to strength and is a key focus for our organic growth over the next 5 years.

This report was approved by the board on 30th Sept 2020 and signed on its behalf.

H Sharratt
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, 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 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 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 for the Company's financial statements and then apply them consistently;
- make judgements 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £461,570 (2018 -loss £694,362).

The Directors proposed that no dividends shall be paid in 2019 (2018: £nil).

Directors

The Directors who served during the year were:

J Otterson
H Sharratt
A Garstang
J Garstang
N Gibbard
S Valentine (resigned 8 April 2020)

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 maintains an appropriate level of liquidity, sufficient 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 foreseeable 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.

We confirm that we have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties. We do not expect that the COVID-19 pandemic will affect our ability to continue as a going concern.

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'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's auditor is aware of that information.

Post balance sheet events

Post year end the developments and circumstances around COVID 19 have been identified as a significant but non-adjusting event that would affect the Company. The COVID-19 pandemic has affected economies globally and the speed and severity of the impact has been unprecedented but many Governments, including within the UK, have introduced considerable measures to help businesses through this extremely challenging time. At the time of approval of these accounts, the full effect of the pandemic is uncertain.

Auditor

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

COOLAIR EQUIPMENT LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

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

H Sharratt
Director

Date: 30th September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COOLAIR EQUIPMENT LIMITED

Opinion

We have audited the financial statements of Coolair Equipment Limited (the 'Company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 1, and the consideration in the going concern basis of preparation on page 13 and non-adjusting post balance sheet events on page 28.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The impact of COVID-19 became significant in March 2020 and has caused widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 continues to evolve and, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that COVID-19 is a non-adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COOLAIR EQUIPMENT LIMITED

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the 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 in relation to which 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COOLAIR EQUIPMENT LIMITED

Responsibilities of Directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Neil Barton

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: 30 September 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	4	25,779,548	22,093,861
Cost of sales		(20,875,604)	(18,626,028)
Gross profit		4,903,944	3,467,833
Administrative expenses		(4,294,898)	(4,275,780)
Operating profit/(loss)	5	609,046	(807,947)
Interest receivable and similar income	9	5,247	3,934
Interest payable and expenses	10	(406)	(717)
Profit/(loss) before tax		613,887	(804,730)
Tax on profit/(loss)	11	(152,317)	110,368
Profit/(loss) for the financial year		461,570	(694,362)

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018:£NIL).

The above results were derived from continuing operations.

The notes on pages 12 to 29 form part of these financial statements.

COOLAIR EQUIPMENT LIMITED
REGISTERED NUMBER: 02883010

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	12		988,149		1,047,360
			988,149		1,047,360
Current assets					
Stocks	13	34,805		37,382	
Debtors: amounts falling due after more than one year	14	1,123,468		601,310	
Debtors: amounts falling due within one year	14	6,935,395		5,831,067	
Cash at bank and in hand	15	856,962		789,506	
		8,950,630		7,259,265	
Creditors: amounts falling due within one year	16	(5,537,967)		(4,333,198)	
Net current assets			3,412,663		2,926,067
Total assets less current liabilities			4,400,812		3,973,427
Creditors: amounts falling due after more than one year	17		(40,000)		(80,000)
Provisions for liabilities					
Deferred tax	18	(5,815)		-	
			(5,815)		-
Net assets			4,354,997		3,893,427
Capital and reserves					
Called up share capital	19		76,000		76,000
Capital redemption reserve	20		24,000		24,000
Profit and loss account	20		4,254,997		3,793,427
			4,354,997		3,893,427

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

H Sharratt
Director

Date: 30th September 2020

The notes on pages 12 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	76,000	24,000	4,487,789	4,587,789
Comprehensive income for the year				
Loss for the year	-	-	(694,362)	(694,362)
Total comprehensive income for the year	-	-	(694,362)	(694,362)
At 1 January 2019	76,000	24,000	3,793,427	3,893,427
Comprehensive income for the year				
Profit for the year	-	-	461,570	461,570
Total comprehensive income for the year	-	-	461,570	461,570
At 31 December 2019	76,000	24,000	4,254,997	4,354,997

The notes on pages 12 to 29 form part of these financial statements.

1. General information

Coolair Equipment Limited ('the Company') is a private company limited by shares incorporated in England and Wales (registered number 02883010). The address of the registered office and principal place of business is:

Coolair House
Globe Lane
Dukinfield
Cheshire
SK16 4UJ

The Company is a wholly-owned subsidiary of Coolair Management Company Limited, a Company which is incorporated in England and Wales. The ultimate parent undertaking is Generation Two Limited, a Company also incorporated in England and Wales.

The principal activity of the Company is the supply and installation of air conditioning systems and commercial heating products.

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 Company has adopted the triennial review of FRS 102 effective for period commencing on or after 1 January 2019.

Information in respect of the differences from the previous accounting framework are detailed within note 26.

These financial statements have been presented in pound sterling which is the functional currency of the company, and rounded to the nearest £.

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

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":
the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
the requirements of Section 7 Statement of Cash Flows;
the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29; and
the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Generation Two Limited as at 31 December 2019 and these financial statements may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

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 maintains an appropriate level of liquidity, sufficient 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 foreseeable 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.

We confirm that we have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties. We do not expect that the COVID-19 pandemic will affect our ability to continue as a going concern.

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 Company 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 Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company 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 Company 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 Company 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.

2.5 Interest income

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

2.6 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.

2.7 Borrowing costs

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

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company 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 Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 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 reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 reporting date.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model 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.

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

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 Statement of Comprehensive Income.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2. Accounting policies (continued)

2.15 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.

2.16 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.

2.17 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.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company 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 Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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 Statement of Financial Position.

2. Accounting policies (continued)

2.19 Financial instruments

The Company only enters into basic financial instrument 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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 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.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

3. Judgements 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 assumptions are based on the best and most reliable evidence available 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 periods.

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.

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.

4. Turnover

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

	2019 £	2018 £
Installation of air conditioning	25,779,548	22,093,861

All turnover arose within the United Kingdom.

5. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	81,287	75,974
Defined contribution pension cost	270,308	224,045
Other operating lease rentals	109,089	121,130

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	22,500	21,500
Fees payable to the Company's auditor in respect of:		
Other services relating to taxation	3,000	2,600
All other services	4,600	2,500
	7,600	5,100

7. Employees

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

	2019 £	2018 £
Wages and salaries	3,280,209	3,453,462
Social security costs	303,170	303,138
Cost of defined contribution scheme	270,308	224,045
	3,853,687	3,980,645

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

	2019 No.	2018 No.
Engineers	33	35
Warehouse and distribution	1	1
Sales	18	21
Management and administration	22	24
	74	81

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	450,155	595,698
Company contributions to defined contribution pension schemes	130,150	77,500
	580,305	673,198

During the year retirement benefits were accruing to 6 Directors (2018 -6) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £115,089 (2018 -£123,078).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £15,400 (2018 -£13,700).

9. Interest receivable

	2019 £	2018 £
Other interest receivable	5,247	3,934

10. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	406	717

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	121,503	-
Adjustments in respect of previous periods	-	(94,529)
Total current tax	121,503	(94,529)
Deferred tax		
Origination and reversal of timing differences	30,814	(12,811)
Adjustment for prior period	-	(3,028)
Total deferred tax	30,814	(15,839)
Taxation on profit/(loss) on ordinary activities	152,317	(110,368)

11. Taxation (continued)

Factors affecting tax (credit)/charge for the year

The tax assessed for the year is higher than (2018 -higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit/(loss) on ordinary activities before tax	613,887	(804,730)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 -19%)	116,639	(152,899)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	28,734	29,523
Fixed assets differences	9,886	11,649
Adjustments to tax charge in respect of previous periods	-	(94,529)
Adjustments to tax charge in respect of prior periods - deferred tax	-	(3,028)
Adjust opening deferred tax to average rate of 19%	(2,942)	(1,435)
Adjust closing deferred tax to average rate of 19%	-	2,941
Losses carried back	-	97,410
Total tax (credit)/charge for the year	152,317	(110,368)

Factors that may affect future tax charges

In the Budget 2020, the government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%.

12. Tangible fixed assets

	Freehold property £	Leasehold improvements £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation					
At 1 January 2019	1,223,792	84,910	11,440	411,094	1,731,236
Additions	-	-	-	22,076	22,076
Disposals	-	-	-	(141,866)	(141,866)
At 31 December 2019	1,223,792	84,910	11,440	291,304	1,611,446
Depreciation					
At 1 January 2019	273,326	65,686	11,440	333,424	683,876
Charge for the year on owned assets	48,633	3,396	-	29,258	81,287
Disposals	-	-	-	(141,866)	(141,866)
At 31 December 2019	321,959	69,082	11,440	220,816	623,297
Net book value					
At 31 December 2019	901,833	15,828	-	70,488	988,149
At 31 December 2018	950,466	19,224	-	77,670	1,047,360

13. Stocks

	2019 £	2018 £
Finished goods and goods for resale	34,805	37,382

14. Debtors

	2019 £	2018 £
Due after more than one year		
Trade debtors	1,123,468	601,310

	2019 £	2018 £
Due within one year		
Trade debtors	6,458,258	5,529,968
Other debtors	211,108	20,396
Prepayments and accrued income	167,353	157,028
Corporation tax repayable	98,676	98,676
Deferred taxation	-	24,999
	6,935,395	5,831,067

15. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	856,962	789,506
Less: bank overdrafts	(415,311)	(143,334)
	441,651	646,172

16. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	415,311	143,334
Trade creditors	3,644,801	2,959,869
Corporation tax	121,503	-
Other taxation and social security	781,704	702,907
Other creditors	41,501	37,260
Accruals and deferred income	533,147	489,828
	5,537,967	4,333,198

National Westminster Bank PLC has a fixed and floating charge over all assets of the company.

The bank overdraft is secured over the land & buildings adjacent to Coolair House (Title No. GM585275, MAN41978, GM461358).

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

	2019 £	2018 £
Other creditors	40,000	80,000

18. Deferred taxation

	2019 £	2018 £
At beginning of year	24,999	9,160
Charged to profit or loss	(30,814)	15,839
At end of year	(5,815)	24,999

18. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(40,828)	(37,002)
Short term timing difference	35,013	31,409
Losses and other deductions	-	30,592
	(5,815)	24,999

19. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
76,000 (2018 -76,000) Ordinary shares of £1.00 each	76,000	76,000

Each ordinary share carries the right to receive dividends and one ordinary vote in shareholder meetings.

20. Reserves

Capital redemption reserve

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

Profit & loss account

This reserve represents the cumulative profits and losses.

21. 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 £270,308 (2018: £224,045). There were outstanding contributions of £6,775 (2018: £7,258) at the end of the year which are included within creditors.

22. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	145,186	105,275
Later than 1 year and not later than 5 years	210,756	2,167
	355,942	107,442

Operating lease expenses in the year totalled £109,089 (2018: £121,130).

23. Related party transactions

The Company is a wholly-owed member of Generation Two Limited and as such has taken advantage of the exemption permitted by Section 33 Related Party Disclosures of FRS 102, not to provide disclosures of transactions entered into with other wholly-owed members of the Group.

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

24. Post balance sheet events

Post year end the developments and circumstances around COVID 19 have been identified as a significant but non-adjusting event that would affect the Company. The COVID-19 pandemic has affected economies globally and the speed and severity of the impact has been unprecedented but many Governments, including within the UK, have introduced considerable measures to help businesses through this extremely challenging time. At the time of approval of these accounts, the full effect of the pandemic is uncertain. However as noted in the director's report and detailed within note 2.3, the directors consider the Company to remain a going concern and the financial statements have been prepared on such a basis.

25. Controlling party

The immediate parent is Coolair Management Company Limited, a company incorporated in England and Wales, who own 100% of the share capital of Coolair Equipment Limited. Copies of the parent company accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The ultimate parent undertaking of Coolair Equipment is Generation Two Limited, a company incorporated in England and Wales, who own 100% of the share capital of Coolair Management Company Limited. Copies of the consolidated parent company accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

26. Adoption of the triennial review of FRS102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.