Coolair Equipment Limited

Registered number: 02883010

Directors' report and financial statements

For the year ended 31 December 2017

COOLAIR EQUIPMENT LIMITED

COMPANY INFORMATION

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

COOLAIR EQUIPMENT LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The Directors present their Strategic Report for Coolair Equipment Limited ("Coolair") for the year ended 31 December 2017.

Business review

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

2017 was a more difficult trading year for the company. After an extremely buoyant three year spell a downturn in the UK market was noticed this year, leading to a small (7%) fall in turnover across the three regional offices. The pressures on gross margin experienced last year continued, due to the ongoing uncertainty within the construction industry and within the UK's political situation. Overheads have remained generally steady and controlled, meaning that the reported fall in pre-tax profit is a direct consequence of the reduction in turnover and gross margin. As the company 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 2017's turnover came from our traditional air conditioning market. Our emphasis within the business on standardisation and improvement of internal procedures and staff development has brought two additional accreditations. Cyber Essential Plus certification was awarded in October 2017, which ensured our early and comprehensive compliance with GDPR regulations in force from May 2018. In the same month we also achieved the Investors in People standard which as a company dedicated to looking after our staff we are extremely proud of.

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.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

Financial key performance indicators

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

- Secured order levels;
- Sales generated per salesman; and
- 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 £7.0m (2016: £6.8m) and levels at each of the last two year ends were:-

	December 2017	December 2016
Secured orders	£5,807,096	£7,344,794

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 2017	December 2016
Average sales per salesman	£1.23m	£1.47m

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 £333,668 (down from £522,922 last year) and holdings at each of the last two year ends were:-

	December 2017	December 2016
Average monthly cash balance	£30,817	£184,082

The Board have concerns over the future strength of the UK economy and expect the next two years to be challenging in the construction sector. 2018 will see a strengthening and expansion of our service and maintenance division which is seen as a key growth strand for Coolair's long term future success and to further improving the service levels offered to our clients

This report was approved by the board on 19th September 2018 and signed on its behalf.

H Sharratt
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and the financial statements for the year ended 31 December 2017.

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 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 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 £79,793 (2016 - £676,040).

The Directors proposed that no dividends shall be paid in 2017 (2016: £nil)

Directors

The Directors who served during the year were:

J Otterson
H Sharratt
A Garstang
J Garstang
N Gibbard
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.

COOLAIR EQUIPMENT LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

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

There have been no significant events affecting the Company 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 19th September 2018 and signed on its behalf.

H Sharratt
Director

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 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, 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 2017 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.

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.

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

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: 20 September 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Turnover	4	25,993,812	27,921,543
Cost of sales		(21,343,043)	(22,439,010)
Gross profit		4,650,769	5,482,533
Administrative expenses		(4,488,192)	(4,586,564)
Operating profit	5	162,577	895,969
Interest receivable and similar income	9	1,484	1,636
Interest payable and expenses	10	(766)	(3,271)
Profit before tax		163,295	894,334
Tax on profit	11	(83,502)	(218,294)
Profit for the financial year		79,793	676,040

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 11 to 27 form part of these financial statements.

COOLAIR EQUIPMENT LIMITED
REGISTERED NUMBER: 02883010

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £		2016 £
Fixed assets					
Tangible assets	**12**		1,060,727		634,687
Investment property	**13**		-		193,925
			1,060,727		828,612
Current assets					
Stocks	**14**	45,784		52,557	
Debtors: amounts falling due after more than one year	**15**	926,962		1,042,779	
Debtors: amounts falling due within one year	**15**	7,805,287		7,116,987	
Cash at bank and in hand	**16**	226,190		1,176,951	
		9,004,223		9,389,274	
Creditors: amounts falling due within one year	**17**	(5,367,161)		(5,559,023)	
Net current assets			3,637,062		3,830,251
Total assets less current liabilities			4,697,789		4,658,863
Creditors: amounts falling due after more than one year	**18**		(110,000)		(145,000)
Provisions for liabilities					
Deferred tax	**20**	-		(5,867)	
			-		(5,867)
Net assets			4,587,789		4,507,996
Capital and reserves					
Called up share capital	**21**		76,000		76,000
Capital redemption reserve	**22**		24,000		24,000
Profit and loss account	**22**		4,487,789		4,407,996
			4,587,789		4,507,996

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
19th September 2018

H Sharratt
Director

The notes on pages 11 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	76,000	24,000	4,407,996	4,507,996
Comprehensive income for the year				
Profit for the year	-	-	79,793	79,793
Total comprehensive income for the year	-	-	79,793	79,793
At 31 December 2017	76,000	24,000	4,487,789	4,587,789

The notes on pages 11 to 27 form part of these financial statements.

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

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	76,000	24,000	3,731,956	3,831,956
Comprehensive income for the year				
Profit for the year	-	-	676,040	676,040
Total comprehensive income for the year	-	-	676,040	676,040
At 31 December 2016	76,000	24,000	4,407,996	4,507,996

The notes on pages 11 to 27 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 iincorporated in England and Wales. The utlimate 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 preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company accounting policies (see note 3).

The following principal accounting policies have been applied:

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;
the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; 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 2017 and these financial statements may be obtained from Companies House, Crown Way, Maindy, Cardiff.

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 maintains an appropriate level of lliquidity, 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 iin 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.

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. Accounting policies (continued)

2.7 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 Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.8 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 operates and generates 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; 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 balance sheet date.

2.9 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.

2. Accounting policies (continued)

2.9 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.

2.10 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.

2.11 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.

2.12 Investment property

Investment property is carried at fair value determined annually and is 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. Accounting policies (continued)

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 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 foreseen.

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 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.

2.19 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of

2. Accounting policies (continued)

2.19 Financial instruments (continued)

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 the 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 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 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.

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 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 stautory 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 historical performance as well as expectations about future use and therefore requires estimates and assumptions to be made by management.

4. Turnover

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

	2017 £	2016 £
Installation of air conditioning	25,993,812	27,921,543

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	84,734	83,571
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	21,000	20,500
Defined contribution pension cost	219,776	198,159

6. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	21,000	20,500
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	2,550	2,500
All other services	2,425	2,350
	4,975	4,850

7. Employees

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

	2017 £	2016 £
Wages and salaries	3,525,334	4,028,998
Social security costs	340,825	69,344
Cost of defined contribution scheme	219,776	198,159
	4,085,935	4,296,501

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

	2017 No.	2016 No.
Engineers	40	48
Warehouse and distribution	1	1
Sales	23	20
Management and administration	23	24
	87	93

8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	693,187	935,557
Company contributions to defined contribution pension schemes	77,500	76,010
	770,687	1,011,567

During the year retirement benefits were accruing to 6 Directors (2016 - 6) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £86,716 (2016 - £91,352).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £11,800 (2016 - £12,200).

9. Interest receivable

	2017 £	2016 £
Other interest receivable	1,484	1,636

10. Interest payable and similar expenses

	2017 £	2016 £
Bank interest payable	766	3,270
Other interest payable	-	1
	766	3,271

11. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	94,529	157,506
Adjustments in respect of previous periods	4,000	43,353
Total current tax	98,529	200,859
Deferred tax		
Origination and reversal of timing differences	(15,027)	52,623
Adjustment for prior period	-	(40,689)
Effect of tax rate change on opening balance	-	5,501
Total deferred tax	(15,027)	17,435
Taxation on profit on ordinary activities	83,502	218,294

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - the same as) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017	2016
	£	£
Profit on ordinary activities before tax	163,295	894,334
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	31,429	178,867
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	36,556	32,596
Fixed assets differences	9,531	7,954
Adjustments to tax charge in respect of previous periods	4,000	43,353
Adjustments to tax charge in respect of prior periods - deferred tax	-	(40,689)
Adjust opening deferred tax to average rate of 19.25%	776	(2,752)
Adjust closing deferred tax to average rate of 19.25%	1,210	(1,035)
Total tax charge for the year	83,502	218,294

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Tangible fixed assets

	Freehold property £	Leasehold improvements £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation					
At 1 January 2017	672,487	128,439	11,440	345,488	1,157,854
Additions	303,725	-	-	13,124	316,849
Transfers between classes	193,925	-	-	-	193,925
At 31 December 2017	1,170,137	128,439	11,440	358,612	1,668,628
Depreciation					
At 1 January 2017	163,350	74,733	11,440	273,644	523,167
Charge for the year on owned assets	43,797	5,124	-	35,813	84,734
At 31 December 2017	207,147	79,857	11,440	309,457	607,901
T					
Net book value					
At 31 December 2017	962,990	48,582	-	49,155	1,060,727
At 31 December 2016	509,137	53,706	-	71,844	634,687

13. Investment property

	Freehold investment property £
At 1 January 2017	193,925
Transfers between classes	(193,925)
At 31 December 2017	-

The usage of the asset held as an Investment Property in the prior year changed during 2017 and it no longer met the Investment Property criteria under FRS 102. As a result the asset was transferred to Tangible Fixed Assets. Using its fair value as cost and depreciated from that date.

14. Stocks

	2017 £	2016 £
Finished goods and goods for resale	45,784	52,557

Stock recognised in cost of sales during the year as an expense was £11,627,911 (2016: £12,913,363).

15. Debtors

	2017 £	2016 £
Due after more than one year		
Trade debtors	926,962	1,042,779

	2017 £	2016 £
Due within one year		
Trade debtors	7,593,912	6,752,509
Other debtors	39,332	21,332
Prepayments and accrued income	162,883	343,146
Deferred taxation	9,160	-
	7,805,287	7,116,987

16. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	226,190	1,176,951

17. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	3,640,572	3,885,495
Corporation tax	31,033	157,505
Other taxation and social security	970,891	824,753
Other creditors	42,258	52,258
Accruals and deferred income	682,407	639,012
	5,367,161	5,559,023

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

	2017 £	2016 £
Other creditors	110,000	145,000
	110,000	145,000

19. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	8,786,396	8,993,571
Financial liabilities		
Financial liabilities measured at amortised cost	(3,792,830)	(4,082,753)

Financial assets 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.

20. Deferred taxation

	2017
	£
At beginning of year	(5,867)
Charged to the profit or loss	15,027
At end of year	9,160

The deferred taxation balance is made up as follows:

	2017	**2016**
	£	£
Accelerated capital allowances	(29,800)	(31,211)
Short term timing difference	38,960	25,344
	9,160	(5,867)

21. Share capital

	2017	**2016**
	£	£
Allotted, called up and fully paid		
76,000 Ordinary shares of £1 each	76,000	76,000

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

22. 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.

23. 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 £219,776 (2016: £198,159). There were outstanding contributions of £7,258 (2016: £7,258) at the end of the year which are included within creditors.

24. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	**2016** £
Not later than 1 year	121,130	120,796
Later than 1 year and not later than 5 years	107,441	56,333
	228,571	177,129

Operating lease expenses in the year totalled £120,796 (2016: £141,492).

25. 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.

26. 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.

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.