

# **Generation Two Limited**

Registered number: 08008574

## **Directors' report and financial statements**

**For the year ended 31 December 2015**

# GENERATION TWO LIMITED

## COMPANY INFORMATION

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**Directors**

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

**Registered number**

08008574

**Registered office**

Coolair House  
Globe Lane  
Dukinfield  
Cheshire  
SK16 4UJ

**Independent auditor**

Mazars LLP  
Chartered Accountants & Statutory Auditor  
The Lexicon  
Mount Street  
Manchester  
M2 5NT

**Bankers**

National Westminster Bank plc  
1 Spinningfields Square  
Deansgate  
Manchester  
M3 3AP

# GENERATION TWO LIMITED

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# GENERATION TWO LIMITED

## GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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### Introduction

The Directors present their Strategic Report for Generation Two Limited and group companies ("The Group") for the year ended 31 December 2015.

### Business review

The focus of the Group is the supply and installation of air conditioning systems and commercial heating products; this trade is carried out through Coolair Equipment Limited.

Coolair Management Company Limited is the non-trading immediate parent company and Generation Two Limited is the non-trading ultimate parent company of Coolair Equipment Limited. There remain no plans for either of these companies to trade in the future.

The Board are delighted to report that 2015 was a second record breaking year in a row for the Group with turnover exceeding £28M for the first time in our history. In our 35th year of trading, our focus has been to protect & reaffirm the ethos of the company whilst looking to the changes we must make to grow and remain competitive and financially secure in the future. We have seen a small growth in sales right across the group with no additions to our sales force and pleasingly margins have continued to progress back up towards levels we would expect in any "non-recessionary" year. These factors combined to generate a very healthy 7% increase in pre-tax profit to £1,356,375 for Coolair Equipment Limited.

Once again most of 2015's turnover came from our traditional air conditioning market as commercial heating products remain slow to take off in the UK, as reported in the previous year. Coolair were awarded MSC Accreditation early in 2016 for our Southern region, which is where we expect to see the most immediate growth in commercial heating contracts. This will be rolled out across the other offices as and when we see signs of an increase in demand.

Due to the healthy profits generated in 2015 and their re-investment in the business, cash flow grows increasingly healthy with no dependance on external finance. We are seeing a continually improving trend in payment terms from customers and debt recovery difficulties which have been experienced over the last few years appear to be easing.

### Principal risks and uncertainties

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

# GENERATION TWO LIMITED

## GROUP STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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### 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 & purchasing levels but more importantly provide the key indication of upturn or downturn in future workload, enabling management to react quickly and make appropriate changes on a strategic level. Average monthly order levels over the last 5 years have been £6.5m (2014: £6.2m) and levels at each of the last two year ends were:-

	December 2015	December 2014
Secured orders	£6,255,398	£7,477,358

The Group 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 2015	December 2014
Average sales per salesman	£1.41m	£1.32m

The Group trades 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 £536,945 (down from £585,196 last year) and holdings at each of the last two year ends were:-

	December 2015	December 2014
Average monthly cash balance	£201,408	£382,137

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

This report was approved by the board on 7th Sept 2016 and signed on its behalf.

  
H Sharratt  
Director

# GENERATION TWO LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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The Directors present their report and the financial statements for the year ended 31 December 2015.

### Directors' responsibilities statement

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

- select suitable accounting policies for the Group financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

### Results and dividends

The profit for the year, after taxation, amounted to £842,539 (2014 - £748,234).

The Directors proposed that no dividends shall be paid in 2015 (2014: £nil)

### Directors

The Directors who served during the year were:

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

### Future developments

The Board are optimistic about the long term future growth and direction of Coolair and in 2014 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..

# GENERATION TWO LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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

### Post balance sheet events

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

### Auditors

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 *7th Sept 2016* and signed on its behalf.



**H Sharratt**  
Director

# GENERATION TWO LIMITED

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

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We have audited the financial statements of Generation Two Limited for the year ended 31 December 2015 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Consolidated Statement of Cash Flows, the Group and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 " The Financial Reporting Standard applicable in the UK and Republic of Ireland".

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

### **Scope of the audit of the financial statements**

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

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on the other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



# GENERATION TWO LIMITED

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

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### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Neil Barton (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants & Statutory Auditor and

The Lexicon  
Mount Street  
Manchester  
M2 5NT

Date: 8 SEPTEMBER 2016

# GENERATION TWO LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

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	Note	2015 £	2014 £
Turnover	4	28,216,990	27,961,511
Cost of sales		(22,487,923)	(22,822,153)
<b>Gross profit</b>		<u>5,729,067</u>	<u>5,139,358</u>
Administrative expenses		(4,561,039)	(3,860,074)
<b>Operating profit</b>	5	<u>1,168,028</u>	<u>1,279,284</u>
Income from shares in group undertakings		-	(193,144)
Interest receivable and similar income	9	2,782	2,767
Interest payable and expenses	10	(7,579)	(12,282)
<b>Profit before taxation</b>		<u>1,163,231</u>	<u>1,076,625</u>
Tax on profit	11	(320,692)	(328,391)
<b>Profit for the year</b>		<u><u>842,539</u></u>	<u><u>748,234</u></u>
<b>Total comprehensive income for the year</b>		<u><u>842,539</u></u>	<u><u>748,234</u></u>

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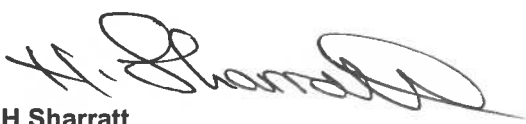
# GENERATION TWO LIMITED

Registered number: 08008574

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
<b>Fixed assets</b>			
Intangible assets	12	3,154,680	3,347,824
Tangible assets	14	699,834	717,814
Investment property		193,925	193,925
		<u>4,048,439</u>	<u>4,259,563</u>
<b>Current assets</b>			
Stocks	17	48,159	59,191
Debtors: amounts falling due after more than one year	18	743,116	663,092
Debtors: amounts falling due within one year	18	7,258,901	7,034,882
Cash at bank and in hand	19	829,075	470,098
		<u>8,879,251</u>	<u>8,227,263</u>
Creditors: amounts falling due within one year	20	(5,729,735)	(6,016,478)
<b>Net current assets</b>		<u>3,149,516</u>	<u>2,210,785</u>
<b>Total assets less current liabilities</b>		<u>7,197,955</u>	<u>6,470,348</u>
Creditors: amounts falling due after more than one year	21	(210,121)	(325,053)
<b>Provisions for liabilities</b>			
<b>Net assets</b>		<u><u>6,987,834</u></u>	<u><u>6,145,295</u></u>
<b>Capital and reserves</b>			
Called up share capital	25	200	200
Share premium account	26	4,799,998	4,799,998
Profit and loss account	26	2,187,636	1,345,097
		<u>6,987,834</u>	<u>6,145,295</u>

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

14 Sept 2016  
  
**H Sharratt**  
Director

The notes on pages 13 to 37 form part of these financial statements.

# GENERATION TWO LIMITED

Registered number: 08008574

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
<b>Fixed assets</b>			
Investments	15	6,500,000	6,500,000
		<u>6,500,000</u>	<u>6,500,000</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	18	198	198
		<u>198</u>	<u>198</u>
<b>Total assets less current liabilities</b>		<u>6,500,198</u>	<u>6,500,198</u>
<b>Net assets excluding pension asset</b>			
		<u>6,500,198</u>	<u>6,500,198</u>
<b>Net assets</b>		<u>6,500,198</u>	<u>6,500,198</u>
<b>Capital and reserves</b>			
Called up share capital	25	200	200
Share premium account	26	4,799,998	4,799,998
Profit and loss account	26	1,700,000	1,700,000
		<u>6,500,198</u>	<u>6,500,198</u>

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

  
**H Sharratt**  
Director

# GENERATION TWO LIMITED

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

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	Share capital £	Share premium £	Retained earnings £	Total equity £
At 1 January 2015	200	4,799,998	1,345,097	6,145,295
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	842,539	842,539
<b>Total comprehensive income for the year</b>	-	-	842,539	842,539
<b>At 31 December 2015</b>	<b>200</b>	<b>4,799,998</b>	<b>2,187,636</b>	<b>6,987,834</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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	Share capital £	Share premium £	Retained earnings £	Total equity £
At 1 January 2014	200	4,799,998	596,863	5,397,061
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	748,234	748,234
<b>Total comprehensive income for the year</b>	-	-	748,234	748,234
<b>At 31 December 2014</b>	<b>200</b>	<b>4,799,998</b>	<b>1,345,097</b>	<b>6,145,295</b>

The notes on pages 13 to 37 form part of these financial statements.

# GENERATION TWO LIMITED

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

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	Share capital	Share premium	Retained earnings	Total equity
	£	£	£	£
At 1 January 2015	200	4,799,998	1,700,000	6,500,198
Total comprehensive income for the year	-	-	-	-
At 31 December 2015	<u>200</u>	<u>4,799,998</u>	<u>1,700,000</u>	<u>6,500,198</u>

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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	Share capital	Share premium	Retained earnings	Total equity
	£	£	£	£
At 1 January 2014	200	4,799,998	1,700,000	6,500,198
Total comprehensive income for the year	-	-	-	-
At 31 December 2014	<u>200</u>	<u>4,799,998</u>	<u>1,700,000</u>	<u>6,500,198</u>

The notes on pages 13 to 37 form part of these financial statements.

# GENERATION TWO LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £	2014 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	842,539	748,234
<b>Adjustments for:</b>		
Amortisation of intangible assets	193,144	193,144
Depreciation of tangible assets	80,346	82,937
Increase in stocks	11,032	(88)
Interest paid	7,579	12,282
Interest received	(2,782)	(2,767)
Taxation	320,692	328,391
Increase in debtors	(315,488)	344,988
Increase in creditors	(276,381)	(162,271)
Corporation tax	(339,609)	(158,800)
<b>Net cash generated from operating activities</b>	<u>521,072</u>	<u>1,386,050</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(62,366)	(28,826)
Interest received	2,782	2,767
<b>Net cash from investing activities</b>	<u>(59,584)</u>	<u>(26,059)</u>
<b>Cash flows from financing activities</b>		
Repayment of loans	(94,932)	(659,378)
Repayment of other loans	-	(580,000)
Interest paid	(7,579)	(12,282)
<b>Net cash used in financing activities</b>	<u>(102,511)</u>	<u>(1,251,660)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	358,977	108,331
Cash and cash equivalents at beginning of year	470,098	361,767
<b>Cash and cash equivalents at the end of year</b>	<u>829,075</u>	<u>470,098</u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	829,075	470,098
	<u>829,075</u>	<u>470,098</u>

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 1. General information

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

Coolair House  
Globe Lane  
Dukinfield  
Cheshire  
SK16 4UJ

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

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

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 30.

The functioning currency of the company is Pounds Sterling as this is the currency of the primary economic environment in which the Company operates.

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

The following principal accounting policies have been applied:

#### 2.2 Basis of consolidation

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

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

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014. Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.



# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 2. Accounting policies (continued)

#### 2.3 Transition to FRS102

This is the first financial year that the company has presented its financial statements in accordance with FRS 102 "The Financial Reporting Framework Applicable in the UK and Republic of Ireland" ("FRS 102"). For financial years up to and including the year ending 31 December 2014, the company prepared its financial statements in accordance with the UK GAAP.

#### 2.4 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.

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 2. Accounting policies (continued)

#### 2.5 Revenue

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

##### Sale of goods

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

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

##### Rendering of services

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

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

#### 2.6 Intangible assets

##### Goodwill

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

##### Other intangible assets

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

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

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 2. Accounting policies (continued)

#### 2.7 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.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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 within 'other operating income' in the Consolidated Statement of Comprehensive Income.

#### 2.8 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.

#### 2.9 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.

#### 2.10 Investment property

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

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 2. Accounting policies (continued)

#### 2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

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

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

#### 2.12 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.

#### 2.13 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.

#### 2.14 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.

#### 2.15 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.

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 2. Accounting policies (continued)

#### 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.

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

#### 2.17 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, 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 payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright 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 Profit and Loss Account.

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

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

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 2. Accounting policies (continued)

#### 2.18 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.

#### 2.19 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.

#### 2.20 Pensions

##### Defined contribution pension plan

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

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

#### 2.21 Interest income

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

#### 2.22 Borrowing costs

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

#### 2.23 Provisions for liabilities

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

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

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

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 2. Accounting policies (continued)

#### 2.24 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 change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 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 period.

#### Critical judgements in applying the Company's accounting policies

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

##### (i) Assessing indicators of impairment

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

##### (ii) Recognition of deferred tax assets

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

#### Key sources of estimation uncertainty

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

##### (i) Recoverability of Debtors

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

##### (ii) Determining residual values and useful economic lives of property, plant and equipment

The Company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be made by management.

##### (iii) Valuation of investment properties

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



# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 4. Analysis of turnover

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

	2015 £	2014 £
Installation of air conditioning	28,216,990	27,961,511
	<u>28,216,990</u>	<u>27,961,511</u>

All turnover arose within the United Kingdom.

### 5. Operating profit

The operating profit is stated after charging:

	2015 £	2014 £
Depreciation of tangible fixed assets	80,346	82,937
Amortisation of intangible assets, including goodwill	193,144	193,144
Fees payable to the Group's auditor and its associates for the audit of the company's annual financial statements	20,000	19,500
Other operating lease rentals	127,347	73,352
Defined contribution pension cost	201,473	146,649
	<u>201,473</u>	<u>146,649</u>

During the year, no Director received any emoluments (2014 - £NIL).

### 6. Auditor's remuneration

	2015 £	2014 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	20,000	19,500
	<u>20,000</u>	<u>19,500</u>
<b>Fees payable to the Group's auditor and its associates in respect of:</b>		
Other services relating to taxation	3,200	4,500
All other services	4,000	-
	<u>7,200</u>	<u>4,500</u>

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 7. Employees

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

	2015 £	2014 £
Wages and salaries	3,491,207	3,061,243
Social security costs	305,996	294,134
Cost of defined contribution scheme	201,473	146,649
	<u>3,998,676</u>	<u>3,502,026</u>

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

	2015 No.	2014 No.
Engineers	48	48
Warehouse and distribution	1	1
Sales	20	19
Management and administration	24	21
	<u>93</u>	<u>89</u>

### 8. Directors' remuneration

During the year retirement benefits were accruing to 6 Directors (2014 - 6) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £153,849 (2014 - £135,855).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £11,300 (2014 - £12,000).

### 9. Interest receivable

	2015 £	2014 £
Other interest receivable	2,782	2,767
	<u>2,782</u>	<u>2,767</u>

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 10. Interest payable and similar charges

	2015 £	2014 £
Bank interest payable	7,579	12,282
	<u>7,579</u>	<u>12,282</u>

### 11. Taxation

	2015 £	2014 £
<b>Corporation tax</b>		
Current tax on profits for the year	309,247	339,609
	<u>309,247</u>	<u>339,609</u>
<b>Total current tax</b>	<u>309,247</u>	<u>339,609</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	9,623	(11,218)
Adjustment to prior period	1,822	-
<b>Total deferred tax</b>	<u>11,445</u>	<u>(11,218)</u>
<b>Taxation on profit on ordinary activities</b>	<u>320,692</u>	<u>328,391</u>

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 11. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	1,163,231	1,076,625
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%)	235,554	231,367
<b>Effects of:</b>		
Non-tax deductible amortisation of goodwill and impairment	39,065	41,546
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	31,109	40,785
Capital allowances for year in excess of depreciation	-	(4,746)
Fixed asset differences	12,644	2,637
Adjustments to tax charge in respect of prior periods	1,822	-
Short term timing difference leading to an increase (decrease) in taxation	-	16,802
Adjust opening and closing deferred tax to average rate of 20.25%	498	-
<b>Total tax charge for the year</b>	<b>320,692</b>	<b>328,391</b>

#### Factors that may affect future tax charges

There were no factors that may affect future tax charges.

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 12. Intangible assets

#### Group

	<b>Goodwill</b> £
<b>Cost</b>	
At 1 January 2015	3,862,874
At 31 December 2015	<u>3,862,874</u>
<b>Amortisation</b>	
At 1 January 2015	515,050
Charge for the year	193,144
At 31 December 2015	<u>708,194</u>
<b>Net book value</b>	
At 31 December 2015	<u>3,154,680</u>
At 31 December 2014	<u>3,347,824</u>

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

### 13. Parent Company Profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £ (2014 - £NIL).

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 14. Tangible fixed assets

#### Group

	Freehold property £	L/Term Leasehold Property £	Motor vehicles £	Fixtures & fittings £	Total £
<b>Cost or valuation</b>					
At 1 January 2015	643,155	122,939	11,440	299,530	1,077,064
Additions	26,712	5,500	-	30,154	62,366
At 31 December 2015	669,867	128,439	11,440	329,684	1,139,430
<b>Depreciation</b>					
At 1 January 2015	94,864	64,577	10,957	188,852	359,250
Charge owned for the period	33,839	5,032	483	40,992	80,346
At 31 December 2015	128,703	69,609	11,440	229,844	439,596
<b>Net book value</b>					
At 31 December 2015	541,164	58,830	-	99,840	699,834
At 31 December 2014	548,291	58,362	483	110,678	717,814

The net book value of land and building may be further analysed as follows:

	2015 £	2014 £
Freehold	541,164	548,291
Long leasehold	58,830	58,362
	599,994	606,653

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 15. Fixed asset investments

#### Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Coolair Management Company Limited	England and Wales	Ordinary	100 %	Dormant holding company

#### Indirect Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

#### Company

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2015	6,500,000
At 31 December 2015	<u>6,500,000</u>
<b>Net book value</b>	
At 31 December 2015	<u>6,500,000</u>
At 31 December 2014	<u><u>6,500,000</u></u>

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 16. Investment Property

	Freehold investment property £
<b>Valuation</b>	
At 1 January 2015	193,925
<b>At 31 December 2015</b>	<u>193,925</u>

The 2015 valuations were made by the Directors, on an open market value for existing use basis.

### 17. Stocks

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Finished goods and goods for resale	48,159	59,191	-	-
	<u>48,159</u>	<u>59,191</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £12,759,236 (2015: £13,530,510)

### 18. Debtors

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
<b>Due after more than one year</b>				
Trade debtors	743,116	663,092	-	-
	<u>743,116</u>	<u>663,092</u>	<u>-</u>	<u>-</u>
<b>Due within one year</b>				
Trade debtors	7,057,677	6,817,272	-	-
Other debtors	7,323	33,125	198	198
Prepayments and accrued income	182,333	161,472	-	-
Deferred taxation	11,568	23,013	-	-
	<u>7,258,901</u>	<u>7,034,882</u>	<u>198</u>	<u>198</u>



# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 19. Cash and cash equivalents

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Cash at bank and in hand	829,075	470,098	-	-
	<u>829,075</u>	<u>470,098</u>	<u>-</u>	<u>-</u>

### 20. Creditors: Amounts falling due within one year

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Bank loans	95,147	95,147	-	-
Trade creditors	3,729,668	3,334,092	-	-
Corporation tax	309,247	339,609	-	-
Taxation and social security	766,171	1,025,162	-	-
Other creditors	37,409	295,449	-	-
Accruals and deferred income	792,093	927,019	-	-
	<u>5,729,735</u>	<u>6,016,478</u>	<u>-</u>	<u>-</u>

### 21. Creditors: Amounts falling due after more than one year

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Bank loans	20,121	115,053	-	-
Other creditors	190,000	210,000	-	-
	<u>210,121</u>	<u>325,053</u>	<u>-</u>	<u>-</u>

### 22. Loans

Analysis of the maturity of loans is given below:

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Bank loans	95,147	95,147	-	-
	<u>95,147</u>	<u>95,147</u>	<u>-</u>	<u>-</u>
Bank loans	20,121	115,053	-	-
	<u>20,121</u>	<u>115,053</u>	<u>-</u>	<u>-</u>

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 23. Financial instruments

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Financial assets measured at fair value through profit or loss	829,075	470,098	-	-
Financial assets that are debt instruments measured at amortised cost	7,808,116	7,513,489	198	198
	<u>8,637,191</u>	<u>7,983,587</u>	<u>198</u>	<u>198</u>
Financial liabilities measured at amortised cost			(4,864,438)	(4,976,759)
			<u>(4,864,438)</u>	<u>(4,976,759)</u>

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents

Financial assets measured at amortised cost comprise trade and other debtors

Financial Liabilities measured at amortised cost comprise trade and other creditors

### 24. Deferred taxation

#### Group

	Deferred tax £
At 1 January 2015	23,013
Charged to the profit or loss	(11,445)
<b>At 31 December 2015</b>	<u><u>11,568</u></u>

	Group 2015 £	Group 2014 £
Accelerated capital allowances	23,013	(29,922)
Short term timing differences	(9,623)	51,113
Other timing differences	-	1,822
Adjustment for prior period	(1,822)	-
	<u><u>11,568</u></u>	<u><u>23,013</u></u>

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 25. Share capital

	2015 £	2014 £
<b>Allotted, called up and fully paid</b>		
10,000 Ordinary A shares of £0.01 each	100	100
10,000 Ordinary B shares of £0.01 each	100	100
	<hr/>	<hr/>
	200	200
	<hr/> <hr/>	<hr/> <hr/>

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

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

### 26. Reserves

#### Share premium

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

#### Capital redemption reserve

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

#### Profit & loss account

This reserve represents the cumulative profit and losses.

### 27. Pension commitments

The Group operates a defined contribution pension scheme for the benefit of employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £201,473 (2014: £146,649). There were outstanding contributions of £17,409 (2014: £15,449) at the end of the year which are included within creditors.

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 28. Commitments under operating leases

At 31 December 2015 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2015 £	Group 2014 £
Not later than 1 year	92,995	-
Later than 1 year and not later than 5 years	80,000	186,470
<b>Total</b>	<u>172,995</u>	<u>186,470</u>

Operating lease expenses in the year for the group totalled £127,347 (2014: £139,324)

### 29. Related party transactions

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

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

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 30. First time adoption of FRS 102

#### Group

	As previously stated 1 January 2014 £	Effect of transition 1 January 2014 £	FRS 102 (as restated) 1 January 2014 £	As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 102 (as restated) 31 December 2014 £
Intangible assets	3,540,968	-	3,540,968	3,347,824	-	3,347,824
Tangible assets	965,850	(193,925)	771,925	911,739	(193,925)	717,814
Investment property	-	193,925	193,925	-	193,925	193,925
Current assets	8,440,819	-	8,440,819	8,204,250	-	8,204,250
Creditors: amounts falling due within one year	(6,562,325)	-	(6,562,325)	(6,016,478)	-	(6,016,478)
<b>Net current assets</b>	<b>1,878,494</b>	<b>-</b>	<b>1,878,494</b>	<b>2,187,772</b>	<b>-</b>	<b>2,187,772</b>
<b>Total assets less current liabilities</b>	<b>6,385,312</b>	<b>-</b>	<b>6,385,312</b>	<b>6,447,335</b>	<b>-</b>	<b>6,447,335</b>
Creditors: amounts falling due after more than one year	(1,000,046)	-	(1,000,046)	(325,053)	-	(325,053)
Provisions for liabilities	11,795	-	11,795	23,013	-	23,013
<b>Net assets</b>	<b>5,397,061</b>	<b>-</b>	<b>5,397,061</b>	<b>6,145,295</b>	<b>-</b>	<b>6,145,295</b>
Capital and reserves	5,397,061	-	5,397,061	6,145,295	-	6,145,295

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 30. First time adoption of FRS 102 (continued)

	As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 102 (as restated) 31 December 2014 £
Turnover	27,961,511	-	27,961,511
Cost of sales	(22,822,153)	-	(22,822,153)
	5,139,358	-	5,139,358
Administrative expenses	(4,053,218)	-	(4,053,218)
<b>Operating profit</b>	1,086,140	-	1,086,140
Interest receivable and similar income	2,767	-	2,767
Interest payable and similar charges	(12,282)	-	(12,282)
Taxation	(328,391)	-	(328,391)
<b>Profit on ordinary activities after taxation and for the financial year</b>	<b>748,234</b>	<b>-</b>	<b>748,234</b>

Explanation of changes to previously reported profit and equity:

- 1 This is the first financial year that the Group has presented its financial statements in accordance with FRS 102 "The Financial Reporting Framework Applicable in the UK and Republic of Ireland" ("FRS 102"). For financial years up to and including the year ending 31 December 2014, the Group prepared its financial statements in accordance with the UK GAAP.

The Group's date of transition to FRS 102 is 1 January 2014. The policies applied under the Group's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

There is only one transitional adjustment and this relates to the recognition of the investment property element of a mixed use property. This adjustment has resulted in a decrease in the level of freehold property in the financial statements of £193,925 and the introduction of investment property for the same value.

**GENERATION TWO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

**30. First time adoption of FRS 102 (continued)**

Company	Note	As	Effect of	FRS 102	As	Effect of	FRS 102
		previously stated 1 January 2014 £	transition 1 January 2014 £	(as restated) 1 January 2014 £	previously stated 31 December 2014 £	transition 31 December 2014 £	(as restated) 31 December 2014 £
Fixed assets		6,500,000	-	6,500,000	6,500,000	-	6,500,000
Current assets		198	-	198	198	-	198
<b>Net current assets</b>		198	-	198	198	-	198
<b>Total assets less current liabilities</b>		6,500,198	-	6,500,198	6,500,198	-	6,500,198
<b>Net assets</b>		6,500,198	-	6,500,198	6,500,198	-	6,500,198
Capital and reserves		6,500,198	-	6,500,198	6,500,198	-	6,500,198

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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### 30. First time adoption of FRS 102 (continued)

	As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 102 (as restated) 31 December 2014 £
Note	-	-	-
<b>Operating profit</b>	-	-	-
<b>Loss on ordinary activities after taxation and for the financial year</b>	-	-	-

Explanation of changes to previously reported profit and equity:

- 1 This is the first financial year that the company has presented its financial statements in accordance with FRS 102 "The Financial Reporting Framework Applicable in the UK and Republic of Ireland" ("FRS 102"). For financial years up to and including the year ending 31 December 2014, the company prepared its financial statements in accordance with the UK GAAP.

The company's date of transition to FRS 102 is 1 January 2014. 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.