Generation Two Limited

Registered number: 08008574

Annual report and financial statements

For the year ended 31 December 2020

GENERATION TWO LIMITED

COMPANY INFORMATION

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

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The Directors present their Strategic Report for Generation Two Limited (the 'Parent Company') and subsidiary companies ("The Group" or "Coolair") for the year ended 31 December 2020.

Business review

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

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

Following a return to normal levels of turnover and profitability in 2019 this trend was originally expected to continue through 2020, with the first quarter's results being above forecast. However, the outbreak of the COVID-19 pandemic towards the end of March caused a significant decrease in turnover in the second quarter of 2020. This resulted in performance for the year as a whole, whilst still being respectable under the exceptional circumstances, to fall below original expectations.

Coolair consider ourselves fortunate to be working in an industry which has been encouraged to remain active during the whole of the pandemic. Whilst during the first weeks of the initial lockdown we saw the number of active construction sites we were engaged on drop by 65%, all offices have remained open, albeit with skeleton staff during certain periods, and always following Government guidance. Whilst our sales teams have largely worked from home after a significant increase in expenditure on IT infrastructure, contact with our client base has never been lost, and trading had returned to normal levels by September 2020.

After work almost coming to a dead stop in quarter 2 of 2020 due to no workspaces being occupied for a number of weeks, our national maintenance department has continued to grow. More investment has been made into staff and resources and this is seen as a key and growing revenue stream for Coolair's long term future.

Subsequent to the 2020 year end, Coolair have successfully implemented the new Direct Reverse Charge VAT rules which came in to effect after several deferrals on 1st March 2021. This has involved implementing new processing and invoicing procedures for our customers and CIS-registered subcontractors and suppliers. Whilst the timing could be considered less than ideal while the industry remained in the grip of the COVID-19 pandemic and lockdown, we are pleased to report that the implementation for Coolair has run extremely smoothly.

Throughout 2020 cash flow remained healthy and bad debts were minimal. All bad and doubtful debts are fully provided against in line with our standard policy. Coolair continued to trade without reliance on bank debt or additional support via the various Government COVID-19 loan schemes and this has continued through in to 2021.

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 Group 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 Group's long term success.

Impact of Brexit

The Directors continue to assess the implications of the United Kingdom's withdrawal from the European Union. However no significant direct implications have been noted to date nor are any expected.

Impact of Covid-19

The impacts of the COVID-19 pandemic remains a risk and, as noted above, the Group continues to monitor the ongoing developments and will act as deemed necessary.

Financial key performance indicators

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

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

Levels of secured orders are crucial to short-term planning of labour requirements & purchasing levels but more importantly provide the key indication of upturn or downturn in future workload, enabling management to react quickly and make appropriate changes on a strategic level. Average monthly order levels over the last 5 years have been £7.0M (2019 £7.1M) and levels at each of the last two year-ends were:

	December 2020	December 2019
Secured orders	£5,734,769	£6,691,604

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 2020	December 2019
Average sales per salesman	£1.29M	£1.51M

Coolair trade with no reliance on external debt. 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 £269,855 (down from £274,215 last year) and holdings at each of the last two year-ends were:

	December 2020	December 2019
Average monthly cash balance	£483,690	£243,814

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Whilst the COVID-19 pandemic may still have some way to run before businesses in the UK can be confident that "normality has resumed", the Board are cautiously optimistic about the long-term future growth and direction of Coolair. Significant investment has been made to ensure that our IT infrastructure is robust, secure and flexible to allow new ways of working not to detrimentally impact on the high levels of service we offer to our customers.

This report was approved by the board on 29th Sept 2021 and signed on its behalf.

H Sharratt
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

Directors' responsibilities statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

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

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

Results and dividends

The profit for the year, after taxation, amounted to £200,363 (2019: £268,426).

The Directors proposed that no dividends shall be paid in 2020 (2019: £NIL).

Directors

The Directors who served during the year were:

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

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 Group long into the future.

Disclosure of information to auditor

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

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

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 29th Sept 2021 and signed on its behalf.

H Sharratt
Director

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

Opinion

We have audited the financial statements of Generation Two Limited (the 'Parent Company') it's subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Positions, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows 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 Group's and Parent Company's affairs as at 31 December 2020 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.

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 Group and Parent 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 GENERATION TWO 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 course of 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 Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters 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 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.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 Group's and Parent 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 either the directors intend to liquidate the Group or Parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Group and Parent Company and their industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular debtor provisions, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Group and Parent Company which were contrary to applicable laws and regulations, including fraud.

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

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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.

Christopher Martin

Christopher Martin (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
One St Peter's Square
Manchester
M2 3DE

Date: 29 September 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Turnover	**4**	21,977,836	25,779,548
Cost of sales		(18,318,206)	(20,875,604)
Gross profit		3,659,630	4,903,944
Administrative expenses		(3,608,194)	(4,488,042)
Other operating income	**5**	268,378	-
Operating profit	**6**	319,814	415,902
Interest receivable and similar income	**10**	4,844	5,247
Interest payable and expenses	**11**	(2,231)	(406)
Profit before taxation		322,427	420,743
Tax on profit	**12**	(122,064)	(152,317)
Profit for the financial year		200,363	268,426

There were no recognised gains and losses for 2020 or 2019 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 15 to 34 form part of these financial statements.

GENERATION TWO LIMITED
REGISTERED NUMBER: 08008574

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note		2020 £		2019 £
Fixed assets					
Intangible assets	13		2,188,960		2,382,104
Tangible assets	14		940,588		988,149
			3,129,548		3,370,253
Current assets					
Stocks	16	18,905		34,805	
Debtors: amounts falling due after more than one year	17	852,642		1,123,468	
Debtors: amounts falling due within one year	17	5,366,834		6,936,593	
Cash at bank and in hand	18	1,831,302		856,962	
		8,069,683		8,951,828	
Creditors: amounts falling due within one year	19	(4,245,569)		(5,537,967)	
Net current assets			3,824,114		3,413,861
Total assets less current liabilities			6,953,662		6,784,114
Creditors: amounts falling due after more than one year	20		(15,000)		(40,000)
Deferred taxation	22	-		(5,815)	
			-		(5,815)
Net assets			6,938,662		6,738,299
Capital and reserves					
Called up share capital	23		200		200
Share premium account	24		4,799,998		4,799,998
Profit and loss account	24		2,138,464		1,938,101
			6,938,662		6,738,299

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
29th Sept 2021

H Sharratt
Director

The notes on pages 15 to 34 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note		2020 £		2019 £
Fixed assets					
Investments	15		6,500,000		6,500,000
			6,500,000		6,500,000
Current assets					
Debtors: amounts falling due within one year	17	198		198	
Net current assets			198		198
Total assets less current liabilities			6,500,198		6,500,198
Net assets			6,500,198		6,500,198
Capital and reserves					
Called up share capital	23		200		200
Share premium account	24		4,799,998		4,799,998
Profit and loss account	24		1,700,000		1,700,000
			6,500,198		6,500,198

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
29th Sept 2021

H Sharratt
Director

The notes on pages 15 to 34 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2019	200	4,799,998	1,669,675	6,469,873
Comprehensive income for the year				
Profit for the year	-	-	268,426	268,426
Total comprehensive income for the year	-	-	268,426	268,426
At 1 January 2020	200	4,799,998	1,938,101	6,738,299
Comprehensive income for the year				
Profit for the year	-	-	200,363	200,363
Total comprehensive income for the year	-	-	200,363	200,363
At 31 December 2020	200	4,799,998	2,138,464	6,938,662

The notes on pages 15 to 34 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2019	200	4,799,998	1,700,000	6,500,198
At 1 January 2020	200	4,799,998	1,700,000	6,500,198
At 31 December 2020	200	4,799,998	1,700,000	6,500,198

The notes on pages 15 to 34 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	200,363	268,426
Adjustments for:		
Amortisation of intangible assets	193,144	193,144
Depreciation of tangible assets	72,868	81,287
Interest paid	2,231	406
Interest received	(4,844)	(5,247)
Taxation charge	122,064	152,317
Decrease in stocks	15,900	2,577
Decrease/(increase) in debtors	1,779,038	(1,651,485)
(Decrease)/increase in creditors	(928,785)	771,289
Corporation tax (paid)/received	(39,634)	-
Net cash generated from operating activities	1,412,345	(187,286)
Cash flows from investing activities		
Purchase of tangible fixed assets	(25,307)	(22,076)
Interest received	4,844	5,247
Net cash from investing activities	(20,463)	(16,829)
Cash flows from financing activities		
Interest paid	(2,231)	(406)
Net cash used in financing activities	(2,231)	(406)
Net increase/(decrease) in cash and cash equivalents	1,389,651	(204,521)
Cash and cash equivalents at beginning of year	441,651	646,172
Cash and cash equivalents at the end of year	1,831,302	441,651
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,831,302	856,962
Bank overdrafts	-	(415,311)
	1,831,302	441,651

1. General information

Generation Two Limited ('the Company') is a private company limited by shares 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.

The principal activity of the Group 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 Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Parent 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 Parent Company has taken advantage of the exemption as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and has not presented its own Statement of Cash Flows in these financial statements.

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Basis of consolidation

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

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, 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.

2.3 Going concern

These financial statements have been prepared on a going concern basis. The current economic conditions present risks for all businesses. 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.

The directors have confirmed that they believe that the Group is financially secure and has more than adequate resources to trade successfully. Both demand from existing customers and the Group's current enquiry level remain strong. The Group has a number of banking facilities available to them to cover any additional funding requirements should these be needed. The Balance Sheet is strong reflecting a net current asset position.

Based on this assessment, the directors consider that the Group maintains an appropriate level of liquidity sufficient to meet the demands of the business.

In addition, the Group's assets are assessed for recoverability on a regular basis, the directors consider that the Group is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

The directors have a reasonable expectation that the Group 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 Group's ability to continue as a going concern. Thus the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

2. Accounting policies (continued)

2.4 Revenue

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

Sale of goods

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

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

Rendering of services

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

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

2.5 Government grants

The UK government has offered a range of financial support packages to help companies, including government backed financing arrangements, furlough schemes, deferment of VAT payments and, for some sectors, business rates holidays. Of the offered schemes, the company used the furlough scheme. The income from the furlough scheme has been recognised within 'Other operating income'. They are recognised when the entity has reasonable assurance that they will comply with the conditions attaching the grant, and that the grant will be received. The accrued element of grants is included in debtors as accrued income.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2. Accounting policies (continued)

2.7 Finance costs

Finance costs are charged to profit or loss 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.

2.8 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.9 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company 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 Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- 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 reporting date.

2. Accounting policies (continued)

2.10 Intangible assets

Goodwill

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

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

2.11 Tangible fixed assets

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

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%
Leasehold improvements	- 4%
Motor vehicles	- 33%
Fixtures & fittings	- 20%

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 profit or loss.

2.12 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.

2.13 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.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2. Accounting policies (continued)

2.15 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.

2.16 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 cariations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first forseen.

2.17 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.

2.18 Cash and cash equivalents

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

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

2.19 Creditors

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

2. Accounting policies (continued)

2.20 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 profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.21 Financial instruments

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

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

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

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

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

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

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

In applying the Group'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 Group's accounting policies

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

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

Key sources of estimation uncertainty

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

(i) Recoverability of Debtors
The Group 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. Debtors impaired during the year amounted to £56,000 (2019: 317,000). See note 17.

(ii) Determining residual values and useful economic lives of property, plant and equipment
The Group 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. See note 2.11 for the rates used and note 14 for the value of depreciation charged during the period.

4. Turnover

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

	2020 £	2019 £
Installation of air conditioning	20,982,661	24,742,075
Aftersales servicing	995,175	1,037,473

All turnover arose within the United Kingdom.

5. Other operating income

	2020 £	2019 £
Government grants income	268,378	-

6. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	72,868	81,287
Amortisation of intangible assets, including goodwill	193,144	193,144
Defined contribution pension cost	177,672	270,308
Other operating lease rentals	106,180	109,089

7. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company auditor and its associates for the audit of the Company annual accounts	2,500	2,200
Fees payable to the Group's auditor and its associates in respect of:		
Audit of the Company's subsidiaries	22,500	20,300
Other services relating to taxation	3,100	3,000
All other services	4,850	4,600
	30,450	27,900

8. Employees

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

	Group 2020 £	Group 2019 £
Wages and salaries	3,111,494	3,280,209
Social security costs	268,779	303,170
Cost of defined contribution scheme	177,672	270,308
	3,557,945	3,853,687

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

	2020 No.	2019 No.
Engineers	32	33
Warehouse and distribution	1	1
Sales	18	18
Management and administration	22	22
	73	74

The Company has no employees other than the Directors, who did not receive any remuneration *(2019 - £NIL)*

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	328,940	450,155
Company contributions to defined contribution pension schemes	53,500	130,150
	382,440	580,305

During the year retirement benefits were accruing to 5 Directors (2019 - 6) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £100,917 (2019 - £115,089).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £13,700 (2019 - £15,400).

10. Interest receivable

	2020 £	2019 £
Bank interest receivable	4,844	5,247

11. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	2,231	406

12. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	148,204	121,503
Adjustments in respect of previous periods	16,804	-
Total current tax	165,008	121,503
Deferred tax		
Origination and reversal of timing differences	(25,980)	30,814
Adjustment for prior period	(16,964)	-
Total deferred tax	(42,944)	30,814
Taxation on profit on ordinary activities	122,064	152,317

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	322,427	420,743
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	61,260	79,941
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	36,698	36,698
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	16,155	28,734
Fixed asset differences	8,109	9,886
Adjustments to tax charge in respect of prior periods	16,804	-
Adjustments to tax charge in respect of prior periods - deferred tax	(16,962)	-
Adjust opening and closing deferred tax to average rate of 19% (2017: 19.25%)	-	(2,942)
Total tax charge for the year	122,064	152,317

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase. As this was enacted post year end this is considered to be a non-adjusting post balance sheet event.

13. Intangible assets

Group

	Goodwill £
Cost	
At 1 January 2020	3,862,874
At 31 December 2020	3,862,874
Amortisation	
At 1 January 2020	1,480,770
Charge for the year on owned assets	193,144
At 31 December 2020	1,673,914
Net book value	
At 31 December 2020	2,188,960
At 31 December 2019	2,382,104

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.

14. Tangible fixed assets

Group

	Freehold property £	Leasehold improvements £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation					
At 1 January 2020	1,223,792	84,910	11,440	291,304	1,611,446
Additions	-	-	-	25,307	25,307
Disposals	-	-	(5,870)	-	(5,870)
At 31 December 2020	1,223,792	84,910	5,570	316,611	1,630,883
Depreciation					
At 1 January 2020	321,959	69,082	11,440	220,816	623,297
Charge for the year on owned assets	48,633	3,398	-	20,837	72,868
Disposals	-	-	(5,870)	-	(5,870)
At 31 December 2020	370,592	72,480	5,570	241,653	690,295
Net book value					
At 31 December 2020	853,200	12,430	-	74,958	940,588
At 31 December 2019	901,833	15,828	-	70,488	988,149

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2020	6,500,000
At 31 December 2020	6,500,000
Net book value	
At 31 December 2020	6,500,000
At 31 December 2019	6,500,000

Direct subsidiary undertaking

The following was a direct subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Coolair Management Company Limited	Coolair House, Global Lane, Dukinfield, Cheshire, SK16 4UJ	Dormant holding company	Ordinary	100%

Indirect subsidiary undertaking

The following was an indirect subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Coolair Equipment Limited	Coolair House, Global Lane, Dukinfield, Cheshire, SK16 4UJ	Supply and installation of air conditioning systems and commercial heating products	Ordinary	100%

16. Stocks

	Group 2020 £	Group 2019 £
Finished goods and goods for resale	18,905	34,805

17. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Due after more than one year				
Trade debtors	852,642	1,123,468	-	-

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Due within one year				
Trade debtors	4,921,995	6,458,258	-	-
Other debtors	198,373	310,982	198	198
Prepayments and accrued income	209,337	167,353	-	-
Deferred taxation	37,129	-	-	-
	5,366,834	6,936,593	198	198

Included within other debtors is a tax receivable amount of £NIL (2019: £98,676).

18. Cash and cash equivalents

	Group 2020 £	Group 2019 £
Cash at bank and in hand	1,831,302	856,962
Less: bank overdrafts	-	(415,311)
	1,831,302	441,651

19. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £
Bank overdrafts	-	415,311
Trade creditors	2,828,971	3,644,801
Corporation tax	148,201	121,503
Other taxation and social security	705,175	781,704
Other creditors	25,000	41,501
Accruals and deferred income	538,222	533,147
	4,245,569	5,537,967

National Westminster Bank PLC has a fixed and floating charge over all assets of Coolair Equipment Limited.

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

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

	Group 2020 £	Group 2019 £
Other creditors	15,000	40,000

Please provide details of the terms of payment or repayment and the rates of any interest payable on the amounts repayable more than five years after the balance sheet date.

21. Financial instruments

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Financial assets				
Financial assets measured at amortised cost	7,804,312	8,334,359	198	198
Financial liabilities				
Financial liabilities measured at amortised cost	(3,407,193)	(4,259,449)	-	-

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, accruals and deferred income and other creditors.

22. Deferred taxation

Group

	2020 £	2019 £
At beginning of year	(5,815)	24,999
Credited/(charged) to profit or loss	42,944	(30,814)
At end of year	37,129	(5,815)

The deferred taxation balance is made up as follows:

	Group 2020 £	Group 2019 £
Accelerated capital allowances	(40,745)	(40,828)
Short term timing differences	77,874	35,013
	37,129	(5,815)

23. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
10,000 (2019 - 10,000) Ordinary A shares of £0.01 each	100	100
10,000 (2019 - 10,000) Ordinary B shares of £0.01 each	100	100
	200	200

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

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

24. Reserves

Share premium account

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

Profit & loss account

This reserve represents the cumulative profit and losses less dividends received.

25. Analysis of net debt

	At 1 January 2020	Cash flows	At 31 December 2020
	£	£	£
Cash at bank and in hand	856,962	974,340	1,831,302
Bank overdrafts	(415,311)	415,311	-
	441,651	1,389,651	1,831,302

26. Pension commitments

The Group operates a defined contribution pension scheme for the benefit of employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge for the year represents contributions payable by the group to the fund and amounted to £177,672 (2019: £270,308). There were outstanding contributions of £2,275 (2019: £6,775) at the end of the year which are included within creditors.

27. Commitments under operating leases

At 31 December 2020 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2020 £	Group 2019 £
Not later than 1 year	147,948	145,186
Later than 1 year and not later than 5 years	224,031	210,756
Later than 5 years	2,438	-
	374,417	355,942

Operating lease expenses in the year for the group totalled £106,180 (2019: £109,089).

28. Related party transactions

The Company 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 wholly-owed members of the Group.

There are considered to be no key management personnel other than the Directors. Directors remuneration has been disclosed in note 9.

29. Controlling party

The Company has no ultimate controlling party.