

# **Generation Two Limited**

Registered number: 08008574

## **Annual report and financial statements**

**For the year ended 31 December 2018**

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**GENERATION TWO LIMITED**

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**COMPANY INFORMATION**

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

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**GENERATION TWO LIMITED**

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## GENERATION TWO LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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#### Introduction

The Directors present their Strategic Report for Generation Two Limited and subsidiary companies ("The Group") for the year ended 31 December 2018.

#### Business review

Incorporated in March 2012 the company is the non-trading ultimate parent company of Coolair Equipment Limited. There remain no plans for the company to trade in the future.

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

After several buoyant years, market conditions started to become challenging in 2017. This continued in to 2018 and combined with a number of external factors beyond our control led to the Group posting a pre-tax loss for the first time since 1998.

Our Midlands region remained profitable with a strong and loyal client base. Northern region also produced a trading profit but unfortunately suffered a significant bad debt when a long-standing client was forced in to administration following the collapse of Carillion early in 2018. The key loss was incurred by our Southern region and resulted from a combination of the following factors outside our control:-

- Fewer large projects out to tender
- Two long standing clients shifting their business focus from commercial to residential, a sector in which the Group does not operate
- A significant loss on one contract due to unforeseen issues with the site

As it became apparent that the Southern region would be loss-making, the management team implemented a re-structuring program and a re-focusing to widen and strengthen our client base.

Throughout 2018 cash flow remained healthy and other than mentioned above, bad debts were minimal. The Group continued to trade without reliance on bank finance. This has continued through in to 2019.

#### 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.

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**GENERATION TWO LIMITED**

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**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**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 £7.1M (2017 £7M) and levels at each of the last two year ends were:-

	December 2018	December 2017
Secured orders	£7,401,734	£5,807,096

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 2018	December 2017
Average sales per salesman	£1.10m	£1.23m

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 £296,835 (down from £522,922 last year) and holdings at each of the last two year ends were:-

	December 2018	December 2017
Average monthly cash balance	£28,389	£30,817

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

This report was approved by the board on *26th Sept 2019* and signed on its behalf.



**H Sharratt**  
Director

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**GENERATION TWO LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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The Directors present their report and the financial statements for the year ended 31 December 2018.

**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; 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 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 loss for the year, after taxation, amounted to £887,506 (2017 - loss £113,351).

The Directors proposed that no dividends shall be paid in 2018 (2017: £nil)

**Directors**

The Directors who served during the year were:

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

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**GENERATION TWO LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Future developments**

The Board are optimistic about the long term future growth and direction of Coolair and have developed a Mission Statement: "To create the ideal indoor environment for people to live, work and play, now and always." This emphasises our commitments to:-

- partnering with our customers and suppliers to provide the best solutions for their needs;
- quality installation and after care of both cooling and heating products in the commercial environment; and
- sustainability of both the environment and of Coolair as a company long into the future.

**Impact of Brexit**

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

**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.

**Post balance sheet events**

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

**Auditor**

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

This report was approved by the board on *26th Sept 2019* and signed on its behalf.



**H Sharratt**  
Director

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**GENERATION TWO LIMITED**

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

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**Opinion**

We have audited the financial statements of Generation Two Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**The impact of uncertainties due to the United Kingdom exiting the European Union on our audit**

The Directors' view on the impact of Brexit is disclosed on page 4.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Group's and Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Group and Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.



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**GENERATION TWO LIMITED**

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

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**Conclusions relating to going concern**

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

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

**Other information**

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

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

In light of the knowledge and understanding of the Group and the 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.

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**GENERATION TWO LIMITED**

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

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**Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of the audit report**

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



Neil Barton (Senior statutory auditor)

for and on behalf of

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

Date: 27 SEPTEMBER 2019

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GENERATION TWO LIMITED

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018

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	Note	2018 £	2017 £
Turnover	4	22,093,861	25,993,812
Cost of sales		(18,626,028)	(21,343,043)
<b>Gross profit</b>		<u>3,467,833</u>	<u>4,650,769</u>
Administrative expenses		(4,468,924)	(4,681,336)
<b>Operating loss</b>	5	(1,001,091)	(30,567)
Interest receivable and similar income	9	3,934	1,484
Interest payable and expenses	10	(717)	(766)
<b>Loss before taxation</b>		<u>(997,874)</u>	<u>(29,849)</u>
Tax on loss	11	110,368	(83,502)
<b>Loss for the financial year</b>		<u><u>(887,506)</u></u>	<u><u>(113,351)</u></u>

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 14 to 34 form part of these financial statements.

GENERATION TWO LIMITED  
REGISTERED NUMBER: 08008574

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018

	Note	2018 £	As restated 2017 £
<b>Fixed assets</b>			
Intangible assets	12	2,575,248	2,768,392
Tangible assets	13	1,047,360	1,060,727
		<u>3,622,608</u>	<u>3,829,119</u>
<b>Current assets</b>			
Stocks	15	37,382	45,784
Debtors: amounts falling due after more than one year	16	601,310	926,962
Debtors: amounts falling due within one year	16	5,832,265	7,806,485
Cash at bank and in hand	17	789,506	653,273
		<u>7,260,463</u>	<u>9,432,504</u>
Creditors: amounts falling due within one year	18	(4,333,198)	(5,794,244)
<b>Net current assets</b>		<u>2,927,265</u>	<u>3,638,260</u>
<b>Total assets less current liabilities</b>		<u>6,549,873</u>	<u>7,467,379</u>
Creditors: amounts falling due after more than one year	19	(80,000)	(110,000)
<b>Net assets</b>		<u><u>6,469,873</u></u>	<u><u>7,357,379</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	200	200
Share premium account	23	4,799,998	4,799,998
Profit and loss account	23	1,669,675	2,557,181
		<u>6,469,873</u>	<u>7,357,379</u>

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

26th Sept 2019  


H Sharratt  
Director

The notes on pages 14 to 34 form part of these financial statements.

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**GENERATION TWO LIMITED**  
**REGISTERED NUMBER: 08008574**


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**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

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	Note	2018 £	2017 £
<b>Fixed assets</b>			
Investments	14	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	16	198	198
		<u>198</u>	<u>198</u>
<b>Net current assets</b>		198	198
<b>Total assets less current liabilities</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	22	200	200
Share premium account	23	4,799,998	4,799,998
Profit and loss account	23	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

26th Sept 2019  


**H Sharratt**  
Director

The notes on pages 14 to 34 form part of these financial statements.

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GENERATION TWO LIMITED

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	£	£	£	£
At 1 January 2018	200	4,799,998	2,557,181	7,357,379
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(887,506)	(887,506)
<b>Total comprehensive income for the year</b>	-	-	(887,506)	(887,506)
<b>At 31 December 2018</b>	<u>200</u>	<u>4,799,998</u>	<u>1,669,675</u>	<u>6,469,873</u>

The notes on pages 14 to 34 form part of these financial statements.

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

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	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	£	£	£	£
At 1 January 2017	200	4,799,998	2,670,532	7,470,730
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(113,351)	(113,351)
<b>Total comprehensive income for the year</b>	-	-	(113,351)	(113,351)
<b>At 31 December 2017</b>	<u>200</u>	<u>4,799,998</u>	<u>2,557,181</u>	<u>7,357,379</u>

The notes on pages 14 to 34 form part of these financial statements.

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GENERATION TWO LIMITED

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COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018

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	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	200	4,799,998	1,700,000	6,500,198
Total comprehensive income for the year	-	-	-	-
At 31 December 2018	200	4,799,998	1,700,000	6,500,198

The notes on pages 14 to 34 form part of these financial statements.

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

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	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	200	4,799,998	1,700,000	6,500,198
Total comprehensive income for the year	-	-	-	-
At 31 December 2017	200	4,799,998	1,700,000	6,500,198

The notes on pages 14 to 34 form part of these financial statements.

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**GENERATION TWO LIMITED**

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	2018	As restated
	£	2017
		£
<b>Cash flows from operating activities</b>		
Loss for the financial year	(887,506)	(113,351)
<b>Adjustments for:</b>		
Amortisation of intangible assets	193,144	193,144
Depreciation of tangible assets	75,974	84,734
Interest paid	717	766
Interest received	(3,934)	(1,484)
Taxation charge	(110,368)	83,502
Decrease in stocks	8,402	6,773
Decrease/(increase) in debtors	2,414,387	(563,324)
(Decrease)/increase in creditors	(1,603,347)	326,693
Corporation tax (paid)	(35,180)	(225,000)
<b>Net cash generated from operating activities</b>	<u>52,289</u>	<u>(207,547)</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(62,607)	(316,849)
Interest received	3,934	1,484
<b>Net cash from investing activities</b>	<u>(58,673)</u>	<u>(315,365)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(717)	(766)
<b>Net cash used in financing activities</b>	<u>(717)</u>	<u>(766)</u>
<b>Net (decrease) in cash and cash equivalents</b>	(7,101)	(523,678)
Cash and cash equivalents at beginning of year	653,273	1,176,951
<b>Cash and cash equivalents at the end of year</b>	<u>646,172</u>	<u>653,273</u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	789,506	653,273
Bank overdrafts	(143,334)	-
	<u>646,172</u>	<u>653,273</u>

The notes on pages 14 to 34 form part of these financial statements.



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**GENERATION TWO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**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 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 following principal accounting policies have been applied:

**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 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.

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**GENERATION TWO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.3 Going concern**

These financial statements have been prepared on a going concern basis.

The current economic conditions present increased risks for all business. In response to such conditions, the Directors have carefully considered these risks, including an assessment of uncertainty on future trading projection for a period of at least 12 months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis.

The losses for the current and previous year reflect delays on projects in the wider economy as there has been uncertainty with issues such as Brexit. Post year end there has been a return to profitability and the order book remains strong. The Group also has a strong balance sheet, reserves and cash 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 including any capital and servicing obligations of external debt liabilities.

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.

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## GENERATION TWO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 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 Interest income

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

##### 2.6 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

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**GENERATION TWO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.7 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 the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

**2.8 Current and deferred taxation**

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the 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.

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## GENERATION TWO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.9 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.

###### 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 ten years.

##### 2.10 Tangible fixed assets

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

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 4% straight line
Leasehold improvements	- 4% straight line
Motor vehicles	- 33% straight line
Fixtures & fittings	- 20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

##### 2.11 Operating leases: Lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

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## GENERATION TWO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.12 Operating leases: Lessor

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

##### 2.13 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.

##### 2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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 Statement of Comprehensive Income 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 Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

##### 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 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.

##### 2.17 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.

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## GENERATION TWO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 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.

##### 2.20 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 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 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 non-puttable ordinary shares.

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

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

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## GENERATION TWO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 2. Accounting policies (continued)

##### 2.21 Financial instruments (continued)

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 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.

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.



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**GENERATION TWO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**3. Judgements in applying accounting policies (continued)**

(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.

**4. Turnover**

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

	2018 £	2017 £
Installation of air conditioning	22,093,861	25,993,812

All turnover arose within the United Kingdom.

**5. Operating loss**

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	75,974	84,734
Amortisation of intangible assets, including goodwill	193,144	193,144
Defined contribution pension cost	224,045	219,776

All audit fees are borne by Coolair Equipment Limited.

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**GENERATION TWO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**6. Auditor's remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	21,500	21,000
<b>Fees payable to the Group's auditor and its associates in respect of:</b>		
Other services relating to taxation	2,600	2,550
All other services	2,500	2,425
	<u>5,100</u>	<u>4,975</u>

**7. Employees**

Staff costs for the Group, including Directors' remuneration, were as follows:

	<b>Group 2018</b>	<b>Group 2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	3,453,462	3,525,334
Social security costs	303,138	340,825
Cost of defined contribution scheme	224,045	219,776
	<u>3,980,645</u>	<u>4,085,935</u>

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

	<b>2018 No.</b>	<b>2017 No.</b>
Engineers	35	40
Warehouse and distribution	1	1
Sales	21	23
Management and administration	24	23
	<u>81</u>	<u>87</u>

The Company has no direct employees other than the Directors, who did not receive any remuneration (2017 - £NIL) from the Company as they are remunerated via a subsidiary.

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**GENERATION TWO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**8. Directors' remuneration**

	2018 £	2017 £
Directors' emoluments	595,698	693,187
Company contributions to defined contribution pension schemes	77,500	77,500
	<u>673,198</u>	<u>770,687</u>

During the year retirement benefits were accruing to 6 Directors (2017 - 6) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £123,078 (2017 - £86,716).

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 (2017 - £11,800).

**9. Interest receivable**

	2018 £	2017 £
Other interest receivable	3,934	1,484
	<u>3,934</u>	<u>1,484</u>

**10. Interest payable and similar expenses**

	2018 £	2017 £
Bank interest payable	717	766
	<u>717</u>	<u>766</u>

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GENERATION TWO LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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11. Taxation

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	-	94,529
Adjustments in respect of previous periods	(94,529)	4,000
<b>Total current tax</b>	<u>(94,529)</u>	<u>98,529</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(12,811)	(15,027)
Adjustment for prior period	(3,028)	-
<b>Total deferred tax</b>	<u>(15,839)</u>	<u>(15,027)</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(110,368)</u>	<u>83,502</u>

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**GENERATION TWO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**11. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
(Loss)/Profit on ordinary activities before tax	(997,874)	(29,849)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(189,596)	(5,746)
<b>Effects of:</b>		
Non-tax deductible amortisation of goodwill and impairment	36,697	37,180
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	29,523	36,556
Fixed asset differences	11,649	9,531
Adjustments to tax charge in respect of prior periods	(94,529)	4,000
Adjustments to tax charge in respect of prior periods - deferred tax	(3,028)	-
Adjust opening and closing deferred tax to average rate of 19% (2017: 19.25%)	1,506	1,981
Losses carried back	97,410	-
<b>Total tax charge for the year</b>	<b>(110,368)</b>	<b>83,502</b>

**Factors that may affect future tax charges**

At the Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%.

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GENERATION TWO LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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12. Intangible assets

Group and Company

	Goodwill £
<b>Cost</b>	
At 1 January 2018	3,862,874
At 31 December 2018	<u>3,862,874</u>
<b>Amortisation</b>	
At 1 January 2018	1,094,482
Charge for the year	193,144
At 31 December 2018	<u>1,287,626</u>
<b>Net book value</b>	
At 31 December 2018	<u>2,575,248</u>
At 31 December 2017	<u>2,768,392</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.

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GENERATION TWO LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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13. Tangible fixed assets

Group

	Freehold property £	Leasehold improve- ments £	Motor vehicles £	Fixtures & fittings £	Total £
<b>Cost or valuation</b>					
At 1 January 2018	1,170,137	128,439	11,440	358,612	1,668,628
Additions	10,126	-	-	52,481	62,607
Transfers between classes	43,529	(43,529)	-	-	-
At 31 December 2018	<u>1,223,792</u>	<u>84,910</u>	<u>11,440</u>	<u>411,093</u>	<u>1,731,235</u>
<b>Depreciation</b>					
At 1 January 2018	207,147	79,857	11,440	309,457	607,901
Charge for the year on owned assets	46,883	5,124	-	23,967	75,974
Transfers between classes	19,296	(19,296)	-	-	-
At 31 December 2018	<u>273,326</u>	<u>65,685</u>	<u>11,440</u>	<u>333,424</u>	<u>683,875</u>
<b>Net book value</b>					
At 31 December 2018	<u>950,466</u>	<u>19,225</u>	<u>-</u>	<u>77,669</u>	<u>1,047,360</u>
At 31 December 2017	<u>962,990</u>	<u>48,582</u>	<u>-</u>	<u>49,155</u>	<u>1,060,727</u>

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GENERATION TWO LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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14. Fixed asset investments

Company

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2018	6,500,000
At 31 December 2018	<u>6,500,000</u>
<b>Net book value</b>	
At 31 December 2018	<u>6,500,000</u>
At 31 December 2017	<u>6,500,000</u>

**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%



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**GENERATION TWO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**15. Stocks**

	<b>Group 2018 £</b>	<b>Group 2017 £</b>	<b>Company 2018 £</b>	<b>Company 2017 £</b>
Finished goods and goods for resale	37,382	45,784	-	-

Stock recognised in cost of sales during the year as an expense was £10,026,552 (2017: £11,627,911).

**16. Debtors**

	<b>Group 2018 £</b>	<b>Group 2017 £</b>	<b>Company 2018 £</b>	<b>Company 2017 £</b>
<b>Due after more than one year</b>				
Trade debtors	601,310	926,962	-	-

	<b>Group 2018 £</b>	<b>Group 2017 £</b>	<b>Company 2018 £</b>	<b>Company 2017 £</b>
<b>Due within one year</b>				
Trade debtors	5,529,968	7,593,912	-	-
Other debtors	120,270	40,530	198	198
Prepayments and accrued income	157,028	162,883	-	-
Deferred taxation	24,999	9,160	-	-
	<u>5,832,265</u>	<u>7,806,485</u>	<u>198</u>	<u>198</u>

**17. Cash and cash equivalents**

	<b>Group 2018 £</b>	<b>Group as restated 2017 £</b>	<b>Company 2018 £</b>	<b>Company as restated 2017 £</b>
Cash at bank and in hand	789,506	653,273	-	-
Less: bank overdrafts	(143,334)	-	-	-

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**GENERATION TWO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**18. Creditors: Amounts falling due within one year**

	<b>Group 2018 £</b>	<b>Group As restated 2017 £</b>	<b>Company 2018 £</b>	<b>Company As restated 2017 £</b>
Bank overdrafts	143,334	-	-	-
Trade creditors	2,959,869	4,067,655	-	-
Corporation tax	-	31,033	-	-
Other taxation and social security	702,907	970,891	-	-
Other creditors	37,260	42,258	-	-
Accruals and deferred income	489,828	682,407	-	-
	<u>4,333,198</u>	<u>5,794,244</u>	<u>-</u>	<u>-</u>

**19. Creditors: Amounts falling due after more than one year**

	<b>Group 2018 £</b>	<b>Group 2017 £</b>	<b>Company 2018 £</b>	<b>Company 2017 £</b>
Other creditors	80,000	110,000	-	-
	<u>80,000</u>	<u>110,000</u>	<u>-</u>	<u>-</u>

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GENERATION TWO LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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20. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
<b>Financial assets</b>				
Financial assets that are debt instruments measured at amortised cost	6,897,720	8,787,594	198	198
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	(3,077,129)	(3,792,830)	-	-

Financial assets that are debt instruments measured at amortised cost comprise of cash and cash equivalents, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise of bank loans, trade creditors and other creditors.

21. Deferred taxation

Group

	2018 £
At beginning of year	9,160
Charged to profit or loss	15,839
<b>At end of year</b>	<b>24,999</b>

The deferred tax asset is made up as follows:

	Group 2018 £	Group 2017 £
Accelerated capital allowances	(37,002)	(29,800)
Short term timing differences	31,409	38,960
Losses and other deductions	30,592	-
	<b>24,999</b>	<b>9,160</b>

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**GENERATION TWO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**22. Share capital**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
10,000 (2017 - 10,000) Ordinary A shares of £0.01 each	100	100
10,000 (2017 - 10,000) Ordinary B shares of £0.01 each	100	100
	<u>200</u>	<u>200</u>

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.

**23. 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.

**24. 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 £224,045 (2017: £219,776). There were outstanding contributions of £7,258 (2017: £7,258) at the end of the year which are included within creditors.

**25. Commitments under operating leases**

At 31 December 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £
Not later than 1 year	105,275	121,130
Later than 1 year and not later than 5 years	2,167	107,441
	<u>107,442</u>	<u>228,571</u>

Operating lease expenses in the year for the group totalled £121,130 (2017: £120,796).

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**GENERATION TWO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**26. 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-owned members of the Group.

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

**27. Comparative information**

Comparatives on the Statement of Financial Position have been updated to accurately reflect the nature of assets. Cash at bank and in hand has increased by £427,083 and trade creditors have increased by the same amount at 31 December 2017.

**28. Controlling party**

The Company has no ultimate controlling party.

