

# **Generation Two Limited**

Registered number: 08008574

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

**For the year ended 31 December 2013**

# GENERATION TWO LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	J J Otterson H Sharratt A A Garstang N Gibbard M Garstang S Valentine (appointed 15 January 2013)
<b>Registered number</b>	08008574
<b>Registered office</b>	Coolair House Globe Lane Dukinfield Cheshire SK16 4UJ
<b>Independent auditors</b>	Mazars LLP Chartered Accountants & Statutory Auditors The Lexicon 10/12 Mount Street Manchester M2 5NT
<b>Bankers</b>	National Westminster Bank plc 1 Spinningfields Square Deansgate Manchester M3 3AP

# GENERATION TWO LIMITED

## CONTENTS

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	Page
Directors' Report	1 - 2
Group Strategic Report	3 - 4
Independent Auditors' Report	5 - 6
Consolidated Profit and Loss Account	7
Consolidated Balance Sheet	8
Company Balance Sheet	9
Consolidated Cash Flow Statement	10
Notes to the Financial Statements	11 - 22

# GENERATION TWO LIMITED

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013**

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The directors present their report and the financial statements for the year ended 31 December 2013.

### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

### **Directors**

The directors who served during the year were:

J J Otterson  
H Sharratt  
A A Garstang  
N Gibbard  
M Garstang  
S Valentine (appointed 15 January 2013)

### **Disclosure of information to auditors**

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

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditors are aware of that information.

### **Auditors**

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

# GENERATION TWO LIMITED

## DIRECTORS' REPORT *FOR THE YEAR ENDED 31 DECEMBER 2013*

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

.....  
**H Sharratt**  
Director

Date:

# GENERATION TWO LIMITED

## GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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### Introduction

The Directors present their Strategic Report for Generation Two Limited and group companies for the year ended 31 December 2013.

### Business review

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

Coolair Management Company Limited is the non-trading immediate parent company and Generation Two Limited is the non-trading ultimate parent company of Coolair Equipment Limited. There remain no plans for either of these companies to trade in the future. Generation Two Limited was incorporated in March 2012; therefore the consolidated profit and loss figures given in the primary statements are not readily comparable.

Coolair Equipment Limited saw a small increase in turnover (2%). This is encouraging when considering that 2013 became a "training year" with some of our senior salesmen tasked with helping some of our senior contracts engineers make the jump in to the sales environment and helping them start to develop their own client base. Margins continued to be squeezed however as experienced by most businesses within the industry. This, combined with some one-off overhead increases resulted in a pre-tax profit for Coolair Equipment Limited of £389,383 (down by 35%).

Most of 2013's turnover came from our traditional air conditioning market as commercial heating products remain slow to take off in the UK due to price constraints. The market has been waiting for the Government's announcement of the commercial RHI (Renewable Heat Incentive) which finally took place in mid-2013. Projects are therefore only now starting to be designed with these cost incentives in mind, and the lead time from initial design consultations to project tendering at the stage when Coolair would become involved is expected to take a further 18 – 24 months. Our turnover from this sector is therefore now not expected to significantly increase until 2016.

Cash flow remains healthy with no group reliance on external finance. As reported last year, the increasing trend of business failures across the construction sector appears to be continuing, with bad debts representing a key business risk. One material write-off was suffered during 2013 (£86,000) but was partly counter-acted by £27,000 of debts previously provided against being recovered.

### Other 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. Order levels at each of the last two year ends were:-

	December 2013	December 2012
Secured orders	£7,168,200	£5,415,720

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 2013	December 2012
Average sales per salesman	£1.17M	£1.20M

# GENERATION TWO LIMITED

## GROUP STRATEGIC REPORT (continued) *FOR THE YEAR ENDED 31 DECEMBER 2013*

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### Future developments

The Board are optimistic about the long term future growth and direction of Coolair and see our focus remaining on providing the best quality air conditioning design & installation service. Combined with this, growth will be generated organically through entry in to the emerging commercial heating market in partnership with our key suppliers.

This report was approved by the board on

and signed on its behalf.

.....  
**H Sharratt**  
Director

# **GENERATION TWO LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GENERATION TWO LIMITED**

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We have audited the financial statements of Generation Two Limited for the year ended 31 December 2013 which comprise the group Profit and Loss Account, the Group and Company Balance Sheets, the group Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

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

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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



# GENERATION TWO LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GENERATION TWO LIMITED

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

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

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

Neil Barton (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants & Statutory Auditors and

The Lexicon  
10/12 Mount Street  
Manchester  
M2 5NT

Date:

# GENERATION TWO LIMITED

Registered number: 08008574

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

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		2013	9 months ended 31 December 201
	Note	£	£
<b>Turnover</b>	<b>1,2</b>	23,476,619	16,364,782
Cost of sales		(19,391,527)	(12,819,951)
		<hr/>	<hr/>
<b>Gross profit</b>		4,085,092	3,544,831
Administrative expenses		(3,876,827)	(2,825,232)
		<hr/>	<hr/>
<b>Operating profit</b>		208,265	719,599
Income from shares in group undertakings		-	1,700,000
Interest receivable and similar income		3,298	3,847
Interest payable and similar charges	<b>6</b>	(15,324)	(13,013)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		196,239	2,410,433
Tax on profit on ordinary activities	<b>7</b>	(115,381)	(194,428)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<hr/> <hr/> 80,858	<hr/> <hr/> 2,216,005

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and Loss Account.

The company has not traded during the year. During this period, the company received no income and incurred no expenditure other than exempted payments under the provisions of section 1169 (3)(b) of the Companies Act 2006.

# GENERATION TWO LIMITED

Registered number: 08008574

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2013

	Note	£	2013 £	£	2012 £
<b>Fixed assets</b>					
Intangible assets	8		3,540,968		3,734,112
Tangible assets	9		965,852		953,975
			<u>4,506,820</u>		<u>4,688,087</u>
<b>Current assets</b>					
Stocks	11	59,103		80,533	
Debtors	12	8,031,546		7,986,943	
Cash at bank		361,767		156,177	
		<u>8,452,416</u>		<u>8,223,653</u>	
<b>Creditors:</b> amounts falling due within one year	13	(6,562,327)		(6,372,657)	
<b>Net current assets</b>			<u>1,890,089</u>		<u>1,850,996</u>
<b>Total assets less current liabilities</b>			<u>6,396,909</u>		<u>6,539,083</u>
<b>Creditors:</b> amounts falling due after more than one year	14		(1,000,046)		(1,212,678)
<b>Provisions for liabilities</b>					
Deferred tax	15		-		(10,400)
<b>Net assets</b>			<u><u>5,396,863</u></u>		<u><u>5,316,005</u></u>
<b>Capital and reserves</b>					
Called up share capital	16		2		2
Share premium account			4,799,998		4,799,998
Profit and loss account			<u>596,863</u>		<u>516,005</u>
<b>Shareholders' funds</b>	17		<u><u>5,396,863</u></u>		<u><u>5,316,005</u></u>

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

.....  
**H Sharratt**  
Director

The notes on pages 11 to 22 form part of these financial statements.

# GENERATION TWO LIMITED

Registered number: 08008574

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2013

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	Note	2013 £	2012 £
<b>Fixed assets</b>			
Investments	10	6,500,000	6,500,000
		<hr/>	<hr/>
<b>Net assets</b>		6,500,000	6,500,000
		<hr/>	<hr/>
<b>Capital and Reserves</b>			
Called up share capital	16	2	2
Share premium account		4,799,998	4,799,998
Profit and loss account		1,700,000	1,700,000
		<hr/>	<hr/>
<b>Shareholders' funds</b>	17	6,500,000	6,500,000
		<hr/>	<hr/>

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

.....  
**H Sharratt**  
Director

The notes on pages 11 to 22 form part of these financial statements.

# GENERATION TWO LIMITED

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £	2012 £
Net cash flow from operating activities	18	13,587	(428,857)
Returns on investments and servicing of finance	19	(12,026)	(9,166)
Taxation		(186,105)	19,283
Capital expenditure and financial investment	19	(89,612)	(113,170)
Acquisitions and disposals	19	-	688,087
<b>Cash (outflow)/inflow before financing</b>		<b>(274,156)</b>	<b>156,177</b>
Financing	19	479,746	-
<b>Increase in cash in the year</b>		<b>205,590</b>	<b>156,177</b>

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £	2012 £
Increase in cash in the year	205,590	156,177
Cash inflow from increase in debt and lease financing	(479,746)	-
<b>Change in net debt resulting from cash flows</b>	<b>(274,156)</b>	<b>156,177</b>
Other non-cash changes	(580,000)	-
<b>Movement in net debt in the year</b>	<b>(854,156)</b>	<b>156,177</b>
Net debt at 1 January 2013	(233,658)	(389,835)
<b>Net debt at 31 December 2013</b>	<b>(1,087,814)</b>	<b>(233,658)</b>

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### 1. Accounting Policies

#### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### 1.2 Basis of consolidation

The financial statements consolidate the accounts of Generation Two Limited and all of its subsidiary undertakings ('subsidiaries').

#### 1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

#### 1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and Loss Account over its estimated economic life.

#### 1.5 Going concern

The financial statements have been prepared on the going concern basis.

The Group's business activities are set out in the Strategic Report on page 3. The financial position of the group along with its cashflows, liquidity and borrowing facilities have been reviewed by the directors and as a result the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

#### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	4% straight line
Leasehold improvements	-	4% straight line
Land	-	Not depreciated
Motor vehicles	-	33% straight line
Fixtures & fittings	-	20% straight line

#### 1.7 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

#### 1.8 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### 1. Accounting Policies (continued)

#### 1.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

#### 1.10 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.

#### 1.11 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

#### 1.12 Pensions

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year.

### 2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the group.

All turnover arose within the United Kingdom.

### 3. Auditors' remuneration

	2013 £	2012 £
Fees payable to the group's auditor and its associates for the audit of the group's annual accounts	20,500	20,000
Fees payable to the group's auditor and its associates in respect of:		
Non-audit services	3,100	2,950

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 4. Staff costs

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

	2013	9 months ended 31 December 2012
	£	£
Wages and salaries	2,975,267	1,888,584
Social security costs	286,502	222,467
Pension costs	139,376	98,023
	<u>3,401,145</u>	<u>2,209,074</u>

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

	2013 No.	2012 No.
Engineers	47	46
Warehouse and distribution	1	1
Sales	18	18
Management and administration	20	19
	<u>86</u>	<u>84</u>

### 5. Directors' remuneration

	2013	9 months ended 31 December 2012
	£	£
Remuneration	<u>576,075</u>	<u>505,778</u>
Company pension contributions to defined contribution pension schemes	<u>70,360</u>	<u>71,193</u>

During the year retirement benefits were accruing to 6 directors (2012 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £134,084 (2012 - £110,677).

### 6. Interest payable

	2013	9 months ended 31 December 2012
	£	£
On bank loans and overdrafts	<u>15,324</u>	<u>13,013</u>



# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 7. Taxation

	2013 £	2012 £
<b>Analysis of tax charge in the year/period</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year/period	158,800	188,046
Adjustments in respect of prior periods	(21,224)	-
<b>Total current tax</b>	<u>137,576</u>	<u>188,046</u>
<b>Deferred tax</b> (see note 15)		
Origination and reversal of timing differences	(22,195)	6,382
<b>Tax on profit on ordinary activities</b>	<u>115,381</u>	<u>194,428</u>

#### Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher than (2012 - higher than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24%). The differences are explained below:

	2013 £	2012 £
Profit on ordinary activities before tax	<u>196,239</u>	<u>2,410,433</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24%)	45,626	578,504
<b>Effects of:</b>		
Non-tax deductible amortisation of goodwill and impairment	44,906	-
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	36,638	39,381
Capital allowances for year/period in excess of depreciation	(14,312)	(144)
Fixed asset differences	8,224	-
Adjustments to tax charge in respect of prior periods	(21,224)	-
Change in tax rate	38,243	5,215
Non-taxable income	-	(434,910)
Marginal tax relief	(525)	-
<b>Current tax charge for the year/period</b> (see note above)	<u>137,576</u>	<u>188,046</u>

#### Factors that may affect future tax charges

There were no factors that may affect future tax charges.

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### 8. Intangible fixed assets

	Goodwill £
<b>Group</b>	
<b>Cost</b>	
At 1 January 2013 and 31 December 2013	3,862,874
<b>Amortisation</b>	
At 1 January 2013	128,762
Charge for the year	193,144
At 31 December 2013	321,906
<b>Net book value</b>	
At 31 December 2013	3,540,968
At 31 December 2012	3,734,112

Generation 2 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. For details of this acquisition see note 19.

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 9. Tangible fixed assets

	Freehold property £	Leasehold improvements £	Motor vehicles £	Fixtures & fittings £	Total £
<b>Group</b>					
<b>Cost</b>					
At 1 January 2013	837,080	122,941	11,440	181,092	1,152,553
Additions	-	-	-	89,612	89,612
At 31 December 2013	837,080	122,941	11,440	270,704	1,242,165
<b>Depreciation</b>					
At 1 January 2013	27,898	54,762	3,332	112,586	198,578
Charge for the year	33,483	4,908	3,813	35,531	77,735
At 31 December 2013	61,381	59,670	7,145	148,117	276,313
<b>Net book value</b>					
At 31 December 2013	775,699	63,271	4,295	122,587	965,852
At 31 December 2012	809,182	68,179	8,108	68,506	953,975

### 10. Fixed asset investments

#### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Company	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2013 and 31 December 2013	6,500,000
<b>Net book value</b>	
At 31 December 2013	6,500,000
At 31 December 2012	6,500,000

Details of the principal subsidiaries can be found under note number 24.

### 11. Stocks

	<b>Group</b>		<b>Company</b>	
	2013 £	2012 £	2013 £	2012 £
Finished goods and goods for resale	59,103	80,533	-	-

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 12. Debtors

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Due after more than one year</b>				
Trade debtors	645,934	989,600	-	-
<b>Due within one year</b>				
Trade debtors	7,166,598	6,809,037	-	-
Other debtors	42,236	31,408	-	-
Prepayments and accrued income	164,983	156,898	-	-
Deferred tax asset (see note 15)	11,795	-	-	-
	<b>8,031,546</b>	<b>7,986,943</b>	<b>-</b>	<b>-</b>

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

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loan	659,535	87,157	-	-
Trade creditors	4,027,500	4,042,505	-	-
Corporation tax	158,800	207,329	-	-
Other taxation and social security	969,732	1,016,773	-	-
Other creditors	131,184	433,115	-	-
Accruals and deferred income	615,576	585,778	-	-
	<b>6,562,327</b>	<b>6,372,657</b>	<b>-</b>	<b>-</b>

The bank loan is secured by a first legal charge over Coolair House, Globe Lane, Dukinfield.

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

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loan	210,046	302,678	-	-
Other loans	580,000	-	-	-
Other creditors	210,000	910,000	-	-
	<b>1,000,046</b>	<b>1,212,678</b>	<b>-</b>	<b>-</b>

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 14. Creditors: Amounts falling due after more than one year (continued)

Creditors include amounts not wholly repayable within 5 years as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Repayable other than by instalments	210,000	910,000

The bank loan is secured by a first legal charge over Coolair House, Globe Lane, Dukinfield.

### 15. Deferred taxation

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At beginning of year/period	(10,400)	-	-	-
Released during/(charge for) the year (P&L)	22,195	(6,382)	-	-
Other movement (P&L)	-	(4,018)	-	-
At end of year/period	11,795	(10,400)	-	-

The deferred taxation balance is made up as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	25,505	13,349
Other timing differences	(1,822)	(2,949)
Advance corporation tax	(35,478)	-
	(11,795)	10,400

### 16. Share capital

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
10,000 Ordinary A shares of £0.0001 each	1	1
10,000 Ordinary B shares of £0.0001 each	1	1
	2	2

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### 17. Reconciliation of movement in shareholders' funds

	2013 £	2012 £
<b>Group</b>		
Opening shareholders' funds	5,316,005	-
Profit for the financial year/period	80,858	2,216,005
Dividends	-	(1,700,000)
Shares issued during the year/period	-	2
Share premium on shares issued (net of expenses)	-	4,799,998
	<hr/>	<hr/>
Closing shareholders' funds	5,396,863	5,316,005
	<hr/>	<hr/>
 <b>Company</b>	 2013 £	 2012 £
Opening shareholders' funds	6,500,000	-
Profit for the financial year/period	-	1,700,000
Shares issued during the year/period	-	2
Share premium on shares issued (net of expenses)	-	4,799,998
	<hr/>	<hr/>
Closing shareholders' funds	6,500,000	6,500,000
	<hr/>	<hr/>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account.

The profit for the year/period dealt with in the accounts of the company was £NIL (2012 - £1,700,000 ).

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 18. Net cash flow from operating activities

	2013 £	2012 £
Operating profit	208,265	719,599
Amortisation of intangible fixed assets	193,144	128,762
Depreciation of tangible fixed assets	77,735	38,518
Decrease/(increase) in stocks	21,430	(10,338)
Increase in debtors	(32,808)	(1,391,398)
(Decrease)/increase in creditors	(454,179)	86,000
<b>Net cash inflow/(outflow) from operating activities</b>	<b>13,587</b>	<b>(428,857)</b>

### 19. Analysis of cash flows for headings netted in cash flow statement

	2013 £	2012 £
<b>Returns on investments and servicing of finance</b>		
Interest received	3,298	3,847
Interest paid	(15,324)	(13,013)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(12,026)</b>	<b>(9,166)</b>

	2013 £	2012 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(89,612)	(113,170)

	2013 £	2012 £
<b>Acquisitions and disposals</b>		
Purchase of fixed asset investments	-	(4,088,087)
Cash acquired on purchase of subsidiary	-	2,388,087
<b>Net cash inflow from acquisitions and disposals</b>	<b>-</b>	<b>688,087</b>

	2013 £	2012 £
<b>Financing</b>		
Movement in borrowings	479,746	-

# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 20. Analysis of changes in net debt

	1 January 2013 £	Cash flow £	Other non-cash changes £	31 December 2013 £
Cash at bank and in hand	156,177	205,590	-	361,767
<b>Debt:</b>				
Debts due within one year	(87,157)	(479,746)	(92,632)	(659,535)
Debts falling due after more than one year	(302,678)	-	(487,368)	(790,046)
<b>Net debt</b>	<u>(233,658)</u>	<u>(274,156)</u>	<u>(580,000)</u>	<u>(1,087,814)</u>

### 21. 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 period represents contributions payable by the group to the fund and amounted to £139,376 (2012: £98,023). There were outstanding contributions of £11,184 (2012: £13,115) at the end of the year which are included within creditors.

### 22. Operating lease commitments

At 31 December 2013 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
Group	2013 £	2012 £
<b>Expiry date:</b>		
Within 1 year	-	15,000
Between 2 and 5 years	19,850	19,850

Total aggregate commitments held under non-cancellable operating leases at 31 December 2013 relating to land and buildings is £61,204 (2012: £92,304) and other operating leases is £308,251 (2012: £139,429). This is based upon the assumption that the leases will all run to their expiration date and therefore does not account for any break clauses that may be in place. It also excludes any increases in rent that may be payable following any scheduled rent reviews implicit in the lease agreement.

### 23. Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.



# GENERATION TWO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### 24. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Coolair Management Company Limited	England and Wales	100%	Dormant
Coolair Equipment Limited	England and Wales	100%	Supply of air conditioning equipment and allied products