

Generation Two Limited

Registered number: 08008574

Directors' report and financial statements

For the year ended 31 December 2014

GENERATION TWO LIMITED

COMPANY INFORMATION

Directors

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

Registered number

08008574

Registered office

Coolair House
Globe Lane
Dukinfield
Cheshire
SK16 4UJ

Independent auditor

Mazars LLP
Chartered Accountants & Statutory Auditor
The Lexicon
10/12 Mount Street
Manchester
M2 5NT

Bankers

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

GENERATION TWO LIMITED

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GENERATION TWO LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Introduction

The Directors present their Strategic Report for Generation Two Limited and group companies for the year ended 31 December 2014.

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 of Coolair Equipment Limited. There remain no plans for either of these companies to trade in the future.

The Board are delighted to report that 2014 was a record breaking year for the Group with turnover reaching an all-time peak at £27.9M. We move forward in to 2015, our 35th year of trading, with buoyant sales, a healthy order book and a young sales team growing in confidence and experience. Margins also increased for the first time since the start of the global recession, marking what we perceive to be a shift back towards normal trading conditions in the industry. The above factors combined to generate a very healthy 427% increase in pre-tax profit to £1.08M.

Once again most of 2014's turnover came from our traditional air conditioning market as commercial heating products remain slow to take off in the UK, as reported in the previous year. With the announcement of the commercial RHI (Renewable Heat Incentive) finally taking place in mid-2013 the industry is still awaiting the first project designs with these cost incentives factored in to come to market on any scale. The stage when the Group would become involved in such projects remains some 18 months away in our opinion. When we eventually see this market take off we expect it to be heavily concentrated in the South East. The Group are currently working towards achieving MSC Accreditation in order to be fully compliant with all regulations well in advance of any major heat pump works presenting for tender.

Due to the healthy profits generated in 2014 and their re-investment in the business, cash flow grows increasingly healthy with no reliance on external finance. We are seeing an improving trend in payment terms from customers and debt recovery difficulties which have been experienced over the last few years as the recession has bitten the industry hard now appear to be easing.

Principal risks and uncertainties

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

Other key performance indicators

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

- Order levels;
- Sales generated per salesman; and
- Average cash levels.

GENERATION TWO LIMITED

GROUP STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2014

Levels of secured orders are crucial to short-term planning of labour requirements & purchasing levels but more importantly provide the key indication of upturn or downturn in future workload, enabling management to react quickly and make appropriate changes on a strategic level. Average monthly order levels over the last 5 years have been £6.2M (2013: £5.8M) and levels at each of the last two year ends were:-

| | December 2014 | December 2013 |
|----------------|---------------|---------------|
| Secured orders | £7.48M | £7.17M |

The Group firmly believe that the 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 2014 | December 2013 |
|----------------------------|---------------|---------------|
| Average sales per salesman | £1.32M | £1.17M |

The Group trade with no reliance on external finance. Average monthly cash levels are the key indicator not just of trading conditions but of the strength and durability of our customer base. Average cash holdings (measured on a monthly basis) over the last 5 years have been £585,196 (2013: £634,845) and cash balances at each of the last two year ends were:-

| | December 2014 | December 2013 |
|------------------------------|---------------|---------------|
| Average monthly cash balance | £382,137 | £82,657 |

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

.....
H Sharratt
Director

GENERATION TWO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

Results

The profit for the year, after taxation, amounted to £748,234 (2013 - £80,858).

Directors

The directors who served during the year were:

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

Future developments

The Board are optimistic about the long term future growth and direction of The Group and in 2014 developed our Mission Statement "To create the ideal indoor environment for people to live, work and play, now and always". This emphasises our commitments to:-

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

GENERATION TWO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Disclosure of information to auditor

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

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

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 and signed on its behalf.

.....
H Sharratt
Director

Date:

GENERATION TWO LIMITED

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

We have audited the financial statements of Generation Two Limited for the year ended 31 December 2014 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 auditor

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

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

Scope of the audit of the financial statements

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

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 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

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

GENERATION TWO LIMITED

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

Matters on which we are required to report by exception

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

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

Neil Barton (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants & Statutory Auditor

The Lexicon
10/12 Mount Street
Manchester
M2 5NT

Date:

GENERATION TWO LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 £ | 2013 £ |
|--|------------|--------------|--------------|
| Turnover | 1,2 | 27,961,511 | 23,476,619 |
| Cost of sales | | (22,822,153) | (19,415,633) |
| | | <hr/> | <hr/> |
| Gross profit | | 5,139,358 | 4,060,986 |
| Administrative expenses | | (4,053,218) | (3,852,721) |
| | | <hr/> | <hr/> |
| Operating profit | 3 | 1,086,140 | 208,265 |
| Interest receivable and similar income | | 2,767 | 3,298 |
| Interest payable and similar charges | 7 | (12,282) | (15,324) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 1,076,625 | 196,239 |
| Tax on profit on ordinary activities | 8 | (328,391) | (115,381) |
| | | <hr/> | <hr/> |
| Profit for the financial year | 18 | 748,234 | 80,858 |
| | | <hr/> <hr/> | <hr/> <hr/> |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and Loss Account.

The notes on pages 11 to 24 form part of these financial statements.

GENERATION TWO LIMITED

Registered number: 08008574

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

| | Note | £ | 2014 £ | £ | 2013 £ |
|--|------|-------------|-------------------------|------------------|-------------------------|
| Fixed assets | | | | | |
| Intangible assets | 9 | | 3,347,824 | | 3,540,968 |
| Tangible assets | 10 | | 911,739 | | 965,850 |
| | | | <u>4,259,563</u> | | <u>4,506,818</u> |
| Current assets | | | | | |
| Stocks | 12 | 59,191 | | 59,103 | |
| Debtors: amounts falling due after more than one year | 13 | 663,092 | | 645,934 | |
| Debtors: amounts falling due within one year | 13 | 7,034,882 | | 7,385,810 | |
| Cash at bank | | 470,098 | | 361,767 | |
| | | | <u>8,227,263</u> | <u>8,452,614</u> | |
| Creditors: amounts falling due within one year | 14 | (6,016,478) | | (6,562,325) | |
| Net current assets | | | <u>2,210,785</u> | | <u>1,890,289</u> |
| Total assets less current liabilities | | | <u>6,470,348</u> | | <u>6,397,107</u> |
| Creditors: amounts falling due after more than one year | 15 | | (325,053) | | (1,000,046) |
| Net assets | | | <u><u>6,145,295</u></u> | | <u><u>5,397,061</u></u> |
| Capital and reserves | | | | | |
| Called up share capital | 17 | | 200 | | 200 |
| Share premium account | 18 | | 4,799,998 | | 4,799,998 |
| Profit and loss account | 18 | | 1,345,097 | | 596,863 |
| Shareholders' funds | 19 | | <u><u>6,145,295</u></u> | | <u><u>5,397,061</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 24 form part of these financial statements.

GENERATION TWO LIMITED

Registered number: 08008574

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2014

| | Note | 2014 £ | 2013 £ |
|-----------------------------|------|------------------|------------------|
| Fixed assets | | | |
| Investments | 11 | 6,500,000 | 6,500,000 |
| Current assets | | | |
| Debtors | 13 | 198 | 198 |
| Net assets | | <u>6,500,198</u> | <u>6,500,198</u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 200 | 200 |
| Share premium account | 18 | 4,799,998 | 4,799,998 |
| Profit and loss account | 18 | 1,700,000 | 1,700,000 |
| Shareholders' funds | 19 | <u>6,500,198</u> | <u>6,500,198</u> |

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

.....
H Sharratt
Director

The notes on pages 11 to 24 form part of these financial statements.

GENERATION TWO LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 £ | 2013 £ |
|---|------|-----------------------|-----------------------|
| Net cash flow from operating activities | 20 | 1,544,853 | (566,413) |
| Returns on investments and servicing of finance | 21 | (9,515) | (12,026) |
| Taxation | | (158,800) | (186,105) |
| Capital expenditure and financial investment | 21 | (28,826) | (89,612) |
| Cash inflow/(outflow) before financing | | <u>1,347,712</u> | <u>(854,156)</u> |
| Financing | 21 | (1,239,381) | 1,059,746 |
| Increase in cash in the year | | <u><u>108,331</u></u> | <u><u>205,590</u></u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT FOR THE YEAR ENDED 31 DECEMBER 2014

| | 2014 £ | 2013 £ |
|--|-----------------------|---------------------------|
| Increase in cash in the year | 108,331 | 205,590 |
| Cash outflow from decrease in debt and lease financing | 1,239,381 | (580,000) |
| Movement in net funds/(debt) in the year | <u>1,347,712</u> | <u>(374,410)</u> |
| Net debt at 1 January | (1,087,814) | (713,404) |
| Net funds/(debt) at 31 December | <u><u>259,898</u></u> | <u><u>(1,087,814)</u></u> |

The notes on pages 11 to 24 form part of these financial statements.

GENERATION TWO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014

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.

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.

GENERATION TWO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3. Operating profit

The operating profit is stated after charging:

| | 2014 | 2013 |
|--|-----------------------------|-----------------------------|
| | £ | £ |
| Amortisation - intangible fixed assets | 193,144 | 193,144 |
| Depreciation of tangible fixed assets: | | |
| - owned by the group | 82,937 | 77,735 |
| Reversal of impairment of fixed assets | - | (1,966) |
| Operating lease rentals: | | |
| - plant and machinery | 8,276 | - |
| - other operating leases | 65,076 | 71,094 |
| | <u> </u> | <u> </u> |

4. Auditors' remuneration

| | 2014 | 2013 |
|---|-----------------------------|-----------------------------|
| | £ | £ |
| Fees payable to the group's auditor and its associates for the audit of the group's annual accounts | 19,500 | 19,000 |
| Fees payable to the group's auditor and its associates in respect of: | | |
| Non-audit services | 4,650 | 4,600 |
| | <u> </u> | <u> </u> |

5. Staff costs

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

| | 2014 | 2013 |
|-----------------------|-----------------------------|-----------------------------|
| | £ | £ |
| Wages and salaries | 3,061,243 | 2,975,267 |
| Social security costs | 294,134 | 286,502 |
| Pension costs | 146,649 | 139,376 |
| | <u> </u> | <u> </u> |
| | <u>3,502,026</u> | <u>3,401,145</u> |

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

| | 2014 | 2013 |
|-------------------------------|-----------------------------|-----------------------------|
| | No. | No. |
| Engineers | 48 | 47 |
| Warehouse and distribution | 1 | 1 |
| Sales | 19 | 18 |
| Management and administration | 21 | 20 |
| | <u> </u> | <u> </u> |
| | <u>89</u> | <u>86</u> |

GENERATION TWO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

6. Directors' remuneration

| | 2014 £ | 2013 £ |
|---|-----------|-----------|
| Remuneration | 601,251 | 576,075 |
| Company pension contributions to defined contribution pension schemes | 69,360 | 70,360 |

During the year retirement benefits were accruing to 6 directors (2013 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £135,885 (2013 - £134,084).

The value of the Groups contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,000 (2013 - £12,000).

7. Interest payable

| | 2014 £ | 2013 £ |
|------------------------------|-----------|-----------|
| On bank loans and overdrafts | 12,282 | 15,324 |

8. Taxation

| | 2014 £ | 2013 £ |
|--|-----------|-----------|
| Analysis of tax charge in the year | | |
| Current tax (see note below) | | |
| UK corporation tax charge on profit for the year | 339,609 | 158,800 |
| Adjustments in respect of prior periods | - | (21,224) |
| Total current tax | 339,609 | 137,576 |
| Deferred tax (see note 16) | | |
| Origination and reversal of timing differences | (11,218) | (22,195) |
| Tax on profit on ordinary activities | 328,391 | 115,381 |

GENERATION TWO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%). The differences are explained below:

| | 2014 £ | 2013 £ |
|--|----------------|----------------|
| Profit on ordinary activities before tax | 1,076,625 | 196,239 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%) | 231,367 | 45,626 |
| Effects of: | | |
| Non-tax deductible amortisation of goodwill and impairment | 41,546 | 44,906 |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 40,785 | 36,638 |
| Capital allowances for year in excess of depreciation | (4,746) | (14,312) |
| Fixed asset differences | 13,855 | 8,224 |
| Adjustments to tax charge in respect of prior periods | - | (21,224) |
| Short term timing difference leading to an increase (decrease) in taxation | 16,802 | 38,243 |
| Marginal tax relief | - | (525) |
| Current tax charge for the year (see note above) | <u>339,609</u> | <u>137,576</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 2014

9. Intangible fixed assets

| Group | Goodwill |
|--|-----------------|
| Cost | £ |
| At 1 January 2014 and 31 December 2014 | 3,862,874 |
| Amortisation | |
| At 1 January 2014 | 321,906 |
| Charge for the year | 193,144 |
| At 31 December 2014 | 515,050 |
| Net book value | |
| At 31 December 2014 | 3,347,824 |
| At 31 December 2013 | 3,540,968 |

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.

GENERATION TWO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

10. Tangible fixed assets

| Group | Freehold property £ | Leasehold improvements £ | Motor vehicles £ | Fixtures & fittings £ | Total £ |
|-----------------------|------------------------------------|---|---------------------------------|--|--------------------|
| Cost | | | | | |
| At 1 January 2014 | 837,080 | 122,939 | 11,440 | 270,704 | 1,242,163 |
| Additions | - | - | - | 28,826 | 28,826 |
| At 31 December 2014 | <u>837,080</u> | <u>122,939</u> | <u>11,440</u> | <u>299,530</u> | <u>1,270,989</u> |
| Depreciation | | | | | |
| At 1 January 2014 | 61,381 | 59,670 | 7,145 | 148,117 | 276,313 |
| Charge for the year | 33,483 | 4,907 | 3,812 | 40,735 | 82,937 |
| At 31 December 2014 | <u>94,864</u> | <u>64,577</u> | <u>10,957</u> | <u>188,852</u> | <u>359,250</u> |
| Net book value | | | | | |
| At 31 December 2014 | <u>742,216</u> | <u>58,362</u> | <u>483</u> | <u>110,678</u> | <u>911,739</u> |
| At 31 December 2013 | <u>775,699</u> | <u>63,269</u> | <u>4,295</u> | <u>122,587</u> | <u>965,850</u> |

GENERATION TWO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

11. Fixed asset investments

| Company | Investments in subsidiary companies £ |
|--|--|
| Cost or valuation | |
| At 1 January 2014 and 31 December 2014 | 6,500,000 |
| Net book value | |
| At 31 December 2014 | 6,500,000 |
| At 31 December 2013 | 6,500,000 |

Details of the principal subsidiaries can be found under note number 26.

12. Stocks

| | Group | | Company | |
|-------------------------------------|--------------|-------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £ | £ | £ | £ |
| Finished goods and goods for resale | 59,191 | 59,103 | - | - |

13. Debtors

| | Group | | Company | |
|-------------------------------------|--------------|-------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £ | £ | £ | £ |
| Due after more than one year | | | | |
| Trade debtors | 663,092 | 645,934 | - | - |
| Due within one year | | | | |
| Trade debtors | 6,817,272 | 7,166,598 | - | - |
| Other debtors | 33,125 | 42,434 | 198 | 198 |
| Prepayments and accrued income | 161,472 | 164,983 | - | - |
| Deferred tax asset (see note 16) | 23,013 | 11,795 | - | - |
| | 7,034,882 | 7,385,810 | 198 | 198 |

GENERATION TWO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

14. Creditors: Amounts falling due within one year

| | <u>Group</u> | | <u>Company</u> | |
|------------------------------------|------------------|------------------|----------------|-----------|
| | 2014 £ | 2013 £ | 2014 £ | 2013 £ |
| Bank loan and overdraft | 95,147 | 659,535 | - | - |
| Trade creditors | 3,334,092 | 4,027,500 | - | - |
| Corporation tax | 339,609 | 158,800 | - | - |
| Other taxation and social security | 1,025,162 | 969,732 | - | - |
| Other creditors | 295,449 | 131,184 | - | - |
| Accruals and deferred income | 927,019 | 615,574 | - | - |
| | <u>6,016,478</u> | <u>6,562,325</u> | <u>-</u> | <u>-</u> |

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

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

| | <u>Group</u> | | <u>Company</u> | |
|-----------------|----------------|------------------|----------------|-----------|
| | 2014 £ | 2013 £ | 2014 £ | 2013 £ |
| Bank loan | 115,053 | 210,046 | - | - |
| Other loans | - | 580,000 | - | - |
| Other creditors | 210,000 | 210,000 | - | - |
| | <u>325,053</u> | <u>1,000,046</u> | <u>-</u> | <u>-</u> |

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

| | <u>Group</u> | |
|-------------------------------------|--------------|-----------|
| | 2014 £ | 2013 £ |
| Repayable other than by instalments | 210,000 | 210,000 |

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

GENERATION TWO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

16. Deferred taxation

| | Group | | Company | |
|--------------------------------|---------------|---------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £ | £ | £ | £ |
| At beginning of year | 11,795 | (10,400) | - | - |
| Released during the year (P&L) | 11,218 | 22,195 | - | - |
| | <u>23,013</u> | <u>11,795</u> | <u>-</u> | <u>-</u> |
| At end of year | <u>23,013</u> | <u>11,795</u> | <u>-</u> | <u>-</u> |

The deferred taxation balance is made up as follows:

| | Group | |
|--------------------------------|-----------------|-----------------|
| | 2014 | 2013 |
| | £ | £ |
| Accelerated capital allowances | 29,922 | 25,505 |
| Other timing differences | (1,822) | (1,822) |
| Advance corporation tax | (51,113) | (35,478) |
| | <u>(23,013)</u> | <u>(11,795)</u> |

17. Share capital

| | 2014 | 2013 |
|---|-------------|-------------|
| | £ | £ |
| Allotted, called up and fully paid | | |
| 10,000 Ordinary A shares of £0.01 each | 100 | 100 |
| 10,000 Ordinary B shares of £0.01 each | 100 | 100 |
| | <u>200</u> | <u>200</u> |

18. Reserves

| Group | Share premium account | Profit and loss account |
|--|------------------------------|--------------------------------|
| | £ | £ |
| At 1 January 2014 | 4,799,998 | 596,863 |
| Profit for the year | - | 748,234 |
| At 31 December 2014 | <u>4,799,998</u> | <u>1,345,097</u> |
| Company | Share premium account | Profit and loss account |
| | £ | £ |
| At 1 January 2014 and 31 December 2014 | <u>4,799,998</u> | <u>1,700,000</u> |

GENERATION TWO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

19. Reconciliation of movement in shareholders' funds

| | 2014 | 2013 |
|-------------------------------|------------------|------------------|
| Group | £ | £ |
| Opening shareholders' funds | 5,397,061 | 5,316,005 |
| Profit for the financial year | 748,234 | 80,858 |
| Shares issued during the year | - | 198 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | <u>6,145,295</u> | <u>5,397,061</u> |
| | <hr/> | <hr/> |
| | 2014 | 2013 |
| Company | £ | £ |
| Opening shareholders' funds | 6,500,198 | 6,500,000 |
| Shares issued during the year | - | 198 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | <u>6,500,198</u> | <u>6,500,198</u> |
| | <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 dealt with in the accounts of the company was £NIL (2013 - £NIL).

GENERATION TWO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

20. Net cash flow from operating activities

| | 2014 £ | 2013 £ |
|--|------------------|------------------|
| Operating profit | 1,086,140 | 208,265 |
| Amortisation of intangible fixed assets | 193,144 | 193,144 |
| Depreciation of tangible fixed assets | 82,937 | 77,735 |
| (Increase)/decrease in stocks | (88) | 21,430 |
| Decrease/(increase) in debtors | 344,988 | (32,808) |
| Decrease in creditors | (162,268) | (1,034,179) |
| Net cash inflow/(outflow) from operating activities | 1,544,853 | (566,413) |

21. Analysis of cash flows for headings netted in cash flow statement

| | 2014 £ | 2013 £ |
|--|----------------|-----------------|
| Returns on investments and servicing of finance | | |
| Interest received | 2,767 | 3,298 |
| Interest paid | (12,282) | (15,324) |
| Net cash outflow from returns on investments and servicing of finance | (9,515) | (12,026) |

| | 2014 £ | 2013 £ |
|---|-----------|-----------|
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (28,826) | (89,612) |

| | 2014 £ | 2013 £ |
|---|--------------------|------------------|
| Financing | | |
| Repayment of loans | (659,381) | - |
| Other new loans | - | 580,000 |
| Repayment of other loans | (580,000) | - |
| Movement on borrowings | - | 479,746 |
| Net cash (outflow)/inflow from financing | (1,239,381) | 1,059,746 |

GENERATION TWO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

22. Analysis of changes in net debt

| | 1 January 2014 £ | Cash flow £ | Other non-cash changes £ | 31 December 2014 £ |
|---|------------------------|------------------|-----------------------------------|--------------------------|
| Cash at bank and in hand | 361,767 | 108,331 | - | 470,098 |
| Debt: | | | | |
| Debts due within one year | (659,535) | 1,239,381 | (674,993) | (95,147) |
| Debts falling due after more than one year | (790,046) | - | 674,993 | (115,053) |
| Net debt | (1,087,814) | 1,347,712 | - | 259,898 |

23. 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 £146,649 (2013: £139,376). There were outstanding contributions of £15,449 (2013: £11,184) at the end of the year which are included within creditors.

24. Operating lease commitments

At 31 December 2014 the group had annual commitments under non-cancellable operating leases as follows:

| Group | Land and buildings | | 2014 £ | Other 2013 £ |
|-----------------------|--------------------|-----------|-----------|--------------------|
| | 2014 £ | 2013 £ | | |
| Expiry date: | | | | |
| Between 2 and 5 years | 24,000 | 19,850 | 115,324 | 115,324 |

25. 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 2014

26. 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 |