Registered number: 08008574

# Generation Two Limited

## Annual Report and Consolidated Financial Statements

## For the year ended 31 December 2023

## Generation Two Limited

## Company Information

| | |
|---|---|
| **Directors** | J Otterson<br>H Sharratt<br>A Garstang<br>M Garstang |
| **Registered number** | 08008574 |
| **Registered office** | Coolair House<br>Globe Lane<br>Dukinfield<br>Cheshire<br>SK16 4UJ |
| **Independent auditors** | Hurst Accountants Limited<br>Chartered Accountants & Statutory Auditors<br>3 Stockport Exchange<br>Stockport<br>SK1 1GG |

**Generation Two Limited**

## Contents

# Group Strategic Report
## For the year ended 31 December 2023

**Introduction**

The Directors present their Strategic Report for Generation Two Limited (the 'Parent Company') and subsidiary companies ("The Group" or "Coolair") for the year ended 31 December 2023.

**Business review**

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

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

Following a restructuring in 2021 due to a number of senior staff departures, and a year of re-investment in 2022, this year saw a welcome return to underlying profitability in line with the board’s 3 year plan.

The 23% uplift in turnover from 2022 was achieved in the main from across the existing client portfolio. Whilst this included a number of large contracts (> £500,000) it remained the case that our core business was generated from small works orders, with 88% of all new contracts obtained during 2023 having a value less than £50,000.

The closure of our Cannock office in spring 2023 resulted in a further restructuring and reappraisal of our long term strategy for growth and succession planning. The decision was taken midway through 2023 to “go back to our roots” and concentrate on organic growth through investment in an apprenticeship program, rather than bringing in established sales personnel from elsewhere in the industry.

Medium and long-term plans are to focus on our core business, whilst concentrating on youth development to produce our sales teams of the future. In line with the growth in turnover due to volume of air conditioning installations, we also expect to see the gradual corresponding organic growth of our aftersales department.

**Principal risks and uncertainties**

The Group uses financial instruments including cash, a bank overdraft and other items including trade debtors and trade creditors that arise directly from its operations. The existence of these financial instruments exposes the Group to a number of financial risks, which are described in further detail below.

**Liquidity risk**
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably.

**Credit risk**
The Group's principal financial assets are cash deposits, cash, trade debtors and intercompany debtors. The credit risk associated with cash and intercompany debtors is limited. The principal credit risk arises, therefore, from its trade debtors. In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third party references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and credit history.

**Contract Profitability**
Management review all contracts on a monthly basis relevant to both actual and forecasted costs to complete and report against anticipated gross margin, investigating variances against budget.

## Group Strategic Report (continued)
## For the year ended 31 December 2023

### Financial key performance indicators

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

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

Levels of secured orders are crucial to short-term planning of labour requirements & purchasing levels but more importantly provide the key indication of upturn or downturn in future workload, enabling management to react quickly and make appropriate changes on a strategic level. Average monthly order levels over the last 5 years have been £7.0M (2022 £6.3M) and levels at each of the last two year-ends were:

| | **December 2023** | **December 2022** |
|---|---|---|
| Secured orders | £10,293,755 | £9,883,596 |

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 2023** | **December 2022** |
|---|---|---|
| Average sales per salesman | £1.47M | £1.28M |

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 £121,769 (up from £47,483 last year) and holdings at each of the last two year-ends were:

| | **December 2023** | **December 2022** |
|---|---|---|
| Average monthly cash balace | (£701,807) | £(137,777) |

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

H Sharratt

**H Sharratt**
Director

Date: 16 May 2024

# Directors' Report
## For the year ended 31 December 2023

The directors present their report and the financial statements for the year ended 31 December 2023.

**Directors**

The directors who served during the year were:

J Otterson
H Sharratt
A Garstang
M Garstang
N Gibbard (resigned 10 February 2023)

**Results and dividends**

The loss for the year, after taxation, amounted to £58,934 *(2022 - loss £2,123,575)*.

The directors do not recommend the payment of any dividends in the year.

**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 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 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.

## Going concern

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

The directors have confirmed that they believe that Coolair Equipment Limited is financially secure and has more than adequate resources to trade successfully. Both demand from existing customers and the Group's current enquiry level remain strong. The Group has a number of banking facilities available to them to cover any additional funding requirements should these be needed. The Statement of Financial Position is strong reflecting a net current asset position. Based on this assessment, the directors consider that the Group maintains an appropriate level of liquidity sufficient to meet the demands of the business.

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

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that lead to significant doubt upon the Group's ability to continue as a going concern. Thus the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

## 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.

## 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 the director is aware, there is no relevant audit information of which the Company and the Group's auditors are 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 auditors are aware of that information.

**Auditors**

The auditors, Hurst Accountants Limited, 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

**H Sharratt**
Director

Date:
16 May 2024

## Independent Auditors' Report to the Members of Generation Two Limited

### 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 2023, which comprise the consolidated statement of income and retained earnings, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes, 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 Financial Reporting Standard 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 2023 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

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

### Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

**Opinion 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 group 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 group 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 the 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 group strategic report or the directors' report.

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

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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 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 the 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 either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' 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 auditors' 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 Group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

**Identifying and assessing potential risks related to irregularities**

In identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non compliance with laws and regulations, we considered the following:

- The nature of the industry and sector in which the company operates; the control environment and business performance including key drivers for directors' remuneration, bonus levels and performance targets.
- The outcome of enquiries of local management and parent company management, including whether management was aware of any instances of non-compliance with laws and regulations, and whether management had knowledge of any actual, suspected, or alleged fraud.
- Supporting documentation relating to the company's policies and procedures for:
  - Identifying, evaluating, and complying with laws and regulations
  - Detecting and responding to the risks of fraud
- The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- The outcome of discussions amongst the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- The legal and regulatory framework in which the company operates, particularly those laws and regulations which have a direct effect on the financial statements, such as the Companies Act 2006, pensions and tax legislation, or which had a fundamental effect on the operations of the company, including General Data Protection requirements, and Antibribery and Corruption.

**Audit response to risks identified**

Our procedures to respond to the risks identified included the following:

- Reviewing the financial statements disclosures and testing to supporting documentation to assess compliance with the provisions of those relevant laws and regulations which have a direct effect on the financial statements.
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Evaluation and testing of the operating effectiveness of management’s controls designed to prevent and detect irregularities.
- Enquiring of management about any actual and potential litigation and claims.
- Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of material misstatement due to fraud.

We have also considered the risk of fraud through management override of controls by:

- Testing the appropriateness of journal entries and other adjustments. We have used data analytics software to select a sample of transactions which may pose a heightened risk of material misstatement, whether due to fraud or error.
- Challenging assumptions made by management in their significant accounting estimates, and assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above, and the further removed non-compliance with laws and regulations are from the events and transactions reflected in the financial statements, the less likely we would become aware of them. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

**Use of our 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 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.

Hurst Accountants Limited

Chris Stewardson (senior statutory auditor)
for and on behalf of
**Hurst Accountants Limited**
Chartered Accountants & Statutory Auditors
3 Stockport Exchange
Stockport
SK1 1GG
Date:
19 May 2024

## Consolidated Statement of Income and Retained Earnings
## For the year ended 31 December 2023

| | Note | 2023<br>£ | *2022*<br>*£* |
|---|---|---|---|
| Turnover | 4 | **22,084,414** | *17,935,050* |
| Cost of sales | | **(17,974,731)** | *(15,392,025)* |
| **Gross profit** | | **4,109,683** | *2,543,025* |
| Administrative expenses | | **(4,212,555)** | *(4,663,780)* |
| Other operating income | | **-** | *147* |
| **Operating loss** | 5 | **(102,872)** | *(2,120,608)* |
| Interest receivable and similar income | 9 | **7,288** | *4,323* |
| Interest payable and similar expenses | 10 | **(7,505)** | *(7,290)* |
| **Loss before tax** | | **(103,089)** | *(2,123,575)* |
| Tax on loss | 11 | **44,155** | *-* |
| **Loss after tax** | | **(58,934)** | *(2,123,575)* |
| Retained earnings at the beginning of the year | | **(572,443)** | *1,551,132* |
| | | **(572,443)** | *1,551,132* |
| Loss for the year attributable to the owners of the parent | | **(58,934)** | *(2,123,575)* |
| **Retained earnings at the end of the year** | | **(631,377)** | *(572,443)* |
| **Non-controlling interest at the end of the year** | | | |

The notes on pages 15 to 31 form part of these financial statements.

**Generation Two Limited**
**Registered number: 08008574**

**Consolidated Statement of Financial Position**
**As at 31 December 2023**

| | Note | | 2023 £ | | 2022 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 12 | | **1,609,528** | | *1,802,672* |
| Tangible assets | 13 | | **790,990** | | *842,542* |
| | | | **2,400,518** | | *2,645,214* |
| **Current assets** | | | | | |
| Stocks | 15 | **16,515** | | *15,995* | |
| Debtors: amounts falling due after more than one year | 16 | **412,995** | | *336,437* | |
| Debtors: amounts falling due within one year | 16 | **5,369,912** | | *4,646,401* | |
| Cash at bank and in hand | 17 | **2,415** | | *225,741* | |
| | | **5,801,837** | | *5,224,574* | |
| Creditors: amounts falling due within one year | 18 | **(4,022,087)** | | *(3,586,431)* | |
| **Net current assets** | | | **1,779,750** | | *1,638,143* |
| **Total assets less current liabilities** | | | **4,180,268** | | *4,283,357* |
| **Provisions for liabilities** | | | | | |
| Deferred taxation | 19 | **(11,447)** | | *(55,602)* | |
| | | | **(11,447)** | | *(55,602)* |
| **Net assets** | | | **4,168,821** | | *4,227,755* |
| **Capital and reserves** | | | | | |
| Called up share capital | 20 | | **200** | | *200* |
| Share premium account | 21 | | **4,799,998** | | *4,799,998* |
| Profit and loss account | 21 | | **(631,377)** | | *(572,443)* |
| | | | **4,168,821** | | *4,227,755* |

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

H Sharratt

**H Sharratt**
Director

Date: 16 May 2024

The notes on pages 15 to 31 form part of these financial statements.

## Company Statement of Financial Position
## As at 31 December 2023

| | Note | | 2023 £ | | 2022 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investments | 14 | | **6,500,000** | | *6,500,000* |
| **Current assets** | | | | | |
| Debtors: amounts falling due within one year | 16 | **198** | | *198* | |
| | | **198** | | *198* | |
| **Total assets less current liabilities** | | | **6,500,198** | | *6,500,198* |
| **Net assets** | | | **6,500,198** | | *6,500,198* |
| **Capital and reserves** | | | | | |
| Called up share capital | 20 | | **200** | | *200* |
| Share premium account | 21 | | **4,799,998** | | *4,799,998* |
| Profit and loss account carried forward | | | **1,700,000** | | *1,700,000* |
| | | | **6,500,198** | | *6,500,198* |

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 statementsl. The result for the parent company for the year was £nil (2022:£nil).

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

H Sharratt

**H Sharratt**
Director

Date: 16 May 2024

The notes on pages 15 to 31 form part of these financial statements.

## Consolidated Statement of Cash Flows
## For the year ended 31 December 2023

| | 2023 £ | *2022 £* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the financial year | **(58,934)** | *(2,123,575)* |
| **Adjustments for:** | | |
| Amortisation of intangible assets | **193,144** | *193,144* |
| Depreciation of tangible assets | **82,751** | *81,374* |
| Interest paid | **7,505** | *7,290* |
| Interest received | **(7,288)** | *(4,323)* |
| Taxation charge | **(44,155)** | - |
| (Increase)/decrease in stocks | **(520)** | *2,224* |
| Increase in debtors | **(800,069)** | *(112,347)* |
| Increase in creditors | **82,144** | *643,208* |
| **Net cash used in operating activities** | **(545,422)** | *(1,313,005)* |
| **Cash flows from investing activities** | | |
| Purchase of tangible fixed assets | **(31,199)** | *(24,631)* |
| Interest received | **7,288** | *4,323* |
| **Net cash used in investing activities** | **(23,911)** | *(20,308)* |
| **Cash flows from financing activities** | | |
| Interest paid | **(7,505)** | *(7,290)* |
| **Net cash used in financing activities** | **(7,505)** | *(7,290)* |
| **Net decrease in cash and cash equivalents** | **(576,838)** | *(1,340,603)* |
| Cash and cash equivalents at beginning of year | **(311,753)** | *1,028,850* |
| **Cash and cash equivalents at the end of year** | **(888,591)** | *(311,753)* |
| **Cash and cash equivalents at the end of year comprise:** | | |
| Cash at bank and in hand | **2,415** | *225,741* |
| Bank overdrafts | **(891,006)** | *(537,494)* |
| | **(888,591)** | *(311,753)* |

The notes on pages 15 to 31 form part of these financial statements.

## Consolidated Analysis of Net Debt
## For the year ended 31 December 2023

| | At 1 January 2023 £ | Cash flows £ | At 31 December 2023 £ |
|---|---|---|---|
| Cash at bank and in hand | **225,741** | **(223,326)** | **2,415** |
| Bank overdrafts | **(537,494)** | **(353,512)** | **(891,006)** |
| | **(311,753)** | **(576,838)** | **(888,591)** |

The notes on pages 15 to 31 form part of these financial statements.

## 1. General information

Generation Two Limited ('the Company') is a private company limited by shares incorporated in England and Wales (registered number 08008574). The address of the registered office and principal place of business is Coolair House, Globe Lane, Dukinfield, Cheshire, SK16 4UJ.

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

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

The principal activity of the Group is the supply and installation of air conditioning systems and commercial heating products.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

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 income and retained earnings and cashflow statement 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 statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of income and retained earnings from the date on which control is obtained. They are deconsolidated from the date control ceases.

## 2. Accounting policies (continued)

### 2.3 Going concern

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

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

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

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

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that lead to significant doubt upon the Group's ability to continue as a going concern. Thus the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

### 2.4 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:

**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 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss 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 lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

## 2. Accounting policies (continued)

### 2.6 Interest income

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

### 2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

### 2.8 Pensions

**Defined contribution pension plan**

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

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

### 2.9 Current and deferred taxation

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

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

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

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

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

## 2. Accounting policies (continued)

### 2.10 Intangible assets

**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the consolidated statement of comprehensive income over its useful economic life, which is 10 years.

### 2.11 Tangible fixed assets

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

Depreciation 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% |
| Long-term leasehold property | - | 4% |
| Fixtures and fittings | - | 20% |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

### 2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

### 2.13 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. Work in progress and finished goods include labour and attributable overheads.

At each reporting 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 profit or loss.

### 2.14 Debtors

Short-term debtors are measured at transaction price, less any impairment.

**2. Accounting policies (continued)**

**2.15 Cash**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the consolidated statement of cash flows, cash is shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**2.16 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.

**2.17 Provisions for liabilities**

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

## 2. Accounting policies (continued)

### 2.18 Financial instruments

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

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of income and retained earnings.

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. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make significant judgements and estimates that affect amounts recognised for assets and liabilities at the reporting date and the amounts of revenue and expenses incurred during the period. Actual outcomes may differ from these judgements, estimates and assumptions.

The directors believe that judgements, estimates and assumptions do not have a significant risk of causing a material difference to the carrying amounts of the assets and liabilities within the next financial year.

## 4. Turnover

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

| | 2023 £ | *2022 £* |
|---|---|---|
| Installation of air conditioning | **20,444,408** | *16,556,866* |
| Aftersales servicing | **1,640,006** | *1,378,184* |
| | **22,084,414** | *17,935,050* |

All turnover arose within the United Kingdom.

## 5. Operating loss

The operating loss is stated after charging:

| | 2023 £ | *2022 £* |
|---|---|---|
| Other operating lease rentals | **61,458** | *62,231* |

## 6. Auditors' remuneration

During the year, the Group obtained the following services from the Company's auditors:

| | 2023 £ | *2022 £* |
|---|---|---|
| Fees payable to the Company's auditors for the audit of the consolidated and parent Company's financial statements | **27,000** | *27,000* |

| | 2023 £ | *2022 £* |
|---|---|---|
| Audit related services | **2,250** | *2,250* |
| Taxation compliance services | **3,250** | *3,250* |
| | **5,500** | *5,500* |

## 7. Employees

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

| | 2023 £ | 2022 £ |
|---|---|---|
| Wages and salaries | **2,981,662** | *3,284,293* |
| Social security costs | **383,007** | *529,075* |
| Cost of defined contribution scheme | **194,048** | *296,759* |
| | **3,558,717** | *4,110,127* |

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

| | 2023 No. | 2022 No. |
|---|---|---|
| Engineers | **21** | *24* |
| Management and administration | **19** | *20* |
| Sales | **11** | *14* |
| | **51** | *58* |

The Company has no employees other than the directors, who did not receive any remuneration (2022: £nil)

## 8. Directors' remuneration

| | 2023 £ | 2022 £ |
|---|---|---|
| Directors' emoluments | **381,142** | *694,175* |
| Group contributions to defined contribution pension schemes | **45,797** | *102,120* |
| | **426,939** | *796,295* |

During the year retirement benefits were accruing to 3 directors *(2022 - 3)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £128,880 *(2022 - £219,845)*.

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,590 *(2022 - £13,700)*.

## 9. Interest receivable

| | **2023** | *2022* |
|---|---|---|
| | **£** | *£* |
| Other interest receivable | **7,288** | *4,323* |

## 10. Interest payable and similar expenses

| | **2023** | *2022* |
|---|---|---|
| | **£** | *£* |
| Bank interest payable | **7,505** | *7,290* |

## 11. Taxation

| | **2023** | *2022* |
|---|---|---|
| | **£** | *£* |
| **Total current tax** | **-** | - |
| **Deferred tax** | | |
| Adjustments in repect to prior year | **(44,155)** | - |
| **Total deferred tax** | **(44,155)** | - |
| **Taxation on loss on ordinary activities** | **(44,155)** | - |

### Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2022 - higher than)* the standard rate of corporation tax in the UK of 25% *(2022 - 19%)*. The differences are explained below:

| | **2023** | *2022* |
|---|---|---|
| | **£** | *£* |
| Loss on ordinary activities before tax | **(103,089)** | *(2,123,575)* |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2022 - 19%) | **(25,772)** | *(403,479)* |
| **Effects of:** | | |
| Non-tax deductible amortisation of goodwill and impairment | **48,286** | *36,698* |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | **34,181** | - |
| Fixed asset differences | **-** | *10,781* |
| Adjustments to tax charge in respect of prior periods | **(44,155)** | - |
| Unrelieved tax losses carried forward | **-** | *356,000* |
| Use of tax losses not previously recognised | **(56,695)** | - |
| **Total tax charge for the year** | **(44,155)** | - |

## 12. Intangible assets

**Group and Company**

| | Goodwill £ |
|---|---|
| **Cost** | |
| At 1 January 2023 | **3,862,874** |
| At 31 December 2023 | **3,862,874** |
| **Amortisation** | |
| At 1 January 2023 | **2,060,202** |
| Charge for the year on owned assets | **193,144** |
| At 31 December 2023 | **2,253,346** |
| **Net book value** | |
| At 31 December 2023 | **1,609,528** |
| *At 31 December 2022* | *1,802,672* |

## 13. Tangible fixed assets

Group

| | Freehold property £ | Long-term leasehold property £ | Fixtures and fittings £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2023 | **1,243,321** | **84,910** | **336,987** | **1,665,218** |
| Additions | **-** | **-** | **31,199** | **31,199** |
| At 31 December 2023 | **1,243,321** | **84,910** | **368,186** | **1,696,417** |
| **Depreciation** | | | | |
| At 1 January 2023 | **468,765** | **79,272** | **274,639** | **822,676** |
| Charge for the year | **49,412** | **1,991** | **31,348** | **82,751** |
| At 31 December 2023 | **518,177** | **81,263** | **305,987** | **905,427** |
| **Net book value** | | | | |
| At 31 December 2023 | **725,144** | **3,647** | **62,199** | **790,990** |
| *At 31 December 2022* | *774,556* | *5,638* | *62,348* | *842,542* |

The company has no tangible assets.

## 14. Fixed asset investments

**Company**

| | Investments in subsidiary companies £ |
|---|---|
| **Cost** | |
| At 1 January 2023 | **6,500,000** |
| At 31 December 2023 | **6,500,000** |

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

| Name | Registered office | Principal activity | Class of shares | Holding |
|---|---|---|---|---|
| Coolair Management Company Limited | Coolair House, GlobalLane, Dukinfield,Cheshire, SK16 4UJ | Dormant holding company | Ordinary | 100% |
| Coolair Equipment Limited | Coolair House, GlobalLane, Dukinfield,Cheshire, SK16 4UJ | Supply and installation of air conditioning systems and commercial heating products | Ordinary | 100% |

## 15. Stocks

| | Group 2023 £ | *Group 2022 £* |
|---|---|---|
| Finished goods | **16,515** | *15,995* |

## 16. Debtors

| | Group 2023 £ | *Group 2022 £* | Company 2023 £ | *Company 2022 £* |
|---|---|---|---|---|
| **Due after more than one year** | | | | |
| Trade debtors | **412,995** | *336,437* | **-** | - |

| | Group 2023 £ | *Group 2022 £* | Company 2023 £ | *Company 2022 £* |
|---|---|---|---|---|
| **Due within one year** | | | | |
| Trade debtors | **4,298,242** | *4,109,777* | **-** | - |
| Other debtors | **782,953** | *303,352* | **198** | *198* |
| Prepayments and accrued income | **184,030** | *128,585* | **-** | - |
| Tax recoverable | **104,687** | *104,687* | **-** | - |
| | **5,369,912** | *4,646,401* | **198** | *198* |

## 17. Cash

| | Group 2023 £ | *Group 2022 £* |
|---|---|---|
| Cash at bank and in hand | **2,415** | *225,741* |
| Less: bank overdrafts | **(891,006)** | *(537,494)* |
| | **(888,591)** | *(311,753)* |

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

| | Group 2023 £ | *Group As restated 2021 £* |
|---|---|---|
| Bank overdrafts | **891,006** | *537,494* |
| Trade creditors | **2,021,863** | *1,966,322* |
| Other taxation and social security | **181,435** | *162,006* |
| Other creditors | **8,469** | *8,773* |
| Accruals and deferred income | **919,314** | *911,836* |
| | **4,022,087** | *3,586,431* |

National Westminister Bank Plc has a fixed and floating charge over all assets of the Group.

The bank overdraft is secured over the land & buildings adjacent to Coolair House.

## 19. Deferred taxation

**Group**

| | 2023 £ |
|---|---|
| At beginning of year | **(55,602)** |
| Charged to profit or loss | **44,155** |
| **At end of year** | **(11,447)** |

| | Group 2023 £ | *Group 2022 £* |
|---|---|---|
| Accelerated capital allowances | **(11,447)** | *(55,602)* |

## 20. Share capital

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| **Allotted, called up and fully paid** | | |
| 10,000 *(2022 - 10,000)* Ordinary A shares shares of £0.01 each | **100** | *100* |
| 10,000 *(2022 - 10,000)* Ordinary B shares shares of £0.01 each | **100** | *100* |
| | **200** | *200* |

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

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

## 21. Reserves

**Share premium account**

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

**Profit and loss account**

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

## 22. Pension commitments

The Group operates a defined contribution pension scheme for the benefit of employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge for the year represents contributions payable by the group to the fund and amounted to £194,048 (2022: £296,759). There were outstanding contributions of £8,469 (2022: £8,773) at the end of the year which are included within creditors.

## 23. Commitments under operating leases

At 31 December 2023 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | Group 2023 | Group 2022 |
|---|---|---|
| | £ | £ |
| Not later than 1 year | **46,689** | *132,590* |
| Later than 1 year and not later than 5 years | **310,564** | *357,283* |
| | **357,253** | *489,873* |

## 24. Controlling party

The Company has no ultimate controlling party.

| | |
|---|---|
| **Issuer** | HURST Accountants |
| **Document generated** | Thu, 16th May 2024 16:36:50 UTC |
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