

Space Cooling Topco Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2019



Space Cooling Topco Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Anderson
J A Hollingdale
C M Murphy (resigned 12 October 2020)
J E Navarro De Andrade (resigned 3 May 2019)
D E Nouch
P E Sindoni
M Woods (Resigned 10 April 2019)

BANKERS

The Royal Bank of Scotland plc
First Floor, Trinity Quay 1
Avon Street
Bristol
BS2 0PT

National Westminster Bank plc
First Floor, Trinity Quay 1
Avon Street
Bristol
BS2 0PT

REGISTERED OFFICE

Causeway Central
Pioneer Park
Bristol
BS4 3QB

AUDITOR

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

PRINCIPAL ACTIVITIES

The principal activity of the group during the year was the installation and maintenance of refrigeration, heating, ventilation and air conditioning systems.

REVIEW OF BUSINESS AND RESULTS FOR THE YEAR

The trading results for the year show a turnover of £76,003,236 (2018 £82,822,002) and an operating profit of £20,139 (2018 £3,451,408 loss).

2019 was a significant step forward from 2018, with the changes made during the previous year delivering the savings and improvements targeted.

The fall in income predominately came from the full year effect of the contract changes during the previous year together with the end of two unprofitable contracts during the first half of 2019.

The Service department contribution recovered back to historic levels and overall had a satisfactory year. The Capital departments of the business continued to be relatively quiet during the early part of the year however from August onwards saw significant increases in activity. Group profitability for the second half of the year was in line with 2016 & 2017 as a result.

Given the lower profitability in recent years, during 2020 and ongoing expectations, the Directors have reviewed the carrying values of Goodwill and the Investment in subsidiary companies. As a result of these reviews, it was considered appropriate to reduce their valuations as at the end of the year. (note 10 and note 12)

Results of Key performance indicators: -

	2019	2018
Earnings before Interest, Tax, Depreciation and Amortisation	£2.8m	(£0.6m)
Gross margin	36.4%	34.1%
Debtor Days	68 days	69 days
WIP days – Group	17 days	27 days
WIP days – Projects	23 days	25 days
WIP days – Service	9 days	20 days
WIP days – Industrial	8 days	58 days

FUTURE DEVELOPMENTS, EVENTS SINCE THE BALANCE SHEET DATE AND COVID 19

The business has continued trading throughout the Covid19 pandemic to support our food retail and food processing customers. Our Service department were designated key workers and have worked incredibly hard in difficult circumstances to support the retailers and the public in keeping stores trading while also working in a Covid secure way as the situation developed and evolved in lockdown from March onwards.

The capital areas of the business had sizeable demand planned for 2020, driven in the main by changes in technology. The lockdown in March lead to widespread closure of sites and the pausing of works that might disrupt trading on customer premises such as refits. The level of activity built up through the Summer and the Autumn 2020 has been busy as the demand and need for capital works remains. Our factory remained open throughout 2020 as the requirements remained high and we were able to work in a safe way.

The strength of our balance sheet, together with government support from the furlough and vat deferral schemes, has seen us through the period well and we continue to see opportunities for growth particularly in distribution and increased home delivery.

BUSINESS RISK AND KEY PERFORMANCE INDICATORS

In addition to the monthly management accounts and information that are produced and monitored against the company's plan and the previous year's performance, the Board uses Key Performance Indicators (KPI's) in the management of the key risks of the business and as a measure of the business efficiencies of the company.

The Board considers the principal risks of the business are as follows:

Covid-19

The business supports key sectors, particularly food retail and food processing, that have continued throughout the pandemic. The Service department were designated key workers and continue to operate. The capital areas of the business are more exposed to lockdown or disruption of the construction sector. The risks associated are mitigated by close liaison with customers on their programmes and accessing government support where possible and appropriate. The risk of widespread absence in the work force is being closely monitored and controlled through tight Covid Secure working practices across all areas of operation and locations.

Market Conditions

Close working relations are maintained with both the company's suppliers and customers in order to monitor market and technology changes. The directors continually monitor other markets and services that are complementary to the company's business model and dynamics and that can be added to the company's range of services.

Debtors and Credit Risk

The principal credit risk arises from trade debtors. A Credit Insurance policy is now in place; credit limits and credit terms are set for customers based on a combination of availability of cover, payment history and third party credit references. Credit limits are regularly reviewed in conjunction with debt ageing and collection history. The directors regard the quality and spread of customers as being a safeguard against the risk of default. Stringent daily credit control procedures are undertaken.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The group aims to mitigate liquidity risk by managing cash generation by its operations. The group also manages liquidity risk via overdraft facilities.

Currency Risk

Many of the overseas suppliers to our UK operations invoice us in Sterling to mitigate our exposure. Where product suppliers invoice in Euros then we have agreed rates with the end users and our contracts allow us to open discussions if the currency moves beyond certain thresholds. Overseas activities are conducted in the local currency to match income and expenditure and remove the risk of currency movements beyond the remittance of profits.

SECTION 172(1) STATEMENT

As a Board, the Directors have complied with our duties under Section 172 of Companies Act 2006 to promote the success of the company by acting in the way we consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so having regard (amongst other matters) to:-

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

EMPLOYEE ENGAGEMENT

We have several initiatives and ways of working designed to support employee involvement and engagement. These include: quarterly updates on progress against our plan and priorities, regular newsletters and company updates issued monthly, regular Senior Leadership Team sessions where the Directors can hear from Department Heads on matters arising from their areas of the business, and, a quarterly "Safe Space" committee, chaired by a Director, including employee representatives to work jointly on continuous improvement in Health and Safety.

At the start of 2020 a programme of Director roadshows was carried out across the country with all employees invited to attend their local session. The agenda included a full company update and Q&A session for everyone to hear direct from the Board as well as ask questions. This is now an annual event.

During the Covid pandemic we moved to weekly updates on the company's position and guidance to ensure we kept everyone informed and provided the advice and reassurance necessary during a rapidly changing and uncertain time.

STAKEHOLDER INTERESTS

Customers

The Directors, Senior Managers and Account Managers meet regularly with Customers to understand their requirements and seek feedback on our performance. The business has always had a concentration of customers, particularly the major food retailers, with which we have multiple contracts and provide a range of services which underlines the importance of each relationship. The customers as large blue-chip organisations have formal procurement and supplier relationship management programmes which we actively participate in.

Suppliers

We work closely with our suppliers and have many long-term relationships built over years of successful delivery. The sustainability and health of the supply chain is vital to the success of the business and the Board consider the impact on suppliers when making decisions. The supply chain includes a number of smaller, owner managed business which we support in relation to, for example, payment terms and health & safety support.

The Strategic Report was approved by the Board of Directors on 21/12/20

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J A Hollingdale

EMPLOYEE INVOLVEMENT

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004.

DIRECTORS

The present membership of the Board is as listed on page 1.

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISION

The company has granted an indemnity to all of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

DONATIONS

During the year the Group made the following contributions to local charities:

	2019	2018
	£	£
Charitable donations	1,175	1,480

No political contributions were made during the current or previous year.

DISABLED EMPLOYEES

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where an existing employee becomes disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

GOING CONCERN

In considering the basis of preparation of the financial statements the Directors have reviewed the monthly management accounts for 2020 and detailed budgets for the 2021 financial year including cash flow projections. These indicate that the company and the group will be able to meet all of its liabilities as they fall due.

The Investor loan and Loan notes (note 16) both reach maturity in April 2020. Since the year end these have been extended to April 2021 and agreement in principle reached to extend further to allow completion of a review with the Investor of how we can best work with other members of their Group.

Financial performance in 2020 has been satisfactory in the circumstances and the 2021 budget shows a good position with significant headroom if there are further Covid disruptions. On the basis of the trading results since the 2019 yearend, the 2021 budget and modelling of different scenarios the directors are satisfied that that it is appropriate to adopt the going concern basis in preparing the financial statements.

PROVISION OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all of the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the annual general meeting.

By order of the board



J A Hollingdale

Date: 21/12/20

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPACE COOLING TOPCO LIMITED

Opinion

We have audited the financial statements of Space Cooling Topco Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the group Profit and Loss Account, the group and parent company Balance Sheet, the group Statement of cash flows, the group and parent Statement of changes in equity and the related notes 1 to 24, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Emphasis of matter – Effects of COVID-19

We draw attention to Note 1 and 23 of the financial statements, which describes the financial and operational consequences the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPACE COOLING TOPCO LIMITED (*continued*)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 strategic report or 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, 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 on page 5, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Ernst & Young LLP

*Paul Mapleston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol*

Date: 21/12/20

Space Cooling Topco Limited
GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2019

	<i>Notes</i>	2019 £	2018 £
TURNOVER	2	76,003,236	82,822,002
Cost of sales		<u>(48,334,963)</u>	<u>(54,543,847)</u>
GROSS PROFIT		27,668,273	28,278,155
Administrative expenses		<u>(27,648,134)</u>	<u>(31,729,563)</u>
OPERATING PROFIT/(LOSS)	3	20,139	(3,451,408)
Interest receivable	6	2,382	443
Interest payable and similar charges	7	(1,246,402)	(1,288,180)
Impairment of goodwill	10	<u>(5,103,300)</u>	<u>-</u>
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,327,181)	(4,739,145)
Tax on (loss) on ordinary activities	8	<u>(219,353)</u>	<u>422,988</u>
(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		(6,546,534)	(4,316,157)
Other Comprehensive Income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u><u>(6,546,534)</u></u>	<u><u>(4,316,157)</u></u>

The operating profit for the year arises from the Group's continuing operations.

There were no other recognised gains or losses for the current or preceding period other than as stated above.

Space Cooling Topco Limited

GROUP BALANCE SHEET

as at 31 December 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Intangible assets	10	5,000,000	12,402,291
Tangible assets	11	863,794	1,185,846
		<u>5,863,794</u>	<u>13,588,137</u>
CURRENT ASSETS			
Stocks	13	2,899,240	2,863,042
Debtors	14	17,981,203	19,825,026
Cash at bank and in hand		2,338,368	113,542
		<u>23,218,811</u>	<u>22,801,610</u>
CREDITORS: Amounts falling due within one year	15	<u>(15,641,411)</u>	<u>(16,402,019)</u>
NET CURRENT ASSETS		<u>7,577,400</u>	<u>6,399,591</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,441,194	19,987,728
CREDITORS: Amounts falling due after more than one year	16	<u>(23,008,756)</u>	<u>(23,008,756)</u>
		<u>(9,567,562)</u>	<u>(3,021,028)</u>
CAPITAL AND RESERVES			
Called up share capital	17	100,000	100,000
Profit and loss account		<u>(9,667,562)</u>	<u>(3,121,028)</u>
SHAREHOLDERS' FUNDS		<u>(9,567,562)</u>	<u>(3,021,028)</u>

These financial statements were approved by the directors and authorised for issue on 21/12/20 and are signed on their behalf by:


.....
J A Hollingdale

Space Cooling Topco Limited
 COMPANY BALANCE SHEET
 as at 31 December 2019

	<i>Notes</i>	2019 £	2018 £
FIXED ASSETS			
Investments	12	<u>20,000,000</u>	<u>29,042,162</u>
CURRENT ASSETS: Debtors			
	14	442,312	130,200
CREDITORS: Amounts falling due within one year			
	15	<u>(318,805)</u>	<u>(5,726,019)</u>
NET CURRENT LIABILITIES			
		<u>123,507</u>	<u>(5,595,819)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		20,123,507	23,446,343
CREDITORS: Amounts falling due after more than one year			
	16	<u>(23,008,756)</u>	<u>(23,008,756)</u>
		<u>(2,885,249)</u>	<u>437,587</u>
CAPITAL AND RESERVES			
Called up share capital			
	17	100,000	100,000
Profit and loss account			
		<u>(2,985,249)</u>	<u>337,587</u>
SHAREHOLDERS' FUNDS			
		<u>(2,885,249)</u>	<u>437,587</u>

These financial statements were approved by the directors and authorised for issue on ... 21/12/20 and are signed on their behalf by:



J A Hollingdale

Space Cooling Topco Limited
GROUP CASH FLOW STATEMENT
for the year ended 31 December 2019

	<i>Notes</i>	2019 £	2018 £
NET CASH FLOW FROM OPERATING ACTIVITIES	19	4,350,481	(657,061)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2,382	443
Interest paid		<u>(1,245,893)</u>	<u>(1,815,085)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1,243,511)	(1,814,642)
TAXATION		(686,135)	(245,855)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		<u>(196,009)</u>	<u>(375,490)</u>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(196,009)	(375,490)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		<u>2,224,826</u>	<u>(3,093,048)</u>
FINANCING			
Net movement on bank and other loans		-	<u>(2,300,001)</u>
NET CASH OUTFLOW FROM FINANCING		-	<u>(2,300,001)</u>
INCREASE/(DECREASE) IN CASH IN THE PERIOD	19	<u>2,224,826</u>	<u>(5,393,049)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
		2019	2018
	<i>Notes</i>	£	£
Increase/(Decrease) in cash in the period	19	2,224,826	(5,393,049)
Net cash outflow to bank and other loans		-	<u>2,300,001</u>
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS		2,224,826	(3,093,048)
Amortisation of issue costs		-	<u>(21,567)</u>
CHANGE IN NET DEBT		2,224,826	(3,114,615)
OPENING NET DEBT		<u>(22,895,214)</u>	<u>(19,780,599)</u>
CLOSING NET DEBT		<u>(20,670,388)</u>	<u>(22,895,214)</u>

Space Cooling Topco Limited
 STATEMENT OF CHANGES IN EQUITY
 for the year ended 31 December 2019

Group	Share capital £	Profit and loss account £	Total £
At 1 January 2018	100,000	1,195,129	1,295,129
Loss for the year	-	(4,316,157)	(4,316,157)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	100,000	(3,121,028)	(3,021,028)
Loss for the year	-	(6,546,534)	(6,546,534)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	<u>100,000</u>	<u>(9,667,562)</u>	<u>(9,567,562)</u>
Company	Share capital £	Profit and loss account £	Total £
At 1 January 2018	100,000	(119,545)	(19,545)
Profit for the year	-	457,132	457,132
	<hr/>	<hr/>	<hr/>
At 31 December 2018	100,000	337,587	437,587
Loss for the year	-	(3,322,836)	(3,322,836)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	<u>100,000</u>	<u>(2,985,249)</u>	<u>(2,885,249)</u>

Space Cooling Topco Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

Space Cooling Topco Limited is a private company limited by shares, registered in England & Wales. The company's registered number and registered address can be found on the company information page.

The company's financial statements have been prepared in compliance with FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, as it applies to the financial statements of the company for the period ended 31 December 2019.

BASIS OF ACCOUNTING

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

GOING CONCERN

In considering the basis of preparation of the financial statements, the Directors have reviewed the monthly management accounts for 2020 and detailed budgets for the 2021 financial year including cash flow projections. These indicate that the company and the group will be able to meet all of its liabilities as they fall due.

The Investor loan and Loan notes (note 16) both reach maturity in April 2020. Since the year end, these have been extended to April 2021 and agreement in principle reached to extend further to allow completion of a review with the Investor of how we can best work with other members of their Group.

Financial performance in 2020 has been satisfactory in the circumstances and the 2021 budget shows a good position with significant headroom if there are further Covid disruptions. On the basis of the trading results since the 2019 yearend, the 2021 budget and modelling of different scenarios the directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of the company and all group undertakings. Acquisitions are accounted for under the acquisition method. The result of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. As a group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 408 of the Companies Act 2006.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However the nature of estimation means the actual outcomes could differ from those involving estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Amounts recoverable on contracts

Amounts recoverable on contracts are recognised based on the proportion of work completed to date on the project. The attributable profit is recognised once their outcome can be assessed with reasonable certainty.

Space Cooling Topco Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2019

1 ACCOUNTING POLICIES *(continued)*

Operating lease commitments

The Group has entered into leases for a number of buildings and vehicles. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

REVENUE RECOGNITION

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

In the case of supply & installation contracts, turnover reflects the contract activity for the period, and represents the proportion of total contract value which costs incurred to date bear to total expected contract costs. The attributable profit on these contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project. Full provision is made for losses on all contracts in the period in which the loss is first foreseen.

Income from manufactured products and imported cabinets on a supply only basis is recognised when title passes to the client. Typically this is on delivery to site although in some instances the contract terms allow for recognition of revenue on completion of production or import into the UK at which point title is transferred prior to delivery.

Maintenance contract income for comprehensive contracts is recognised on a daily basis across the contract period. Income for "Pay As You Go" contracts and additional works outside the scope of the comprehensive agreements is recognised as the service is delivered.

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

FOREIGN CURRENCY

Transactions in foreign currencies are recorded in the company's functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rate of exchange ruling at the balance sheet date. All exchange differences arising are dealt with in the profit and loss account.

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The assets and liabilities of overseas subsidiary undertakings are translated into the presentational currency at the rate of exchange ruling at the balance sheet date. Income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of transaction.

PENSION COSTS

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the group. The annual contributions payable are charged to the profit and loss account

INVESTMENTS

Investments are stated at the lower of cost or valuation.

Space Cooling Topco Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2019

1 ACCOUNTING POLICIES *(continued)*

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of an asset, less its estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful economic life as follows:-

Leasehold Property	-	10 years
Fixtures and Fittings	-	4 years
Motor Vehicles	-	4 years
Computer Equipment	-	4 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

GOODWILL

Goodwill arising on the acquisition of subsidiaries is capitalised in the group balance sheet and amortised over its expected useful economic life. This is considered to be ten years. Impairment reviews are completed annually. Goodwill is therefore measured at cost less any impairment.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reserved at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:-

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Space Cooling Topco Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

1 ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised/(derecognised) when the Group becomes/(ceases to be) party to the contractual provisions of the instrument. The Group holds the following financial assets and liabilities:

Cash
Short-term debtors and creditors
Bank Loan
Investor Loan
Loan Notes

Cash in the balance sheet comprises cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account before operating profit.

2 TURNOVER

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

A geographical analysis of turnover is given below:

	2019	2018
United Kingdom	73,300,793	77,914,101
Europe	2,702,443	4,907,901
	<u>76,003,236</u>	<u>82,822,002</u>

3 OPERATING PROFIT

Operating profit is stated after charging:

	2019	2018
	£	£
Depreciation – owned assets	518,061	521,631
Amortisation of goodwill	2,298,991	2,298,991
Loss/(Gain) foreign currency	92,918	(30,952)
Auditors' remuneration – audit services	60,625	52,314
– taxation services	14,950	11,770
Operating lease costs:		
Vehicles	1,547,326	2,034,614
Land and buildings	342,037	358,073
	<u>1,547,326</u>	<u>2,034,614</u>
	<u>342,037</u>	<u>358,073</u>

Space Cooling Topco Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

4 STAFF COSTS

	2019	2018
Wages and salaries	20,279,070	24,576,546
Social Security costs	2,356,508	2,771,398
Pensions	643,395	630,115
	<u>23,278,973</u>	<u>27,978,059</u>

The average monthly number of staff employed by the group during the year amounted to:

	2019	2018
	No	No
Number of production staff	361	475
Number of administrative and management staff	190	214
	<u>551</u>	<u>689</u>

5 DIRECTORS' EMOLUMENTS

Space Engineering Services Limited has paid the emoluments for the UK directors of the group. The three USA based directors were remunerated by Hillphoenix Inc.

The directors' aggregate emoluments in respect of qualifying services were:

	2019	2018
Emoluments receivable	474,098	507,503
Value of company pension contributions to money purchase schemes	27,540	36,000
	<u>501,638</u>	<u>543,503</u>

Emoluments of highest paid director:

	2019	2018
Total emoluments (excluding pension contributions):	158,212	151,634
Value of company pension contributions to money purchase schemes	12,000	18,000
	<u>170,212</u>	<u>169,634</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2019	2018
	No	No
Money purchase schemes	<u>2</u>	<u>3</u>

Space Cooling Topco Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

6 INTEREST RECEIVABLE

	2019	2018
	£	£
Bank interest receivable	2,382	433
	<u>2,382</u>	<u>433</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2018
	£	£
Interest payable on bank borrowing	95,964	97,774
Interest payable on Investor Loan	563,690	563,690
Interest payable on Loan Notes	586,748	586,748
Other interest payable	-	18,401
Amortisation of issue costs	-	21,567
	<u>1,246,402</u>	<u>1,288,180</u>

Space Cooling Topco Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

Current tax:	2019	2018
	£	£
Corporation tax based on the results for the year at 19%/19%	56,267	56,993
(Over)/under provision in prior year	(174,462)	(23,479)
Total current tax	(118,205)	33,514
Deferred tax:		
Origination and reversal of timing differences	216,620	(508,710)
Adjustment in respect of previous periods	143,740	(1,340)
Effect of change of tax rates	(22,802)	53,548
Total deferred tax	337,558	(456,502)
Tax on profit on ordinary activities	219,353	(422,988)

The tax charge for the year is higher than the standard rate of tax applicable in the UK. The reasons are explained below:

	2019	2018
	£	£
(Loss)/Profit on ordinary activities before taxation	(6,327,181)	(4,739,145)
At standard rate of tax of 19% (2018 19%)	(1,202,165)	(900,438)
Effects of:		
Disallowable expenses	101,418	101,157
Amortisation of goodwill arising on consolidation	436,808	436,808
Impairment of goodwill	970,197	-
Difference in tax rates overseas earnings	(33,382)	(89,243)
Effect of change of tax rates	(22,802)	53,548
Adjustments in respect of prior year	(30,721)	(24,820)
Total tax charge	219,353	(422,988)

Total recoverable deferred tax:	2019	2018
	£	£
Accelerated capital allowances	(36,384)	(24,639)
Other timing differences	(21,953)	(20,086)
Losses	(102,449)	(453,639)
Total recoverable deferred tax	(160,786)	(498,344)
At 1 January 2019/2018	(498,344)	(41,842)
Deferred tax charge in profit and loss account	337,558	(456,502)
At 31 December 2019/31 December 2018	(160,786)	(498,344)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

During 2016, the UK Government enacted a reduction in the rate of corporation tax from 19% to 17% from 1 April 2020. On 11 March 2020, the Chancellor of the Exchequer announced that the main rate of corporation tax will no longer reduce to 17% and will instead remain at 19%. The deferred tax balance has been calculated at a rate of 17% based on the rate substantively enacted at the balance sheet date.

Space Cooling Topco Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

9 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The parent company has taken advantage of the exemption available under Section 230 of the Companies Act 1985 not to publish its own profit and loss account.

The profit after taxation dealt with in the accounts of the parent company was £326,932 (2018 £326,932) including a dividend from its subsidiary of £7,000,000 (2018 £1,500,000).

10 INTANGIBLE FIXED ASSETS

Group	Goodwill £
Cost:	
On 1 January 2019 and 31 December 2019	23,130,916
Amortisation:	
On 1 January 2019	10,728,625
Charge for the year	2,298,991
Impairment	5,103,300
At 31 December 2019	<u>18,130,916</u>
Net book value:	
At 31 December 2019	5,000,000
At 31 December 2018	<u>12,402,291</u>

Following recent trading performance, the loss of Service contracts and expectations of future profitability, the carrying value of goodwill has been written down to a lower value based on an estimate of discounted future cashflows.

11 TANGIBLE FIXED ASSETS

Group	Short Leasehold Property £	Fixtures, Fittings & Computer Equipment £	Total £
Cost			
On 1 January 2019	1,041,952	7,314,843	8,356,795
Additions	-	196,009	196,009
At 31 December 2019	<u>1,041,952</u>	<u>7,510,852</u>	<u>8,552,804</u>
Depreciation			
On 1 January 2019	814,095	6,356,854	7,170,949
Charge for the year	61,783	456,278	518,061
At 31 December 2019	<u>875,878</u>	<u>6,813,132</u>	<u>7,689,010</u>
Net book value			
At 31 December 2019	<u>166,074</u>	<u>697,720</u>	<u>863,794</u>
At 31 December 2018	<u>227,857</u>	<u>957,989</u>	<u>1,185,846</u>

Space Cooling Topco Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

12 INVESTMENTS

Company	Subsidiary undertakings £
Cost and net book value At 1 January 2019 and 31 December 2019	29,042,162
Impairment At 1 January 2019	-
Provision in year	(9,042,162)
At 31 December 2019	(9,042,162)
Carrying Value At 31 December 2019	20,000,000
At 31 December 2018	29,042,162

Following recent trading performance, the loss of Service contracts and expectations of future profitability the carrying value of investments has been reduced based on an estimate of current valuation.

The details of the subsidiary undertakings are as follows:

Name	Nature of Business	Country of Incorporation	Class of Shares	Holding
Space Cooling Systems Holdings Limited	Non Trading	England	Ordinary	100%
Space Engineering Services Limited (subsidiary of Space Cooling Systems Holdings Limited)	Refrigeration, heating, ventilation and air conditioning systems	England	Ordinary	100%
Space Cooling Systems Limited (subsidiary of Space Engineering Services Limited)	Non Trading	England	Ordinary	100%
Case & Cold Services Limited (subsidiary of Space Engineering Services Limited)	Non Trading	England	Ordinary	100%
Space Engineering Limited (subsidiary of Space Cooling Systems Holdings Limited)	Dormant	England	Ordinary	100%
Space Engineering Services KFT (subsidiary of Space Engineering Services Limited)	Refrigeration, heating, ventilation and air conditioning systems	Hungary	Ordinary	100%

The registered address of all group companies is Causeway Central, Pioneer Park, Bristol, BS4 3QB with the exception of Hungary which is 9012 Győr, Mérföldkő magánút 14., Hungary.

Space Cooling Topco Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2019

13 STOCKS

	2019 Group £	2019 Company £	2018 Group £	2018 Company £
Raw materials and components	<u>2,899,240</u>	<u>-</u>	<u>2,863,042</u>	<u>-</u>

The difference between purchase price or production cost of stock and their replacement cost is not material.

Stocks recognised as an expense in the period were £9,065,661 (2018 - £11,020,797).

14 DEBTORS

	2019 Group £	2019 Company £	2018 Group £	2018 Company £
Trade debtors	13,600,566	-	14,707,855	-
Amounts recoverable on contracts	2,976,511	-	3,980,987	-
Other debtors	264,808	-	168,984	-
Prepayments and accrued income	672,235	-	468,856	-
Amounts owed by group undertakings	-	442,312	-	-
Corporation tax (note 8)	306,297	-	-	-
Deferred tax (note 8)	160,786	-	498,344	130,200
	<u>17,981,203</u>	<u>442,312</u>	<u>19,825,026</u>	<u>130,200</u>

15 CREDITORS: Amounts falling due within one year

	2019 Group £	2019 Company £	2018 Group £	2018 Company £
Trade creditors	10,519,112	-	11,764,367	-
Corporation Tax (note 8)	-	-	498,043	-
Other taxation and social security	2,017,081	-	2,114,616	-
Other creditors	245,345	-	236,618	-
Amounts owed to group undertakings	-	-	-	5,407,723
Accruals and deferred income	2,541,068	-	1,470,079	-
Interest payable on Investor Loan	142,082	142,082	142,081	142,081
Interest payable on Loan Notes	176,723	176,723	176,215	176,215
	<u>15,641,411</u>	<u>318,805</u>	<u>16,402,019</u>	<u>5,726,019</u>

Included within Other creditors is £126,351 (2018 £118,155) of pension contributions not yet paid over to the pension company.

The Bank Overdraft is secured by a fixed and floating charge over the group's assets.

Space Cooling Topco Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

16 CREDITORS: Amounts falling due after more than one year

	2019 Group £	2019 Company £	2018 Group £	2018 Company £
Investor Loan	11,273,801	11,273,801	11,273,801	11,273,801
Loan Notes	11,734,955	11,734,955	11,734,955	11,734,955
	<u>23,008,756</u>	<u>23,008,756</u>	<u>23,008,756</u>	<u>23,008,756</u>

17 SHARE CAPITAL

	2019 £	2018 £
Authorised:		
49,000 A Ordinary shares of £1 each	49,000	49,000
28,000 B Ordinary shares of £1 each	28,000	28,000
15,000 C Ordinary shares of £1 each	15,000	15,000
8,000 D Ordinary Shares of £1 each	8,000	8,000
	<u>100,000</u>	<u>100,000</u>
	2019 £	2018 £
Allotted, called up and fully paid:		
49,000 A Ordinary shares of £1 each	49,000	49,000
28,000 B Ordinary shares of £1 each	28,000	28,000
15,000 C Ordinary shares of £1 each	15,000	15,000
8,000 D Ordinary Shares of £1 each	8,000	8,000
	<u>100,000</u>	<u>100,000</u>

The A, B,C and D classes of ordinary share rank pari passu in all respects.

18 RESERVES

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

Space Cooling Topco Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

19 CASH FLOWS

a. Reconciliation of operating (loss)/profit to net cash flow from operating activities.

	2019	2018
	£	£
Operating (loss)/profit (Profit and Loss account)	20,139	(3,451,408)
Depreciation (note 3)	518,061	523,185
Amortisation (note 3)	2,298,991	2,298,991
Loss on disposal of fixed assets (note 3)	-	-
Movement in stocks	(36,198)	(48,146)
Movement in debtors	1,812,562	852,189
Movement in creditors	(263,074)	(831,872)
Net cash flow from operating activities	<u>4,350,481</u>	<u>(657,061)</u>

b. Analysis of net debt

	At 1 January 2019	Cash flows	Other	At 31 December 2019
	£	£	£	£
Cash at bank and in hand	113,542	2,224,826	-	2,338,368
Investor Loan	(11,273,801)	-	-	(11,273,801)
Loan Notes	(11,734,955)	-	-	(11,734,955)
Total	<u>(22,895,214)</u>	<u>2,224,826</u>	<u>-</u>	<u>(20,670,388)</u>

20 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the group had minimum future commitments under non-cancellable operating leases as set out below.

	2019		2018	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Within 1 year	33,400	68,235	15,990	170,128
Within 2 to 5 years	756,329	1,793,018	73,498	825,087
After 5 years	-	-	1,007,877	-
	<u>789,729</u>	<u>1,861,254</u>	<u>1,097,365</u>	<u>995,215</u>

Space Cooling Topco Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

21 RELATED PARTY TRANSACTIONS

Advansor A/S (incorporated in Denmark) and SWEP International Limited are wholly owned subsidiaries of Dover Corporation which is an investor in Space Cooling Topco Limited. A number of Space Cooling Topco Limited Directors are employees of Hillphoenix Inc, a wholly owned subsidiary of Dover Corporation. Therefore, any member of that group is considered a related party as a result of common influence.

All transactions were carried out on normal commercial terms. During the current and previous year the values of transactions, together with the balances owed at the end of the period, are below.

	Transactions 2019 £	Outstanding 2019 £	Transactions 2018 £	Outstanding 2018 £
Purchases:-				
Advansor A/S	938,937	161,670	1,112,235	(386)
SWEP International	16,419	12,078	8,681	-
Sales				
Advansor A/S	84	-	-	-

During 2014 a secured loan of £11,273,801 was made by Dover Refrigeration and Food Equipment UK Limited as part of the funding of the Group. During the year interest accrued totalling £563,690 (2018 £563,690). At the end of the year the full capital amount remains outstanding together with an interest balance of £142,082 (2018 £142,081)

As part of the Group funding three of the Directors hold Secured Loan Notes arising from their former shareholdings in Space Cooling Systems Holdings Limited. The value of their Loan Notes is £2,271,131. During the period the interest accrued totalled £113,557 (2018 £137,690). At the balance sheet date £28,622 (2018 £34,705) is outstanding.

22 CONTINGENT LIABILITIES

The company entered into a Debenture dated 2 May 2014 guaranteeing all sums due to Royal Bank of Scotland by way of a fixed and floating charge over all assets of the Group.

The company entered into a Second Ranking Debenture dated 2 May 2014 guaranteeing all sums due to Dover Refrigeration and Food Equipment UK Limited and the holders of the Secured Loan Notes by way of a fixed and floating charge over all assets of the Group.

23 EVENTS SINCE THE BALANCE SHEET DATE

On 11 March 2020, the WHO declared the COVID-19 outbreak a pandemic with the United Kingdom government imposing a lockdown shortly afterwards which resulted in a ban on non-essential travel and most businesses closed. The directors are continuously monitoring the effects on the business which are discussed in more detail in the Going Concern paragraph on page 15 and in the Strategic Report.

24 CONTROLLING PARTY

The directors are considered to be the ultimate controlling party by virtue of their ability to act in concert in respect of the operational and financial policies of the company.