

Space Engineering Services Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2019



Space Engineering Services Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J A Hollingdale
C M Murphy
D E Nouch
M B Woods (Resigned 10 April 2019)

SECRETARY

C M Murphy

BANKERS

Royal Bank of Scotland
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 company during the period was the installation and maintenance of refrigeration, heating, ventilation and air conditioning systems.

REVIEW OF BUSINESS AND RESULTS FOR THE PERIOD

The trading results for the year show a turnover of £73,300,793 (2018 £77,914,101) and an operating profit of £1,850,411 (2018 operating loss £1,924,712).

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.

Results of Key performance indicators: -

	2019	2018
Earnings before Interest, Tax, Depreciation and Amortisation	£2.4m	(£1.4m)
Gross margin	36.4%	34.7%
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 led 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.

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.

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.

MANAGEMENT OF RISKS AND KEY PERFORMANCE INDICATORS

These have been considered at a group level and are disclosed in the accounts of Space Cooling Topco Limited.

The Strategic Report was approved by the Board of Directors on ... 21/2/20


.....
C M Murphy

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 period the company made the following charitable contributions to local charities:

	2019	2018
	£	£
Charitable	1,175	1,480

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

DISABLED EMPLOYEES

The company 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 company'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.

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' 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 period. 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 period. 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 will be able to meet all of its liabilities as they fall due.

The company is reliant on funding at group level from its bankers who have been supportive of the business for a number of years. They have a good understanding of the nature of the business, its relationships with its key customers and the impact the customer concentration has on cash flow.

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


.....
C M Murphy

Date: 21/12/20

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPACE ENGINEERING SERVICES LIMITED

Opinion

We have audited the financial statements of Space Engineering Services Limited for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its 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 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.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 1 and 21 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.

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 company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The 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 ENGINEERING SERVICES 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 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 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 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 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 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 Engineering Services Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2019

	<i>Notes</i>	2019 £	2018 £
TURNOVER	2	73,300,793	77,914,101
Cost of sales		<u>(46,633,605)</u>	<u>(50,863,452)</u>
GROSS PROFIT		26,667,188	27,050,649
Administrative expenses		<u>(24,816,777)</u>	<u>(28,975,361)</u>
OPERATING PROFIT/(LOSS)	3	1,850,411	(1,924,712)
Interest receivable	6	2,348	419
Interest payable and similar charges	7	(95,964)	(112,280)
Dividend received		650,950	277,354
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,407,745</u>	<u>(1,759,219)</u>
Taxation	8	44,333	170,105
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>2,452,078</u>	<u>(1,589,114)</u>
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u><u>2,452,078</u></u>	<u><u>(1,589,114)</u></u>

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

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

Space Engineering Services Limited

BALANCE SHEET

As at 31 December 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Tangible assets	9	848,067	1,169,927
Investments	10	141,159	141,159
		<u>989,226</u>	<u>1,311,086</u>
CURRENT ASSETS			
Stocks	11	2,725,385	2,706,663
Debtors	12	38,148,223	45,139,642
Cash at bank and in hand		2,221,773	59,712
		<u>43,095,381</u>	<u>47,906,017</u>
CREDITORS			
Amounts falling due within one year	13	(15,142,731)	(15,727,305)
NET CURRENT ASSETS		<u>27,952,650</u>	<u>32,178,712</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>28,941,876</u>	<u>33,489,798</u>
CAPITAL AND RESERVES			
Called up share capital	14	23,248	23,248
Share premium		464,256	464,256
Capital redemption reserve		10,032	10,032
Profit and loss account		28,444,340	32,992,262
EQUITY SHAREHOLDER'S FUNDS		<u>28,941,876</u>	<u>33,489,798</u>

These financial statements were approved by the directors and authorised for issue on 21.12.20..... and are signed on their behalf by:


C M Murphy

Space Engineering Services Limited
 STATEMENT OF CHANGES IN EQUITY
 for the year ended 31 December 2019

	Share premium £	Share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 31 December 2017	464,256	23,248	10,032	36,081,376	36,578,912
(Loss) for the year	-	-	-	(1,589,114)	(1,589,114)
Dividend paid	-	-	-	(1,500,000)	(1,500,000)
At 31 December 2018	464,256	23,248	10,032	32,992,262	33,489,798
Profit for the year	-	-	-	2,452,078	2,452,078
Dividend paid	-	-	-	(7,000,000)	(7,000,000)
At 31 December 2019	<u>464,256</u>	<u>23,248</u>	<u>10,032</u>	<u>28,444,340</u>	<u>28,941,876</u>

Space Engineering Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

1 ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

Space Engineering Services 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 year 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 will be able to meet all of its liabilities as they fall due.

The company is reliant on funding at group level from its bankers who have been supportive of the business for a number of years. They have a good understanding of the nature of the business, its relationships with its key customers and the impact the customer concentration has on cash flow.

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.

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.

Operating lease commitments

The company has entered into leases for a number of buildings and vehicles. The classification of such leases as operating or finance lease requires the company 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.

Space Engineering Services Limited

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

for the year ended 31 December 2019

1 ACCOUNTING POLICIES (*continued*)

CONSOLIDATION AND CASH FLOW STATEMENT

The company has taken advantage of the exemption in Financial Reporting Standard No.102 from preparing consolidated accounts and a cash flow statement as it is a wholly owned subsidiary undertaking of a company preparing publicly available consolidated accounts which include the results of the company. Accordingly, these accounts present information about the company as an individual entity and not the group.

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.

STOCKS

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

INVESTMENTS

Investments are stated at the lower of cost or valuation.

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.

Space Engineering Services Limited

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

for the year ended 31 December 2019

1 ACCOUNTING POLICIES (*continued*)

PENSION COSTS

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

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.

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.

FINANCIAL INSTRUMENTS

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

Cash
Short-term debtors and creditors

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.

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

2 TURNOVER

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

A geographical analysis of turnover is given below:

	2019	2018
	£	£
United Kingdom	73,300,793	77,914,101
	<u>73,300,793</u>	<u>77,914,101</u>

3 OPERATING PROFIT

Operating profit is stated after charging:

	2019	2018
	£	£
Depreciation – owned assets	510,429	511,065
Loss on disposal of fixed assets	-	-
Loss on foreign currency	19,680	37,046
Auditors' remuneration – audit services	60,625	52,314
– taxation services	14,950	11,770
Operating lease costs:		
Vehicles	1,510,132	1,996,031
Land and buildings	<u>329,937</u>	<u>345,595</u>

4 STAFF COSTS

	2019	2018
	£	£
Wages and salaries	20,045,787	24,381,498
Social Security costs	2,307,490	2,730,924
Pensions	642,267	628,525
	<u>22,995,544</u>	<u>27,740,947</u>

The average number of staff employed by the company during the financial period amounted to:

	2019	2018
	No.	No.
Production staff	357	471
Administrative and management staff	184	208
	<u>541</u>	<u>679</u>

Space Engineering Services Limited
 NOTES TO THE FINANCIAL STATEMENTS (*continued*)
 for the year ended 31 December 2019

5 DIRECTORS' EMOLUMENTS

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>

No director exercised share options in the current or previous period.

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>

6 INTEREST RECEIVABLE

	2019	2018
	£	£
Bank interest receivable	2,348	419
	<u>2,348</u>	<u>419</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2018
	£	£
Interest payable on bank overdraft	95,964	93,879
Other interest payable	-	18,401
	<u>95,964</u>	<u>112,280</u>

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

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2019	2018
	£	£
Current tax:		
Corporation tax based on the results for the year at 19% (2018 19%)	-	-
(Over)/under provision in prior period	(174,462)	(23,481)
Total current tax	(174,462)	(23,481)
Deferred tax:		
Origination and reversal of timing differences	(15,213)	(162,377)
Adjustment in respect of previous periods	143,741	(1,340)
Effect of change of tax rates	1,601	17,093
Total deferred tax	130,129	(146,624)
Tax on profit on ordinary activities	(44,333)	(170,105)

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

	2019	2018
	£	£
Profit on ordinary activities before taxation	2,407,745	(1,759,219)
At standard rate of tax of 19% (2018 19%)	457,472	(334,252)
Effects of:		
Disallowable expenses	10,659	10,359
Income not taxable for tax purposes	(123,681)	(52,697)
Transfer pricing adjustment	214,212	214,212
Group relief of tax losses	(573,875)	-
Adjustment in respect of prior periods	(30,721)	(24,820)
Effect of change of tax rates	1,601	17,093
Tax charge for the year	44,333	170,105

	2019	2018
	£	£
Total recoverable deferred tax:		
Accelerated capital allowances	(36,384)	(24,639)
Other timing differences	(21,953)	(20,086)
Losses	-	(143,741)
Total recoverable deferred tax	(58,337)	(188,466)
At 1 January 2019/2018	(188,466)	(41,842)
Deferred tax charge in profit and loss account	(130,129)	(146,624)
At 31 December 2019/31 December 2018	(58,337)	(188,466)

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 Engineering Services Limited
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 for the year ended 31 December 2019

9 TANGIBLE FIXED ASSETS

	Short Leasehold Property £	Fixtures, Fittings & Computer Equipment £	Total £
Cost			
On 1 January 2018	1,041,952	7,248,465	8,290,417
Additions	-	188,569	188,569
Disposals	-	-	-
At 31 December 2019	<u>1,041,952</u>	<u>7,437,034</u>	<u>8,478,986</u>
Depreciation			
On 1 January 2018	814,095	6,306,395	7,120,490
Charge for the year	61,783	44,646	510,429
On disposals	-	-	-
At 31 December 2019	<u>875,878</u>	<u>6,755,041</u>	<u>7,630,919</u>
Net book value			
At 31 December 2019	<u>166,074</u>	<u>681,993</u>	<u>848,067</u>
At 31 December 2018	<u>227,857</u>	<u>942,070</u>	<u>1,169,927</u>

10 INVESTMENTS

	Subsidiary undertakings £
Cost	
At 1 January 2019 and 31 December 2019	<u>723,771</u>
Impairment	
At 1 January 2019 and 31 December 2019	<u>582,612</u>
Net book value	
At 31 December 2019	<u>141,159</u>
At 31 December 2018	<u>141,159</u>

The value of the investments has been written down to the carrying value of their net assets.

The details of the subsidiary undertakings are as follows:-

Name	Principal Activity	Country of Incorporation	Class of shares	Holding
Space Cooling Systems Limited	(Non Trading)	England	Ordinary	100%
Case & Cold Services Limited	(Non Trading)	England	Ordinary	100%
Space Engineering Services KFT	(Refrigeration 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, Mérföldkö magánút 14., Hungary.

Space Engineering Services Limited
 NOTES TO THE FINANCIAL STATEMENTS (*continued*)
 for the year ended 31 December 2019

11 STOCKS

	2019	2018
	£	£
Raw materials and components	<u>2,725,385</u>	<u>2,706,663</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 £8,222,843 (2018 - £9,221,394).

12 DEBTORS

	2019	2018
	£	£
Trade debtors	13,000,096	13,696,585
Amounts recoverable on contracts	2,711,531	3,937,865
Amounts owed by group undertakings	21,219,003	26,683,219
Other debtors	180,724	164,651
Prepayments and accrued income	672,235	468,856
Corporation Tax	306,297	-
Deferred tax (note 8)	58,337	188,466
	<u>38,148,223</u>	<u>45,139,642</u>

13 CREDITORS: Amounts falling due within one year

	2019	2018
	£	£
Trade creditors	10,459,668	11,435,976
Amounts owed to group undertakings	139,442	139,442
Corporation Tax	-	498,043
Other taxation and social security	1,908,274	1,968,081
Other creditors	241,050	236,240
Accruals and deferred income	2,394,297	1,226,978
	<u>15,142,731</u>	<u>15,727,305</u>

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

Space Engineering Services Limited
 NOTES TO THE FINANCIAL STATEMENTS (*continued*)
 for the year ended 31 December 2019

14 SHARE CAPITAL

	2019	2018
	£	£
Authorised:		
37,500 A Ordinary shares of £1 each	37,500	37,500
12,500 B Ordinary shares of £1 each	12,500	12,500
	<u>50,000</u>	<u>50,000</u>
	2019	2018
	£	£
Allotted, called up and fully paid:		
16,700 A Ordinary shares of £1 each	16,700	16,700
6,548 B Ordinary shares of £1 each	6,548	6,548
	<u>23,248</u>	<u>23,248</u>

The 'A' Ordinary £1 shares and 'B' Ordinary £1 shares rank pari passu in all respects. They have therefore all been treated as equity shares.

15 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.

16 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the company had future minimum 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 Engineering Services Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

17 RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Space Cooling Topco Limited and therefore has taken advantage of the exemption available under FRS 102 from disclosing transactions with members of the Group.

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 period the values of transactions, together with the balances owed at the balance sheet date, 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	-	-	-

18 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.

19 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Space Cooling Systems Holdings Limited, a company incorporated in England & Wales (company registration number 5320054).

The ultimate parent undertaking is Space Cooling Topco Limited, a company incorporated in England & Wales (company registration number 8935318).

Space Cooling Topco Limited is the smallest and largest group of which the company is a member and for which group financial statements are prepared. Consolidated financial statements are available from Causeway Central, Pioneer Park, Bristol, BS4 3QB.

20 DIVIDEND

The company paid a dividend of £7,000,000 during the year (31 December 2018 £1,500,000) to the parent company.

The company received a dividend of £650,950 (31 December 2018 £277,354) from Space Engineering Services KFT

There are no unpaid dividends at the end of the current or previous period.

21 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 11 and in the Strategic Report.