

ICS Cool Energy Limited

Annual Report and Financial Statements

Year Ended

31 December 2020

Company Number 05509182

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ICS Cool Energy Limited

Company Information

Directors	D Hampsey T E Kingston D R Palmer
Registered number	05509182
Registered office	ICS House Stephenson Road Calmore Industrial Estate Totton Southampton Hampshire SO40 3SA
Independent auditor	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL
Bankers	Lloyds Bank 4 Castle Street Christchurch BH23 1DU
Solicitors	Moore Barlow LLP Gateway House Tollgate Chandler's Ford Southampton SO53 3TG

ICS Cool Energy Limited

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ICS Cool Energy Limited

Strategic Report For the Year Ended 31 December 2020

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2020.

Business review and future developments

For many companies 2020 was an extremely challenging year due to the COVID pandemic. The company has demonstrated how resilient our business model is as we delivered a slight fall in Turnover following the strong results of 2019. Turnover fell by 10.4% to £52.4m. The Sales division was the one most impacted by COVID with many companies postponing any capital investment decisions, and we saw a lower impact on Services and Hire which were only slightly below 2019 revenues, driven mainly by customer closures/reduced operations. We did record a strong growth in our orders on equipment in Q4 which will set us up for a strong start for Sales Revenues for Q1 next year. We are very proud of the fact that we did not need to furlough any employees or take any government support during the year. Many of our back-office employees had to work from home, but where possible we kept the operations side running whilst adhering to government and parent company guidelines. During the early part of 2021, we have seen many of our suppliers impacted by COVID, as in many industries globally, shortage of key components has impacted manufacturing lead times. Whilst this is challenging, this has not slowed down demand for our capital equipment with our order bookings showing strong growth in the first half of 2021. We have also seen, again in common with many companies across the UK, a big impact on transportation. There is a shortage of drivers nationally, and this is driving up costs. We have increased the number of our transport suppliers significantly in the first half of 2021 to try and combat this.

In addition to COVID, the board and wider management team spent a lot of time and resources on trying to prepare for BREXIT, although this was very difficult given the nature of the process and the lack of details available until very late in the year. Some of the actions required had to be pushed to Q1-21 as we sought clarification on several topics, mainly around refrigerant quotas that we had to purchase to enable us to continue to import equipment from our EU manufacturers and set up the necessary VAT registrations to deal with all our imports. As we also manage revenues in Ireland from the UK, this has required even more work and most of this is ongoing in 2021.

The company sees the provision of specialist solutions in temperature control by selling, hiring, and servicing temperature control equipment for process and comfort applications as key to meeting future customer needs.

The board aims to grow the business via more sustainable repeatable revenues through the continued targeting of customers and more productive sales visits following the wider implementation of its CRM system and an increase in new customers acquired through the continued improvements to its groupwide website. Additionally, we are focusing more on our service offerings to develop this area and hiring service sales professionals to support this growth opportunity.

Principal risks and uncertainties

The company seeks to manage the associated turnover and profitability risks through the provision of a wide portfolio of temperature control products throughout the UK and mainland Europe to manage seasonal variations and provides the customer with both short term and long-term solutions through sales, service and hire alternatives.

The company is exposed to foreign exchange risk on the purchase of goods for resale. The parent company Treasury team based in Dublin now manages the risk.

The uncertainty around the UK leaving the EU is more or less cleared now for the vast majority of our business processes, although there are still some learnings coming up as we deal with special scenarios.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on customers and managing payment terms to mitigate any potential exposure. The business continued to insure most of its major customer debts through a group wide policy. This policy was not renewed in 2021 due to our never having had one single claim paid under the arrangement.

ICS Cool Energy Limited

Strategic Report (continued)
For the Year Ended 31 December 2020

Principal risks and uncertainties (continued)

Liquidity risk arises from the Group's management of working capital; It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. This risk is also managed by our Corporate Treasury team. We submit monthly a 2-month cash flow projection as well as information regarding cash balances every month end. As at the end of the financial year, it is clear that the Company has sufficient liquid resources to meet its obligations under all reasonably expected circumstances. We have additional mitigation in the form of intercompany finance available from the Corporation if that would be required.

Financial key performance indicators

The Company monitors its Key Performance Indicators by the production of a standard scorecard across the group, key strategies are monitored, and any necessary corrective action employed to ensure that year end targets are achieved.

Underlying Operating Profit fell from £16.6m to £13.4m however still representing a healthy Return on Sales Turnover of 25.5%.

Gross Margin % was 44.3% a slight reduction of 2.2% in the year primarily as a result of the slightly lower margins in our Sales division. During the pandemic we definitely saw increased competition for fewer projects in the market. We also saw slightly lower margins in our Hire division, again very much more competition for fewer projects during the lockdown, and we also diversified into some market segments for the first time which were not as profitable.

The Company's Overhead Cost ratio has increased year over year to 19.2% from 18.4% in 2019, driven by the turnover reduction. Total overhead costs were reduced by 6.4% mainly achieved through a small workforce reorganisation in the back office.

The company monitors cash flow carefully on a weekly basis together with particular emphasis on cash collections and past dues. Excess cash balances are passed to the Corporate Treasury team. Cash in hand on the balance sheet decreased by £0.1m in the year to £1.4m.

The Company continues to invest heavily to sustain growth with purchases of new Hire equipment of £3.7m and access to an additional £3m of assets owned by Trane Technologies.

Section 172 statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision-making. The Directors continue to have regard for the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders.

- The directors are fully aware of their responsibilities to promote the success of the company in accordance with section 172 of the Companies Act 2006. To ensure the company was operating in line with good corporate practice, all directors received training on the scope and application of section 172 in writing. This encouraged the Board to reflect on how the Company engages with its stakeholders and opportunities for enhancement in the future and was considered at this year's board meeting. A section 172 notice will be included with the board papers. As required, the Senior Legal Counsel and Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f).
- The directors have considered and review the company's impact on the community and the environment – please refer to section c) legislative risks above for further details.

ICS Cool Energy Limited

Strategic Report (continued)
For the Year Ended 31 December 2020

Section 172 statement (continued)

- The directors regularly review the company's principal stakeholders and how it engages with them. This is achieved through information provided by management and by direct engagement with stakeholders themselves.
- We aim to work responsibly with our stakeholders, including suppliers. During the year, the directors and employees completed training in which they reviewed the company's anti-harassment, anti-corruption and anti-bribery, equal opportunities and whistleblowing policies.
- ICSC Ltd is a group company of Trane Technologies plc and as such the Trane Technologies Companies' policies in areas such as human resources, ethics, compliance and corporate responsibility are applicable to all companies and employees of the Group; the directors are fully aware of these policies, as employees and managers of the company; Some of these policies are publicly available on the companies' website at : <https://www.tranetechnologies.com/en/index/company/corporate-governance.html>

This report was approved by the board on *20th SEPTEMBER 2021* and signed on its behalf.


D Hampsey
Director

ICS Cool Energy Limited

Directors' Report For the Year Ended 31 December 2020

The directors present their report together with the audited financial statements for the year ended 31 December 2020.

Principal activity

The company's principal activity continued to be the sale, rental, and servicing of industrial process temperature control and heating equipment.

Results and dividends

The profit for the year, after taxation, amounted to £11,491k (2019 - £14,106k).

No dividends were paid during the year (2019 - £Nil).

Directors

The directors who served during the year were:

D Hampsey
T E Kingston
S West (resigned 3 September 2020)
D R Palmer (appointed 18 December 2020)

Branches outside the United Kingdom

The company has a branch in the Republic of Ireland.

Employee involvement

The company has adopted many of the corporate programs run by Trane Technologies including the development of a progressive, diverse and inclusive workforce and culture. All employees have development plans and have access to extensive online learning resources. We support employees who want to develop themselves by paying for external educational courses. All salaried employees are required to take the Trane Technologies online training that covers our Code of Conduct, Information Security Awareness and Preventing Workplace Harassment.

The Headcount changed from 185 to 178 during the year. We reorganised some back office functions to improve efficiencies and we had some unfulfilled vacancies at the year end which have subsequently been filled.

Qualifying third party indemnity provisions

Trane Technologies, a fellow subsidiary, has in place qualifying third party indemnity provisions for all the directors of the company.

Matters covered in the Strategic Report

Information in respect of the following is set out in the strategic report:

- Fair Review of the business
- A description of the principle risks & uncertainties facing the company
- Financial key performance indicators
- Future developments

ICS Cool Energy Limited

Directors' Report (continued) For the Year Ended 31 December 2020

Streamlined Energy and Carbon Reporting

Being part of a corporation that globally leads the market in the benefits of reduced carbon footprint and sustainable solutions, we have embraced the SECR requirements naturally and encourage all employees to also participate in actions through our annual objective setting process.

During the year we have replaced high level halogen lighting in the warehouse at our Totton head office with LED lights, and fitted LED panels in all office spaces and the canteen area. Additionally we made alterations to our heating systems to ensure it was adjusted to match occupancy

We employed an expert consultancy to help us prepare and report on our performance:

Energy Consumption		2020	2019	Variance
Scope 1: Combustion of fuel and operation of facilities	Natural Gas (kWh)	358,125	240,766	48.74%
	Direct Transport (kWh)	2,836,149	3,382,750	-16.16%
	LPG (kWh)	82,257	109,307	-24.75%
Total Scope 1 Energy (kWh)		3,276,531	3,732,823	-12.22%
Scope 2: Electricity purchased	Total Electricity (kWh)	486,802	484,891	0.39%
Total Scope 1 and 2 Energy Consumption (kWh)		3,763,333	4,217,714	-10.77%
Emissions Assessment		2020	2019	Variance
Scope 1: Combustion of fuel and operation of facilities	Natural Gas (tCO ₂ e)	65.85	44.26	48.76%
	Direct Transport (tCO ₂ e)	682.31	828.10	-17.61%
	LPG (tCO ₂ e)	18.02	23.95	-24.75%
Total Scope 1 (tCO₂e)		766.18	896.31	-14.52%
Scope 2: Electricity purchased and heat and steam generated	Location Based (LB) (tCO ₂ e)	113.49	123.94	-8.43%
	Market Based (MB) (tCO ₂ e)	96.39	109.10	-11.65%
Location Based	Total Scope 1 and 2 Emissions (tCO₂e)	879.67	1,020.25	-13.78%
Market Based	Total Scope 1 and 2 Emissions (tCO₂e)	862.56	1,005.41	-14.21%
Intensity Metric Assessment		2020	2019	Variance
Intensity Ratio 1	tCO ₂ e/£m Revenue	17.59	17.45	0.83%

Emissions Sources. Natural as, propane, fuel for transport; and electricity used by the company including for the purpose of transport.

Exclusions. No mandatory energy use or emissions have been excluded.

Emissions Factors Applied. DEFRA 2019/20

Methodology. This report is aligned with GHG protocol and Environmental Reporting Guidelines including streamlined energy and carbon reporting guidance.

Estimations. All data used was provided by ICS Cool Energy Ltd and assumed accurate and true

Scope of emissions included in the report. Electricity, Gas, LPG & Direct Transport

ICS Cool Energy Limited

Directors' Report (continued)
For the Year Ended 31 December 2020

COVID-19

Clearly the COVID-19 pandemic had a detrimental effect on our turnover and overall profitability during the year, but the extent of the impact was not so dramatic as in many companies. As a company we have supported many critical services during the lockdowns, such as NHS, plastics manufacturing companies, retail and several other key industries. Our workers were classified as key workers and continued to work throughout the entire year. Some of our customers did close down, and we saw a significant decrease in our Capital Sales business as companies were understandably cautious about committing cash to capital projects during the year. We did not furlough any of our employees, nor did we seek to take advantage of any of the government schemes made available, preferring to take a 'business as usual' approach.

Our liquidity remained strong throughout, and we have no concerns in this regard. We are supported by Trane Technologies and have legally binding cash pooling facilities in place. This means that whenever we need cash, we only need to inform our central treasury team of the amount, and we have it the next day. As they are pooling from all Trane Technologies entities across EMEA, they have plentiful cash supplies that we can draw upon whenever we need to, and we are not limited in the amounts we can borrow in any way. We still generate significant amounts of excess cash to the cash pool and even without this arrangement we would be in a very strong cash position. The arrangement, however, gives us even more security and certainty about our ability to meet all of our obligations for the foreseeable future.

Disclosure of information to auditor

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

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

Auditor

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

This report was approved by the board on *29th SEPTEMBER 2021* and signed on its behalf.



D Hampsey
Director

ICS Cool Energy Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2020

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the company complies with 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.

ICS Cool Energy Limited

Independent Auditor's Report to the Members of ICS Cool Energy Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of ICS Cool Energy Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

Independence

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.

Conclusions relating to going concern

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

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

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

ICS Cool Energy Limited

Independent Auditor's Report to the Members of ICS Cool Energy Limited (continued)

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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 the directors' report.

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

- adequate accounting records have not been kept, 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 statement of directors' responsibilities, 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.

ICS Cool Energy Limited

Independent Auditor's Report to the Members of ICS Cool Energy Limited (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

Based on our understanding of the Company and the industries in which it operates, we considered those laws and regulations that have a direct impact on the financial statements, such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results.

Audit procedures performed by the group engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of controls designed to prevent and detect irregularities; and
- Identifying and testing journal entries, in particular manual journals posted directly to revenue, journals posted by directors and manual journals posted between balance sheet and income statement.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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.

Arbinder Chatwal

Arbinder Chatwal (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

Date: 21 September 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ICS Cool Energy Limited

Statement of Comprehensive Income For the Year Ended 31 December 2020

	Note	2020 £	2019 £000
Turnover	4	52,420	58,473
Cost of sales		(29,199)	(31,302)
Gross profit		23,221	27,171
Administrative expenses		(10,049)	(10,740)
Other operating income	5	191	191
Operating profit	6	13,363	16,622
Interest receivable and similar income		138	155
Interest payable and similar charges		-	(1)
Profit before tax		13,501	16,776
Tax on profit	9	(2,010)	(2,670)
Profit for the financial year		11,491	14,106

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 14 to 29 form part of these financial statements.

ICS Cool Energy Limited
Registered number: 05509182

Statement of Financial Position
As at 31 December 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Tangible assets	10		25,086		25,976
Investments	11		1,468		1,468
			<u>26,554</u>		<u>27,444</u>
Current assets					
Stocks	12	1,855		2,037	
Debtors: amounts falling due within one year	13	51,148		38,326	
Cash at bank and in hand		1,416		1,527	
		<u>54,419</u>		<u>41,890</u>	
Creditors: amounts falling due within one year	14	(16,069)		(15,944)	
Net current assets			<u>38,350</u>		<u>25,946</u>
Total assets less current liabilities			<u>64,904</u>		<u>53,390</u>
Provisions for liabilities					
Deferred tax	15		(653)		(630)
Net assets			<u>64,251</u>		<u>52,760</u>
Capital and reserves					
Called up share capital	16		-		-
Capital contribution	17		5,596		5,596
Profit and loss account	17		58,655		47,164
Total equity			<u>64,251</u>		<u>52,760</u>

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

20th SEPTEMBER 2021


D Hampsey
Director

The notes on pages 14 to 29 form part of these financial statements.

ICS Cool Energy Limited

Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital £000	Capital contribution £000	Profit and loss account £000	Total equity £000
At 1 January 2020	-	5,596	47,164	52,760
Comprehensive income for the year				
Profit for the year	-	-	11,491	11,491
Total comprehensive income for the year	-	-	11,491	11,491
At 31 December 2020	-	5,596	58,655	64,251

Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital £000	Capital contribution £000	Profit and loss account £000	Total equity £000
At 1 January 2019	-	5,596	33,058	38,654
Comprehensive income for the year				
Profit for the year	-	-	14,106	14,106
Total comprehensive income for the year	-	-	14,106	14,106
At 31 December 2019	-	5,596	47,164	52,760

The notes on pages 14 to 29 form part of these financial statements.

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

1. General information

ICS Cool Energy Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity is set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest thousand pounds.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Ingersoll-Rand plc. as at 31 December 2020 and these financial statements may be obtained from TBC.

2.3 Exemption from preparing consolidated financial statements

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.4 Going concern

The company meets its day-to-day working capital requirements through its existing equity and loans from fellow group companies. The current economic conditions continue to create uncertainty over (a) the level of demand for the Company's products; and (b) the availability of funding for the foreseeable future. The company's forecasts and projections, taking account of potential changes in trading performance, show that the company should be able to operate within its existing financing structure.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The company therefore continues to adopt the going concern basis in preparing its financial statements.

2.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the company's sales channels have been met, as described below:

i) Sales of goods

The company sells a range of products in the UK market. Sale of goods is recognised on delivery to the customer, when the title and the risks and rewards of ownership have substantially transferred to the customer. Both the persuasive evidence of a sales arrangement and fixed or determinable price criteria are deemed to be satisfied upon receipt of an executed and legally binding sales agreement or contract that clearly defines the terms and conditions of the transaction including the respective obligations of the parties. If the defined terms and conditions allow variability in all or a component of the price, turnover is not recognised until such time that the price becomes fixed or determinable. At the point of sale, the company validates that existence of an enforceable claim that requires payment within a reasonable amount of time and assesses the collectability of that claim. If collectability is not deemed to be reasonably assured, then turnover recognition is deferred until such time that collectability becomes probable or cash is received. Delivery is not considered to have occurred until the customer has taken title and assumed the risks and rewards of ownership.

(ii) Provision of services

Service turnover is recognised when earned. In some instances, customer acceptance provisions are included in sales arrangements to give the buyer the ability to ensure the service meets the criteria established in the order. In these instances, turnover recognition is deferred until the acceptance terms specified in the arrangement are fulfilled through customer acceptance or a demonstration that established criteria have been satisfied. If uncertainty exists about customer acceptance, turnover is not recognized until acceptance has occurred.

The company enters into maintenance and extended warranty contracts with customers. Turnover related to these services is recognized on a straight-line basis over the life of the contract, unless sufficient historical evidence indicates that the cost of providing these services is incurred on a basis other than straight-line. In these circumstances, turnover is recognized over the contract period in proportion to the costs expected to be incurred in performing the service.

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.6 Intangible assets

Goodwill

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

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.7 Tangible fixed assets

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

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 50 years
Short-term leasehold property	- 4 years
Plant and machinery	- 4 years
Motor vehicles	- 4 years
Fixtures and fittings	- 4 years
Hire fleet	- 3 - 12 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.8 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the average cost price of purchase.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 Financial instruments

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

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

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

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.13 Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'cost of sales'.

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.16 Leased assets: the company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.17 Pensions

Defined contribution pension plan

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

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

2.18 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.19 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgement:

- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 10)

Tangible fixed assets, other than freehold land, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	46,929	48,889
Rest of Europe	5,122	8,596
Rest of the world	369	988
	<u>52,420</u>	<u>58,473</u>

5. Other operating income

	2020 £000	2019 £000
Property rental income	<u>191</u>	<u>191</u>

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

6. Operating profit

The operating profit is stated after charging:

	2020 £000	2019 £000
Depreciation of tangible fixed assets	4,254	4,212
Amortisation of intangible assets, including goodwill	-	4
Audit fees payable to the company's auditors	27	25
Exchange differences	(257)	231
Other operating lease rentals	1,408	1,419
Defined contribution pension costs	405	485

7. Employees

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

	2020 £000	2019 £000
Wages and salaries	9,078	8,934
Social security costs	1,076	1,011
Cost of defined contribution scheme	406	485

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

	2020 No.	2019 No.
Administration and support	35	36
Production and service	90	85
Research and development	-	5
Sales	48	54
Marketing	5	5

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

8. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	593	667
Company contributions to defined contribution pension schemes	16	17
	<u>609</u>	<u>684</u>

During the year retirement benefits were accruing to 2 directors (2019 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £587k (2019 -£667k).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15k (2019 -£17k).

9. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	2,546	3,164
Adjustments in respect of previous periods	(559)	(568)
Total current tax	<u>1,987</u>	<u>2,596</u>
Deferred tax		
Origination and reversal of timing differences	-	85
Impact of change in tax rate	-	(9)
Adjustment in respect of prior years	23	(2)
Total deferred tax	<u>23</u>	<u>74</u>
Taxation on profit on ordinary activities	<u><u>2,010</u></u>	<u><u>2,670</u></u>

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	13,501	16,776
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	2,565	3,187
Effects of:		
Expenses not deductible for tax purposes	39	62
Accelerated capital allowances and timing differences	9	9
Other adjustments	(13)	(18)
Adjustments to tax charge in respect of prior periods	(566)	(570)
Group relief not paid	(24)	-
Total tax charge for the year	2,010	2,670

Factors that may affect future tax charges

The current rate of corporation tax in the UK is 19% (2020 - 19%).

The Finance Bill 2021-22, published on 11 March 2021, retained the main rate of corporation tax at 19% for accounting periods from 1 April 2021.

Whilst the Finance Bill indicated that the main rate of corporation tax would be 25% for accounting periods from 1 April 2023, the Bill had not been enacted by the Balance Sheet date and is not reflected in the deferred tax calculations for this reason.

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

10. Tangible fixed assets

	Land and Buildings £000	Plant and machinery £000	Computer and office equipment £000	Hire fleet £000	Total £000
Cost or valuation					
At 1 January 2020	1,414	328	820	43,692	46,254
Additions	87	3	5	3,702	3,797
Disposals	-	-	-	(1,008)	(1,008)
At 31 December 2020	<u>1,501</u>	<u>331</u>	<u>825</u>	<u>46,386</u>	<u>49,043</u>
Depreciation					
At 1 January 2020	468	162	585	19,064	20,279
Charge for the year	138	65	121	3,930	4,254
Disposals	-	-	-	(576)	(576)
At 31 December 2020	<u>606</u>	<u>227</u>	<u>706</u>	<u>22,418</u>	<u>23,957</u>
Net book value					
At 31 December 2020	<u>895</u>	<u>104</u>	<u>119</u>	<u>23,968</u>	<u>25,086</u>
At 31 December 2019	<u>946</u>	<u>167</u>	<u>235</u>	<u>24,628</u>	<u>25,976</u>

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

11. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2020	1,468
At 31 December 2020	<u>1,468</u>

Direct subsidiary undertaking

Company name	Class of shares	Principal activity	Holding
Tricool Thermal Limited	Ordinary	Dormant	100%
Cool Energy Limited	Ordinary	Dormant	100%
ICS Cool Energy AG	Ordinary	Rental, supply and servicing of industrial process temperature control equipment	100%

Indirect subsidiary undertaking

Company name	Class of shares	Principal activity	Holding
ICS Cool Energy BV	Ordinary	Rental, supply and servicing of industrial process temperature control equipment	100%

The registered office of Tricool Thermal Limited is ICS House, Stephenson Road, Calmore Industrial Estate, Totton, Southampton, Hampshire, England, SO40 3SA.

The registered office of ICS Cool Energy AG is Wiesenstrasse 1a Bilten 8865, 8808 Freienbach, Switzerland.

The registered office of ICS Cool Energy BV is Rotschotseweg 4, 5271 WX Sint-Michielgestel, Netherlands.

12. Stocks

	2020 £000	2019 £000
Finished goods and goods for resale	<u>1,855</u>	<u>2,037</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

13. Debtors: amounts falling due within one year

	2020 £000	2019 £000
Trade debtors	12,022	12,225
Amounts owed by group undertakings	38,584	25,549
Other debtors	32	94
Prepayments and accrued income	510	458
	<u>51,148</u>	<u>38,326</u>

14. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	4,279	5,704
Amounts owed to group undertakings	3,817	2,147
Corporation tax	183	1,210
Other taxation and social security	1,757	1,315
Other creditors	567	929
Accruals and deferred income	5,466	4,639
	<u>16,069</u>	<u>15,944</u>

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

15. Deferred taxation

	2020 £000
At beginning of year	630
Charged to profit or loss	23
At end of year	653

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	642	631
Sundry timing differences	10	(1)
	<u>652</u>	<u>630</u>

16. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

17. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Capital contribution reserve

The company received the capital contribution from its parent company, ICS Group Holdings Limited. This is a non-refundable and distributable capital contribution. It is to be used at the discretion of the directors and does not bestow any additional rights in the share capital of the company to ICS Group Holdings Limited.

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

18. Capital commitments

At 31 December 2020 the company had capital commitments as follows:

	2020 £000	2019 £000
Contracted for but not provided in these financial statements	-	454

19. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £405k (2019 - £485k). Contributions totalling £69k (2019 - £3k) were payable to the fund at the reporting date and are included in creditors.

20. Commitments under operating leases

At 31 December 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £000	2019 £000
Not later than 1 year	1,030	861
Later than 1 year and not later than 5 years	2,913	2,561
Later than 5 years	3,460	4,047
	<u>7,403</u>	<u>7,469</u>

In 2017, the company disposed of its freehold property to a fellow subsidiary, and leased it back under an operating lease arrangement. The non-cancellable lease has a remaining term of 12 years.

All leases include a provision for an annual upward rent reviews according to prevailing market conditions.

21. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

ICS Cool Energy Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

22. Ultimate parent and controlling party

The immediate parent is ICS Group Holdings Ltd., a company incorporated in the United Kingdom. The registered office is ICS House, Stephenson Road, Calmore Industrial Estate, Totton, Southampton, Hampshire, England, SO40 3SA.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Trane Technologies plc. Copies of Trane Technologies plc consolidated financial statements can be obtained from its registered office at 170/175 Lakeview Drive, Airside Business Park, Swords, Co, Dublin, Ireland.