Carrier Rental Systems (UK) Limited

Annual Report
for the year ended 31 December 2020

Registered number: SC028224

Carrier Rental Systems (UK) Limited

Contents

Carrier Rental Systems (UK) Limited

Strategic report

*The directors present their Strategic Report for the company for the year ended 31 December 2020.*The directors, in preparing this strategic report, have complied with S414C of the Companies Act 2006.

Trading review

The results for the company show a total turnover decline of £0.65 million (-1.4%) against the prior year. This decline was directly attributable to the Covid-19 pandemic; suspension of hires and the cancellation/postponement of events. As a result of the decreased turnover and shift in the sales mix, gross profit fell to £18.6 million (2019: £19.8 million). At the year end, the company had net assets of £40.4 million (2019: £37.5 million).

What we do and where

Carrier Rental Systems (UK) Limited is a supplier of specialist temporary equipment for hire, and a subsidiary of Carrier Global Corporation. The core rental services offered to our customers are for temporary and permanent pumps, for temporary temperature control equipment and products and services associated with these core activities. The core rental services of the company are further supported by the provision of temporary power generators and temporary powered water jetting.

We conduct rental activities in pumps, generators and temperature control equipment from 24 operational depots across the United Kingdom providing these services to a broad range of customers. Our business model is focused on customers who require specialist equipment in the short to medium term rather than permanent installations at very short notice.

Our customer base is extremely diverse, operating nationally and locally with key partners in the construction, civil engineering, aggregates, events, facilities management and water utilities sectors. Our rental equipment can operate in each of these market sectors, meaning business risk is managed and not dependent upon a single market. Speed of response is critical to our clients and the locality and geographic spread of our rental branches are a key asset in service delivery.

The market

The rental markets in which the company operates are highly fragmented. Each of the key markets in which the company operates has a mix of local, national and international rental specialists in direct competition. Strong customer focus and good technical application enable the company to continue to compete effectively.

The directors are confident that since the acquisition of the company by Carrier Corporation in December 2006 the company has improved stability and improved equipment purchasing ability. This has enabled the company to broaden and strengthen its rental fleet and to continue to make a variety of investments to maintain and develop the business.

Strategy

The company's primary objective is to increase turnover, return on sales and return on capital employed by a combination of organic growth and acquisitions. The key elements of this strategy are:

- Building a balanced turnover stream throughout the year.
- Continued investment in hire equipment which serves the needs of our customers.
- Operational excellence through the development of a world class quality, environment and health and safety management system.
- Developing a stable and knowledgeable workforce through a reduction in employee attrition, investment in training and development and through improved internal communication.

Strategic report (continued)

Balanced turnover stream
The nature of the company's key rental activities are directly influenced by weather driven demand. To mitigate this key variable factor the company continues to invest in hire equipment that allows niche markets that are less weather driven to be targeted. Complementary opportunities to add products and services continue to be sought to further reduce the risk associated with its revenue streams.

Continued investment in hire equipment
By utilising the purchasing power provided by Carrier Global Corporation, the directors will ensure that partnerships built with our suppliers will remain in a strong position. We will ensure that we hold a hire fleet which provides our customers with reliable specialist equipment solutions, sustaining and developing our customer base.

Operational excellence
The directors of the company have continued the process of improving operational processes to heighten safety, environmental and operational awareness involving employees at all levels of the company. During 2020 the company maintained ISO certifications and transitioned from OHSAS 18001 to ISO 45001. Significant steps have been taken to make the workplace safer for our employees with substantial investments being made in premises, training, management systems and tools and equipment. This has also resulted in the company maintaining various external accreditations from Achilles, Safe Contractor and Chas.

Developing a stable and knowledgeable workforce
We strongly believe that a stable and knowledgeable workforce is key to the future success of the company. By reducing employee attrition rates we can retain our best employees and provide improved customer service levels. Investment in training and the development of all employees allows the company to add value to our customers. A series of processes such as our quarterly employee communication forums, monthly toolbox talks and bi-annual employee surveys help to ensure that all the employees of the company have the ability to contribute to its continuous improvement.

Key performance indicators

Measure	2020	2019	2018	Definition, method of calculation and analysis
Turnover growth	-1.4%	5.5%	46.8%	Year on year sales growth expressed as a percentage
Return on Sales	7.2%	10.4%	12.3%	Operating profit expressed as a percentage of turnover
Return on Capital employed	8.0%	12.5%	16.0%	Operating profit divided by net assets
Employee attrition	10.6%	19.4%	22.9%	The total number of employees voluntarily leaving the company during the year expressed as a percentage of the average total workforce over the financial year.

2018 KPI's reflect the acquisition of Watkins Hire Limited

Carrier Rental Systems (UK) Limited

Strategic report (continued)

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. Risks are formally reviewed by the board of directors and appropriate processes put in place to monitor and mitigate them.

Weather driven demand
Both of the core services of the company are impacted by weather related demand. The level of rainfall can impact demand for our pumps and the temperature can impact the demand for our temperature control products and services. This in turn can impact the supporting service of power generator hire. To mitigate against potential adverse effects the company invests in a range of equipment to allow applications that are more process driven rather than weather driven in demand. The company is also focused on developing markets where demand levels are again less weather driven.

Competition and economy
The company operates in a highly competitive market where rapid availability of the right rental equipment of the right quality and at the right price is critical. To meet the expectations for these high levels of service from our customers we continue to invest in our rental fleet, our people and in our depot structure. This ensures that the company can provide a rapid and quality response to our customers. The company has some exposure to construction activity which can be very cyclical and we continue to develop a broad range of markets that gives the business good balance.

Suppliers
The company has strong relationships with all its principal suppliers. Sister companies of the company manufacture and supply temperature control equipment that leads in its field for technology and reliability. The company also increased its investment in the complementary area of power generators, establishing good supply and support arrangements.

Future developments

The company will continue to enhance its rental fleet utilization and market opportunities through continued investment in our specialist rental fleet which will place the business in a good position to capture growth opportunities. Ongoing efforts to developing relationships with the other UK based Carrier group companies is also helping to support many of our customers in new and innovative ways such as through the provision of full HVAC solutions covering equipment, installation, and temporary rental services. Our continued focus on safety is key to safeguarding sustainable service delivery to a market with an ever increasing expectation of safety standards.

Approval

Approved by the Board and signed on its behalf by:

S Blaby
Director
Date: 10 December 2021

Directors report

The directors present their Report and the audited financial statements of the company for the year ended 31 December 2020.

Future developments and events after the balance sheet date

In further detail in the strategic report on page 3, in May 2018 the business completed the purchases of the assets and liabilities of Watkins Hire Limited, an inter-group company which was originally acquired in November 2016.

Going concern

The current economic conditions continue to create uncertainty particularly around revenue and operating profit levels. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves and committed financing arrangements.

Whilst the company partly meets its day-to-day working capital requirements and financing arrangements through a UK group cash pooling arrangement, which is centrally managed by another group company (Parkview Treasury Services (UK) Limited), there is a finite risk of a cash pooling mechanism failure, and the cash pool facility can be terminated by the Pool Leader with 1 day's notice. Accordingly, the company has received a letter of support from Carrier Global Corporation, its ultimate parent undertaking.

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.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks.

Cash flow risk
The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk
The Company's principal financial assets are bank balances and cash, trade and other debtors, and investments.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Financial risk management objectives and policies (continued)

Liquidity risk
To maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance, when necessary.

Dividends

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2020 (2019: £nil).

Directors

The directors, who served throughout the year and up to the date of signing the financial statements, unless otherwise stated, were as follows:

A Gooch	*Appointed 16 August 2021*
A Z Hungwe	*Resigned 4 January 2021*
A Paddock	*Appointed 4 January 2021*
S R H McMullen	*Resigned 16 August 2021*
S Blaby	

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the Company magazine and a special edition for employees of the annual financial statements. In addition, the Company encourages the involvement of employees by means of employee communication events, where a representative of a cross section of employees raises any questions to senior management on an anonymous basis if required by the employee on a wide range of matters affecting their current and future interests.

Directors Report (continued)

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

• so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
• the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Covid-19

A novel strain of coronavirus ("COVID-19") surfaced in late 2019 in Wuhan, China and has since spread throughout the rest of the world. In March 2020, COVID-19 was declared a pandemic by the World Health Organisation. The pandemic has negatively affected the British and global economies, disrupted global supply chains and financial markets, and resulted in significant travel restrictions, including mandated facility closures and shelter-in-place orders.

The Company's services have generally been considered essential in nature and business has been continued throughout the outbreak. Carrier Rental Systems (UK) Limited is taking all prudent measures to protect the health and safety of our employees and has implemented work from home requirements, where possible, social distancing where working from home is not feasible, deep cleaning protocols at all of our depots and travel restrictions, among other measures. The Company has also taken appropriate measures to work with its customers to minimize potential disruption and to support the communities that is serves to address the challenges posed by the pandemic.

As a result of the COVID-19 pandemic, the Company has experienced varied impacts across its business. Directors also assessed whether of not COVID-19 impacts their significant assumptions regarding future income from the Company's underlying assets or potentially changes its liabilities. In order to evaluate these impacts, the Directors reviewed forecast assumptions regarding future business activity, that have been subject to COVID-19 uncertainties, including those noted in the prior paragraph.

Because of the dynamic environment, the Directors will continue to evaluate whether these assumptions are reasonable. In addition, the duration of the Governments restrictions is not known and cannot be reasonably estimated.

The extent of the pandemics impact on the Company has been mitigated to a certain extent by our employees' ability to work from home and to continue to work safely in our facilities. The situation with regards to matters outside of our control such as our customers' ability to continue to operate or receive our products, our suppliers' ability to continue to supply us with products, and the level of activity and demand for the ultimate products and services of our customers or their customers is becoming more stable as the vaccine program progresses and confidence returns.

In any case the situation and its impact on the Company are constantly kept under close review by the Directors and appropriate measures are being implemented to protect the Company. Currently, the Directors believe that there is no doubt about the Company's ability to continue as a going concern, for a reasonable period of time, from the date the financial statements are issued.

Carrier Rental Systems (UK) Limited

Directors Report (continued)

Approval

Approved by the Board and signed on its behalf by:

S Blaby
Director
Date: 10 December 2021

Carrier Rental Systems (UK) Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 financial statements comply with the Companies Act 2006.

The directors 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.

In any case the situation and its impact on the Company are constantly kept under close review by the Directors and appropriate measures are being implemented to protect the Company. Currently, the Directors believe that there is no substantial doubt about the Company's ability to continue as a going concern, for a reasonable period of time, from the date the financial statements are issued.

Independent Auditors

In the absence of any notice proposing to terminate their appointment, PricewaterhouseCoopers LLP will be deemed to be reappointed for the next financial year. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

Approved by the Board and signed on its behalf by:

S Blaby
Director
Date: 10 December 2021

Independent auditors' report to the members of Carrier Rental Systems (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Carrier Rental Systems (UK) Limited's 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 (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet as at 31 December 2020; the Income statement, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

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 year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to financial regulations and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 the potential posting of inappropriate journal entries to manipulate financial performance and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and the Directors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing journal entries to identify any entries which met our risk criteria, in particular journal entries with unusual account combinations to revenue;
- Reviewing relevant minutes of senior management and director meetings; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to provisioning and lease accounting.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Stephen Patey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
22 December 2021

Carrier Rental Systems (UK) Limited

Income statement
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	3	**44,240**	44,888
Cost of sales		**(25,637)**	(25,065)
Gross profit		**18,603**	19,823
Distribution costs		**(7,914)**	(7,862)
Administrative expenses		**(7,469)**	(7,278)
Operating profit		**3,220**	4,683
Finance income	4	**134**	106
Finance costs	4	**(320)**	(306)
Profit before taxation	5	**3,034**	4,483
Income tax (expense) / credit	9	**(135)**	639
Profit for the financial year		**2,899**	5,122

All results are derived from continuing operations.

The company has no other comprehensive income other than its profit for the financial years ended 31 December 2020 and 2019, and hence no separate statement of other comprehensive income has been presented.

Carrier Rental Systems (UK) Limited
Registered number: SC028224

Balance sheet
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	11	427	521
Property, plant and equipment	12	22,977	22,975
Right of use assets	13	6,512	5,966
Investments	14	69,884	69,884
Deferred tax asset	18	442	577
		100,242	99,923
Current assets			
Inventories	15	1,934	1,868
Trade and other receivables:			
Amounts falling due within one year	16	22,598	38,862
Cash and cash equivalents		3	-
		24,535	40,730
Creditors: Amounts falling due within one year	17	(78,690)	(98,019)
Net current (liabilities)		(54,155)	(57,289)
Total assets less current liabilities		46,087	42,634
Creditors: Amounts falling due after more than one year	19	(4,210)	(4,787)
Provisions for liabilities	20	(1,464)	(333)
Net assets		40,413	37,514
Equity			
Called up share capital	21	251	251
Share premium account	22	15,999	15,999
Other reserves		467	467
Retained earnings		23,696	20,797
Total Shareholders' funds		40,413	37,514

The notes on pages 15 to 40 form part of these financial statements

The financial statements on pages 12 to 40 were approved by the board of directors on 10 December 2021 and were signed on its behalf by:

S Blaby
Director

Carrier Rental Systems (UK) Limited

Statement of changes in equity
For the year ended 31 December 2020

	Called up share capital £'000	Share Premium £'000	Other reserves £'000	Retained Earnings £'000	Total Shareholders' Funds £'000
Balance at 1 January 2019	251	15,999	467	15,675	32,392
Profit for the financial year	-	-	-	5,122	5,122
Total comprehensive income for the year	-	-	-	5,122	5,122
Balance at 31 December 2019	**251**	**15,999**	**467**	**20,797**	**37,514**
Profit for the financial year	-	-	-	**2,899**	**2,899**
Total comprehensive income for the year	-	-	-	**2,899**	**2,899**
Balance at 31 December 2020	**251**	**15,999**	**467**	**23,696**	**40,413**

1. Accounting policies

Carrier Rental Systems (UK) Limited ('the company') is a supplier of specialist temporary equipment for hire in the UK.

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in Scotland. The address of its registered office is Ailsa Road, Irvine Industrial Estate, Irvine, Ayrshire, KA12 8LL.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and all the years presented, unless otherwise stated.

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council, and the Companies Act 2006.

The financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

As permitted by FRS 101, the company has taken advantage of some of the disclosure exemptions available under that standard. The key exemptions taken are as follows:

IAS 1 – Information on management of capital
IAS 7 – statement of cash flows
IAS 8 - disclosures in respect of new standards and interpretations that have been issued but are not yet effective
IAS 24 - disclosure of key management compensation and for related party disclosures entered into between two or more members of a group
IAS 1 - the requirement to present roll forward reconciliations in respect of share capital
IFRS 7- 'Financial instruments: Disclosures
IFRS 15: requirements of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129

These financial statements represent separate financial statements of the Company as the Company has utilised the exemption available for not preparing a consolidated financial statements. Where required, the group financial statements of Carrier Global Corporation are available to the public and can be obtained as set out in note 27.

1. **Accounting Policies (continued)**

Adoption of new and revised standards

The following improvements and amendments to the standards became effective for the first time from 1 January 2020. However, these improvements and amendments have had no significant impact on these financial statements:

- *Definition of Material – Amendments to IAS 1 and IAS 8*
  The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and • the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.
- *Revised Conceptual Framework for Financial Reporting*
  The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: • increasing the prominence of stewardship in the objective of financial reporting • reinstating prudence as a component of neutrality • defining a reporting entity, which may be a legal entity, or a portion of an entity • revising the definitions of an asset and a liability • removing the probability threshold for recognition and adding guidance on derecognition • adding guidance on different measurement basis, and • stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

Going concern

The current economic conditions continue to create uncertainty particularly around revenue and operating profit levels. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves and committed financing arrangements.

Whilst the company partly meets its day-to-day working capital requirements and financing arrangements through a UK group cash pooling arrangement, which is centrally managed by another group company (Parkview Treasury Services (UK) Limited), there is a finite risk of a cash pooling mechanism failure, and the cash pool facility can be terminated by the Pool Leader with 1 day's notice. Accordingly, the company has received a letter of support from Carrier Global Corporation, its ultimate parent undertaking.

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.

1. Accounting Policies (continued)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The useful economic lives of intangible assets acquired separately are:

Software - 10 years

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost. Depreciation on buildings is charged to the income statement.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Property, plant and equipment (continued)

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset, less any residual value, on a straight-line basis over its expected useful life, as follows:

Land & buildings	2-5%
Plant and machinery	7.5% - 33.3%
Equipment for hire	8% - 25%

Useful lives are reviewed, and adjusted if appropriate, at the end of every reporting period.

1. **Accounting Policies (continued)**

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

1. **Accounting Policies (continued)**

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of sales taxes, trade discounts and rebates and estimated customer returns. Revenue is only discounted where the impact of discounting is material. The implementation of IFRS 15 has not had any material impact on the recognition or disclosure of revenue. The business derives revenue from a number of streams and therefore uses a variety of methods for revenue recognition.

Sale of goods

Revenue from the sale of goods is recognised at a point in time. It is recognised when all performance obligations have been met and the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably and the recovery of the consideration is considered probable. For product sales with no installation requirements, revenue is recognised when the product is delivered to the customer in accordance with the agreed delivery terms. Where installation is also required, revenue on both the product and installation is recognised once the customer has confirmed its acceptance procedures.

On-going service contracts

Revenue is recognised over time in equal instalments over the period that services are provided to the customer. Where amounts are received in advance of services being provided, the amounts are recorded as Deferred income and included as part of Creditors due within one year.

1. Accounting Policies (continued)

Revenue (continued)

Specific activity service contracts

Where service contracts require the performance of a specific activity, revenue is recognised once this specific activity has been completed to the performance required by the customer.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Pension costs

For defined contribution schemes the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise.

Leases

The company as lessee

The company leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 years to 10 years but may have extension options.

1. **Accounting Policies (continued)**

Leases (continued)

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable; Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the assets useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of property and vehicles are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

1. **Accounting Policies (continued)**

Leases (continued)

Information about critical accounting estimates and judgements in the application of lease accounting is disclosed in note 2.

Finance costs

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in the income statement within finance costs.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Financial instruments

PwC: The Company's financial instruments are classified in to Amortised cost. The Company did not have any other categories of financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Assets carried at amortised cost

The company assesses, at the end of each reporting period, whether there is objective evidence that financial asset or group of financial assets is impaired.

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

1. Accounting Policies (continued)

Financial instruments (continued)

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

1. **Accounting Policies (continued)**

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are discounted where the impact of discounting is material.

Restructurings

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful economic lives of properties, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in estimated useful economic lives of the assets. The useful lives of the assets are assessed on an annual basis and are amended when necessary to reflect current estimates. See note 12 for the carrying amount for the property, plant and equipment, and note 1 for the useful economic lives for each class of assets.

Inventory provisioning

The company carries a stock of spare parts that are used to maintain the rental fleet in the depot network. Assessments are made in terms of obsolescence for those parts as well as inventory holding levels when calculating the inventory provision. Additionally, the company holds a small amount of pumps and portable temperature control units for resale. These are subject to changing customer demand and technological change. As a result it is necessary to consider the recoverability of the cost of the resale inventory and the associated provisioning required. Management considers the nature and condition of this inventory, as well as applies assumptions around expected future demand for the inventory, when calculating the level of provisioning.

Dilapidation provision

The company operates out of a number of properties on commercial leases throughout the UK. As part of those lease agreements, there are varying requirements in keeping the properties in a good state before handing back to the landlord. The dilapidation provision is maintained and reviewed with that in mind and costs are estimated in respect of those expected to be incurred at the end of the lease agreements.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Lease accounting

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third party financing; and
- Makes adjustments specific to the lease, e.g. term, currency and security.

The company used a single borrowing rate of 3%. A 100-basis point increase/(decrease) in the rate used would cause the lease liabilities to (reduce)/increase by £150,000 and a corresponding (decrease)/ increase in the right-of-use assets by the same amount.

Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the age profile of the receivable and historic experience. See note 16 for the net carrying amount of the receivables and the associated impairment provision.

3. Revenue

An analysis of the Company's revenue is as follows:

	2020 £'000	2019 £'000
Continuing operations		
Sales of goods	**1,909**	1,758
Sales of services	**42,331**	43,130
	44,240	44,888

An analysis of the Company's revenue by class of business is set out below:

	2020 £'000	2019 £'000
Revenue:		
Pumps & Power	**21,617**	20,811
Temperature Control	**22,619**	23,832
Other Income	**4**	245
	44,240	44,888

An analysis of the Company's revenue by geographical market is set out below.

	2020 £'000	2019 £'000
Revenue:		
United Kingdom	**43,167**	43,932
Continental Europe	**812**	766
North America	**4**	5
Africa	**194**	34
Asia	**63**	151
	44,240	44,888

4. Finance costs

	2020 £'000	2019 £'000
Interest payable:		
Other loans and payables	**(131)**	(139)
Interest received:	**134**	106
IFRS16 lease interest	**(189)**	(167)
	(186)	(200)

Interest is payable on any funds owed to UTC Parkview Treasury (UK) Limited which attracts a notional interest in relation to Bank of England base rates. Interest received in the year on funds owed by UTC Parkview Treasury (UK) Limited transferred from Watkins Hire Limited during 2018. The balances were offset during 2020.

5. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2020 £'000	2019 £'000
Net foreign exchange losses	**9**	11
Depreciation of tangible fixed assets:		
- owned	**4,445**	4,746
(Profit) on disposal of plant, property and equipment	**(363)**	(303)
Operating lease charges	**1,460**	1,359
Depreciation of right of use assets	**1,488**	1,393
Consumption of inventory	**2,172**	1,860
Impairment of inventory	**(9)**	1
Impairment of trade receivables	**(12)**	378
Amortisation of intangibles	**94**	88

Costs of operating leases are split £35k (2019: £100k) on property rental, £4k (2019: £9k) on machinery and £1.421m (2019: £1.250m) on vehicle leasing.

6. Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates for the audit of the company's annual financial statements were £45,380 (2019: £45,380). The audit fee of £21,375 (2019: £21,375) for the subsidy undertakings are born by the company and charged to profit or loss. Fees payable for non-audit work amount to £nil (2019: £nil).

7. Staff costs

The average monthly number of employees (including executive directors) was:

	2020 Number	2019 Number
Sales & Distribution	**233**	235
Administration	**5**	8
	238	243

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	**10,480**	10,614
Social security costs	**1,023**	1,049
Other pension costs (see note 24)	**472**	433
	11,975	12,096

'Other pension costs' includes only those items included within operating costs.

8. Directors' remuneration and transactions

	2020 £'000	2019 £'000
Directors' remuneration		
Emoluments	**129**	130
Company contributions to money purchase pension schemes	**5**	4
	134	134

	2020 Number	2019 Number
The number of directors who:		
Are members of a money purchase pension scheme	**1**	1

8. Directors' remuneration and transactions (continued)

	2020 £'000	2019 £'000
Remuneration of the highest paid director:		
Emoluments and amounts (excluding shares) under long term incentive schemes	**129**	130
Company contributions to money purchase pension schemes	**5**	4

9. Income tax expense / (credit)

Tax expense / (credit) included in profit or loss:

	2020 £'000	2019 £'000
Current tax		
Current tax on profits for the year	**-**	-
Adjustment in respect of prior years	**-**	(814)
Total current tax	**-**	(814)
Deferred tax		
Current year	**214**	174
Adjustment in respect of previous periods	**(10)**	19
Effect of changes in tax rates	**(69)**	(18)
Total deferred tax (see note 18)	**135**	175
Total tax on profit on ordinary activities	**135**	(639)

9. Income tax expense / (credit) (continued)

Factors Affecting Total Tax Charge for the Current Period:

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2020 £'000	2019 £'000
Profit on ordinary activities before taxation	**3,034**	4,483
Tax on profit before taxation at standard UK corporation tax rate of 19% (2019: 19%)	**576**	852
Effects of:		
Expenses not deductible for tax purposes	**13**	15
Group relief for nil consideration	**(95)**	(166)
Re-measurement of deferred tax – changes in UK tax rates	**(69)**	(18)
Overseas tax rates	**(265)**	(527)
Adjustments to tax charge in respect of prior years	**(10)**	(795)
Exempt gains	**(15)**	-
Total tax (credit) / charge for the year	**135**	(639)

The Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was substantially enacted by the balance sheet date, deferred tax balances as at 31 December 2020 are to be measured at 19%. Also, in the March 2021 Budget it was announced that legislation will be introduced in the Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%.

10. Dividends on equity shares

Amounts recognised as distributions to equity holders in the year:

	2020 £'000	2019 £'000
Dividend for the year ended 31 December 2020 of £0.00 (2019: £0.00) per deferred share	**-**	-
	-	-

Carrier Rental Systems (UK) Limited

Notes to the financial statements
For the year ended 31 December 2020

11. Intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 January 2019	1,463	620	2,083
Additions	-	24	24
Reclass from P&M	-	146	146
At 31 December 2019	1,463	790	2,253
At 31 December 2020	1,463	790	2,253
Accumulated amortisation and impairment			
At 1 January 2019	(1,463)	(127)	(1,590)
Amortisation	-	(88)	(88)
Reclass from P&M	-	(54)	(54)
At 31 December 2019	(1,463)	(269)	(1,732)
Amortisation	-	(94)	(94)
At 31 December 2020	(1,463)	(363)	(1,826)
Net book value			
At 31 December 2020	-	427	427
At 31 December 2019	-	521	521

12. Property, plant and equipment

	Land and Buildings £'000	Equipment for hire £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2018	1,163	73,986	2,737	630	78,516
Additions	49	3,619	25	1,137	4,830
Disposals	-	(3,534)	(116)	-	(3,649)
Transfers to Intangibles	-	-	(146)	-	(146)
Transfers	-	538	-	(538)	-
At 31 December 2019	1,212	74,609	2,500	1,229	79,551
Additions	-	3,031	-	1,576	4,607
Disposals	-	(1,909)	(51)	-	(1,960)
Transfers	-	1,732	-	(1,732)	-
At 31 December 2020	1,212	77,464	2,449	1,074	82,198
Accumulated depreciation					
At 1 January 2018	(850)	(52,379)	(2,174)	-	(54,403)
Depreciation	(86)	(4,482)	(178)	-	(4,746)
Disposals	-	3,409	110	-	3,519
Transfers to Intangibles	-	-	54	-	54
At 31 December 2019	(936)	(53,452)	(2,188)	-	(56,576)
Depreciation	(60)	(4,285)	(100)	-	(4,445)
Disposals	-	1,747	52	-	1,799
At 31 December 2020	(996)	(55,990)	(2,236)	-	(59,222)
Net book value					
At 31 December 2019	216	21,474	213	1,074	22,977
At 31 December 2019	276	21,157	313	1,229	22,975

13. Leases

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

The company has lease contracts for property and vehicles used in the operations. The amounts recognised in the financial statements in relation to the leases are detailed below.

Right of use assets

	Property £'000	Vehicles £'000	Total £'000
Cost			
At 1 January 2020	**6,472**	**887**	**7,359**
Additions	725	516	**1,241**
Disposals	(363)	(261)	**(624)**
At 31 December 2020	**6,834**	**1,142**	**7,976**
Accumulated depreciation			
At 1 January 2020	**(1,075)**	(318)	**(1,393)**
Depreciation	(1,211)	(277)	**(1,488)**
Disposals	183	162	**345**
At 31 December 2020	**(2,103)**	**(433)**	**(2,536)**
Net book value			
At 31 December 2020	**4,731**	**709**	**5,440**
Adjusted balance at 1 January 2020	5,397	569	5,966
At 31 December 2019	5,397	569	5,966

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under IAS 17 non-cancellable operating leases which do not form part of the IFRS16 calculations and fall due as follows:

	2020 £'000	2019 £'000
Within one year	**73**	73
Between two and five years	**205**	276
After five years	**-**	71
	378	420

14. Investments

	£'000
Cost	
At 1 January 2019	69,884
Additions	-
Disposals	-
At 31 December 2019	69,884
Additions	-
Disposals	-
At 31 December 2020	69,884
Net book value	
At 31 December 2020	**69,884**
At 31 December 2019	69,884

Details of the Company's subsidiaries at 31 December 2020 are as follows. Unless otherwise indicated, all ownership interests are in the ordinary share capital of the investee.

Name	Country of registration	Registered Address	Proportion of ordinary shares held	Nature of business
Watkins Hire Limited	England and Wales	Porsham Close, Belliver Industrial Estate, Plymouth Devon PL6 7DB	100%	Rental of HVAC equipment
WHL 2013 Limited*	England and Wales	Porsham Close, Belliver Industrial Estate, Plymouth Devon PL6 7DB	100%*	Holding company
WHL 2013 Holdings Limited	England and Wales	Porsham Close, Belliver Industrial Estate, Plymouth Devon PL6 7DB	100%	Holding company

**Denotes an indirect holding*

The investments in subsidiaries are all stated at cost less provision for impairment.

15. Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	**1,375**	1,202
Finished goods and goods for resale	**559**	666
	1,934	1,868

Inventories are stated after a provision of £57k (2019: £66k) for slow moving stocks.

16. Trade and other receivables

Amounts falling due within one year:

	2020 £'000	2019 £'000
Trade receivables	**9,212**	13,908
Amounts owed by group undertakings	**11,750**	22,735
Corporation Tax	**610**	610
Other receivables	**334**	774
Prepayments and accrued income	**692**	835
	22,598	38,862

Trade receivables are stated after provision for impairment of £172k (2019: £818k) and provision for disputes and credit notes of £625k (2019: £202k).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The exception being the funds held in UTC Parkview Treasury (UK) Limited which earns a notional interest in relation to Bank of England base rates.

17. Creditors amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	**(683)**	(1,069)
Amounts owed to group undertakings	**(1,063)**	(18,209)
Amounts owed to subsidiary	**(69,840)**	(69,840)
Finance lease payable	**(1,563)**	(1,511)
Other taxation and social security	**(407)**	(1,155)
Accruals and deferred income	**(5,134)**	(6,235)
	(78,690)	(98,019)

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The exception being the funds owed to UTC Parkview Treasury (UK) Limited which attracts a notional interest in relation to Bank of England base rates.

18. Deferred tax asset

The analysis of deferred tax assets is as follows:

	2020 £'000	2019 £'000
Deferred tax assets due within 12 months	-	-
Deferred tax liabilities due within 12 months	-	-
Total asset due within 12 months	-	-
Deferred tax assets due after more than 12 months	442	577
Deferred tax liabilities due after more than 12 months	-	-
Total asset due after more than 12 months	442	577
Net deferred tax asset	442	577

The movement in deferred tax is as follows:

Deferred tax assets:	Accelerated tax depreciation £'000
At 1 January 2019	752
Charged to profit and loss	(174)
Prior year adjustment	(19)
Effect of change in tax rate	
-profit or loss	18
-equity	-
At 31 December 2019 and 1 January 2020	577
Charge to profit and loss	(214)
Prior year adjustment	10
-profit or loss	69
At 31 December 2020	442

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

	2020 £'000	2019 £'000
Finance lease payable	**(4,210)**	(4,787)
	(4,210)	(4,787)

20. Provisions for liabilities

	Total £'000
At 1 January 2019	**(470)**
Additions to the income statement	(60)
Amounts utilised	197
At 31 December 2019 and 1 January 2020	**(333)**
Additions to the income statement	**(1,239)**
Amounts utilised	**171**
At 31 December 2019	**(1,401)**

The total provision relates to obligations under property leases to make good dilapidations. The dilapidation provision relates to a number of property leases, some of which run to 2026.

21. Called up share capital

	2020 £'000	2019 £'000
Allotted and fully-paid		
960,000 (2019: 960,000) deferred shares of 25p each	**240**	240
42,400 (2019: 42,400) ordinary shares of 25p each	**11**	11
	251	251

22. Share premium account

	Total £'000
At 1 January and 31 December 2019	**15,999**
Premium arising on issues of ordinary shares	**-**
At 31 December 2020	**15,999**

23. Financial commitments

Capital commitments are as follows:

	2020 £'000	2019 £'000
Contracts for future capital expenditure not provided in the financial statements	949	287
	949	287

24. Retirement benefit schemes

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to income of £472,000 (2019: £433,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2020, contributions of £94,000 (2019: £254,000) due in respect of the current reporting year had not been paid over to the schemes.

25. Related party transactions

During the year, the company entered into the following trading transactions with related parties:

	Sale of goods		Purchase of goods	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Toshiba Carrier UK Ltd	68	197	34	256

The following amounts were outstanding at the balance sheet date:

	Amounts owed to related parties	
	2020 £'000	2019 £'000
Toshiba Carrier UK Ltd	64	7

Sales of goods to related parties were made at the company's usual list prices, less average discounts of 15 per cent. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

26. Subsequent events

There have been no subsequent events that require disclosures or adjustments to the reported figures.

27. Controlling party

The company's immediate parent undertaking is Carrier Rental Systems Limited, a company incorporated in England and Wales whose registered office is at Porsham Close, Belliver Industrial Estate, Plymouth, Devon, PL6 7DB.

The company's ultimate parent undertaking and controlling party throughout the year and at the balance sheet date was Carrier Global Corporation, a company incorporated in the United States of America.

Carrier Global Corporation was the smallest and largest group to consolidate these financial statements.

Copies of the Carrier Global Corporation group financial statements are publicly available and can be obtained from www.carrier.com

28. Initial adoption of IFRS 16 at 1 January 2019

The company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.