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**STAR REFRIGERATION LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**



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**STAR REFRIGERATION LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	M J Barr C Eng B S Brown L Brown PhD A Douglas R A Lamb C Eng PhD A B Pearson C Eng PhD S F Pearson C Eng PhD (resigned 26 March 2019) J R Rowell (Chairman) J T Ward
<b>REGISTERED NUMBER</b>	SC048005
<b>REGISTERED OFFICE</b>	Unit 4 Block 3 Thornliebank Industrial Estate Glasgow G46 8JW
<b>INDEPENDENT AUDITORS</b>	French Duncan LLP Chartered Accountants and Statutory Auditors 133 Finnieston Street Glasgow G3 8HB
<b>BANKERS</b>	The Royal Bank of Scotland plc 300 Bath Street Glasgow G2 4RS
<b>SOLICITORS</b>	Dentons UK and Middle East LLP 1 George Square Glasgow G2 1AL

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**STAR REFRIGERATION LIMITED**

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## STAR REFRIGERATION LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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#### INTRODUCTION

The Group's principal activity continues to be the design, manufacture, installation and maintenance of industrial refrigeration plant. The major uses of this plant are in temperature-controlled buildings, food processing factories, breweries and other industrial processes requiring the removal of heat. Star Renewable Energy provides industrial scale heating systems in the UK, European and global market based on heat pump technology.

Starfrost (UK) Limited's principal activity is the manufacture of automated freezing and chilling systems for various types of food products.

Star M & E Solutions Limited's principal activity is electrical contracting including the design and manufacture of control panels.

Star's US subsidiary, Azane Inc, is introducing Star Refrigeration's system designs to the North American market.

#### BUSINESS REVIEW

Star Refrigeration turnover for 2019 was above the prior year due to growth in core refrigeration contracting and aftercare business. Profitable growth continued in line with the business strategy including growing customer demand for our heat pumps and energy management systems.

#### Subsidiaries

Starfrost (UK) Limited returned a very strong result for 2019, with particularly strong contract performance in overseas markets as well as growth in aftercare services. The operating profit exceeded the record high achieved in 2017.

Star M&E Solutions Limited remains focussed on Star Refrigeration's contract and maintenance business. The supply of electrical panels to Starfrost (UK) Limited has continued to grow following initial progress during 2018. Preparations to supply UL-certified panels to Azane Inc. for the US market are in place.

Azane Inc. continues to focus on developing target sectors in USA, with progress achieved during 2019 in terms of growing customer demand for our low-charge ammonia refrigeration systems.

#### Environment

The majority of our installations in 2019 used ammonia as the refrigerant, with a focus on delivering as high an efficiency as possible in order to minimise the environmental impact of the system. Where HFC refrigerants are used they are predominantly in high efficiency chiller systems which are designed to minimise refrigerant leakage. The Group no longer offers high GWP refrigerants such as R-404A and R-507. During 2019, we continued to achieve strong sales of our range of CO2 units for low temperature systems based on the Star low-pressure receiver.

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## STAR REFRIGERATION LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### PRINCIPAL RISKS AND UNCERTAINTIES

The combined order books for Star, Starfrost and Star M&E Solutions are currently healthy, particularly in the food sector. There is a risk that market uncertainty during the UK's exit from the European Union could result in a slow-down in customer investments during 2020. The current outbreak of the COVID-19 virus increases the risk of short-term volatility across our business, with potential impacts to supply chain, staff availability and customer operations.

The group operates primarily in the food sector and as an essential supplier in the distribution chain, the business has inbuilt resilience to manage such short-term risks. The directors have established mitigation plans to deal with the impact of COVID-19, which include conserving cash, re-deploying staff to support changing circumstances, adapting supply chains and utilising additional funding facilities. We continue to ensure that we have sufficient short-term cash reserves, with further resources available to manage targeted growth and build on already strong margins in all sectors of the business.

#### Financial instrument risks

The Group's policy does not permit trading in any financial instruments. Forward exchange contracts are sometimes taken out as hedges against specific contract commitments. The Group's principal financial instruments comprise cash, short term deposits and/or borrowings.

The Group has various other financial instruments such as trade debtors and creditors that arise directly from its trading operations.

The main risks arising from the Group's financial instruments are with liquidity and credit. The Group has clear policies for managing these risks as summarised below.

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Investment levels and cash flows are carefully controlled, with authorisation limits operating at different levels up to group board level.

#### *Credit risk*

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the group provides goods and services on deferred credit terms. Group policies are aimed at minimising such losses, and require that deferred credit terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Goods may be sold on a cash-with-order basis to mitigate credit risk.

#### *Contract risk*

The Group conducts a significant element of its business under customer contracts. The key to the management of contract risk is robust tendering procedures supported by effective operational management.

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## STAR REFRIGERATION LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### FINANCIAL KEY PERFORMANCE INDICATORS

	2019 £000	2018 £000	Change %
Group Turnover	49,122	45,625	7.7%
Gross Profit	7,442	5,522	34.8%
Gross Profit %	15.1%	12.1%	24.8%
Profit before taxation	896	182	392.3%
Employees (numbers)	367	354	3.7%

#### KEY NON FINANCIAL PERFORMANCE INDICATORS

The Group operates a quality management system that meets the requirements of the Pressure Equipment Regulations and International Standards BS EN ISO 9001: 2015 and BS ISO 45001: 2018. This system reinforces the Group's commitment to achieve the highest standards through the continuous improvement in its products and services. Current quality assurance and health and safety processes continue to be certified to the ISO 9001 quality standard and in 2019 the Group achieved certification under the new ISO 45001 standard.

The environmental impact of the Group's activities is closely monitored. The Group follows the principles of BS EN ISO 14001: 2015 but is not yet accredited to the standard. The directors recognise that the Group's activities have both direct and indirect impacts on the environment. Almost 90% of the direct impact is through the use of vehicles. As a service organisation, this cannot be eliminated, but the Group aims to minimise the effect through regular driver training, improved work scheduling and the encouragement of car sharing or use of public transportation where appropriate. The indirect impact of our activities on the environment comes from the use of our systems by our customers. The Group has pioneered the use of natural refrigerants with zero Global Warming Potential (GWP) and aims to make these systems as efficient as possible through system design, implementation and the sharing of findings and experiences in public presentations.

The Group seeks to reward employees with an attractive package of salary and benefits which is regularly benchmarked against similar industries. Investment in staff training and a high level of pension contributions and welfare support are also provided. Following accreditations to Investors in People and Investors in Young People standards in 2017 the Group continues to develop its apprentice, graduate and fast track trainee programmes. Plans are progressing towards achieving accreditation to platinum level.

The Group regularly tracks the accident and near-miss rates for all employees. The accident rate trend has reduced from an initial figure of 23 accidents per 100 employees to a record low in 2016 of 2.2. The 2019 rate is 5.64 (2018: 4.7) accidents per 100 employees and ongoing efforts address issues through root cause analysis. The increase since 2016 is primarily due to the introduction of stricter recording and reporting policies in house. Investment was made during 2019 in additional near miss / unsafe conditions reporting and communications systems for improved staff awareness.

This report was approved by the board on *24<sup>th</sup> MARCH 2020* and signed on its behalf.



**A B Pearson**  
Director

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## STAR REFRIGERATION LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors present their report and the financial statements for the year ended 31 December 2019.

#### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £737,000 (2018 - £63,000).

A dividend of 5p per share was paid in the year in relation to the 2018 results. The directors recommend payment of a dividend of 10p per share in relation to the 2019 results.

#### DIRECTORS

The directors who served during the year and to the date of this report were:

M J Barr C Eng  
B S Brown  
L Brown PhD  
A Douglas CA  
R A Lamb CEng PhD  
A B Pearson CEng PhD  
S F Pearson CEng PhD (resigned 26 March 2019)  
J R Rowell (Chairman)  
J T Ward

#### FUTURE DEVELOPMENTS

Star Refrigeration uses its expertise in heat transfer, packaged solutions and control systems to offer innovative solutions across a range of markets. These include large heat pumps and energy monitoring systems. During 2019, we continued to develop our range of packaged chillers and freezers, including the integration of an energy efficiency monitoring software system. These have been well received by the market, partly due to uncertainty over the long term availability and increasing price of HFC refrigerants as well as greater focus on energy use.

#### RESEARCH AND DEVELOPMENT ACTIVITIES

Research and development is primarily focussed on highly efficient refrigeration systems with low environmental impact. Research and development is conducted in-house and focuses on the improvement of industrial refrigeration and heat pump efficiency and reduction of environmental impact, including energy usage.

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## STAR REFRIGERATION LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### EMPLOYEE INVOLVEMENT

During the year, the company embedded its staff communications continuous improvement group, setup in 2018. The Group has contributed valuable insights across the business through regular meetings between local management and staff, resulting in 2019 decisions to revise staff benefits. Employees participate directly in the success of the business through the group's profit sharing schemes. The Group operated an HMRC approved employee share ownership trust, established in 2007. There are 120 employee shareholders through this trust (2018: 110).

#### BUSINESS RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group continued its long-term partnerships with customers and approved suppliers / sub-contractors. During 2019, the Group engaged with end-user groups in the temperature controlled storage and distribution sector to share innovations in improving the energy efficiency of refrigeration systems. The Group progressed during 2019, together with our supply chain partners, to develop our refrigeration system site installation capabilities.

#### GENDER PAY GAP REPORTING AND EQUALITY

From 2017, Star Refrigeration Limited has been required to report on the pay gap between male and female employees in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. The Company employs more men (263) than women (50), with the majority of posts in both the management team and executive board held by men. Our published statistics (registered on the Government's website and carried on the Company's website) show that in the top three quarters of earners (typically technical staff and engineering managers) only 6% are women. It is only in the lowest quartile that the figures are closer to parity, with 54% male and 46% female staff. The split between male and female staff in the upper quartiles is a fair reflection of the number of applications we receive from advertised posts, although across the engineering sector as a whole, 11% of the workforce is female. The Board of Directors work hard to ensure that there is no gender bias in salary at all levels of the Company. The Company continues to support several initiatives to encourage more girls and women to take up careers in engineering, including sponsorship of Glasgow University's FemEng Society and the Women in Engineering Day. In 2019, The Institution of Engineering and Technology in the UK reported that there is a shortfall of at least 59,000 candidates per year for both craft and professional engineer posts in the UK. The Board of Directors recognise that encouraging female candidates to apply for apprentice and graduate level positions will increase the Company's ability to recruit and retain skilled staff.

The gender balance in pay quartiles reported for 2019 is:

	Highest Paid	2nd Quartile	3rd Quartile	Lowest Paid
Men	96.2%	97.4%	88.5%	54.4%
Women	3.8%	2.6%	11.5%	45.6%
The gender pay gap:	Difference between men and women			
	Mean	Median		
Hourly fixed pay	39.9%	43.3%		

Gender pay gap reporting is not required under the 2017 Act for Starfrost (UK) Ltd and Star M&E Solutions Limited because they have less than 250 employees.

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**STAR REFRIGERATION LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**DISABLED EMPLOYEES**

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

**POST BALANCE SHEET EVENTS**

There are no post balance sheet events.

**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 and the Group'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 and the Group's auditor is aware of that information.

**GOING CONCERN**

The Directors ordinarily review and update cash flow and trading forecasts to ensure the Group has sufficient resources to enable it to meet its liabilities as they fall due for a period of twelve months from the date signing of the financial statements. Given the significant uncertainty introduced by the Covid-19 pandemic the Directors have considered a number of potential scenarios, and are confident that the Group has adequate resources to continue trading as a going concern. The Directors have based their assessment on current level of cash resources, the availability of credit facilities from its bankers as well as the flexibility of the company and its workforce to adapt to a changing environment.

**AUDITOR**

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

This report was approved by the board on *24<sup>th</sup> MARCH 2020* and signed on its behalf.



**A B Pearson**  
Director

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**STAR REFRIGERATION LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## STAR REFRIGERATION LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAR REFRIGERATION LIMITED

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#### OPINION

We have audited the financial statements of Star Refrigeration Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance sheets, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's 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.

#### 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 are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### CONCLUSIONS RELATING TO GOING CONCERN

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

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

#### 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.

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

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## STAR REFRIGERATION LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAR REFRIGERATION LIMITED (CONTINUED)

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knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

#### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

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

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

#### RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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**STAR REFRIGERATION LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAR REFRIGERATION LIMITED  
(CONTINUED)**

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**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 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 for our audit work, for this report, or for the opinions we have formed.



Stephen G Hughes (Senior statutory auditor)

for and on behalf of  
**French Duncan LLP**

Chartered Accountants and Statutory Auditors

133 Finnieston Street  
Glasgow  
G3 8HB

Date: 03/04/2020.

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**STAR REFRIGERATION LIMITED**

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	Note	2019 £000	2018 £000
Turnover	4	49,122	45,625
Cost of sales		(41,680)	(40,103)
<b>Gross profit</b>		<b>7,442</b>	<b>5,522</b>
Distribution costs		(2,022)	(1,727)
Administrative expenses		(4,584)	(3,720)
Other operating income	5	(2)	39
<b>Operating profit</b>	6	<b>834</b>	<b>114</b>
Interest receivable and similar income	10	63	68
Interest payable and similar charges		(1)	-
<b>Profit before taxation</b>		<b>896</b>	<b>182</b>
Tax on profit	11	(159)	(119)
<b>Profit for the financial year</b>		<b>737</b>	<b>63</b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent Company		737	63
		<b>737</b>	<b>63</b>

The notes on pages 21 to 45 form part of these financial statements.

**STAR REFRIGERATION LIMITED**  
**REGISTERED NUMBER: SC048005**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Tangible assets	14	2,232	2,189
<b>Current assets</b>			
Stocks	16	518	544
Debtors: amounts falling due after more than one year	17	306	450
Debtors: amounts falling due within one year	17	12,257	11,925
Cash at bank and in hand	18	5,767	3,187
		<u>18,848</u>	<u>16,106</u>
Creditors: amounts falling due within one year	19	(12,276)	(10,171)
<b>Net current assets</b>		<u>6,572</u>	<u>5,935</u>
<b>Total assets less current liabilities</b>		<u>8,804</u>	<u>8,124</u>
Creditors: amounts falling due after more than one year	20	(39)	-
<b>Provisions for liabilities</b>			
Deferred taxation	23	(72)	(7)
Other provisions	24	(795)	(878)
		<u>(867)</u>	<u>(885)</u>
<b>Net assets</b>		<u>7,898</u>	<u>7,239</u>
<b>Capital and reserves</b>			
Called up share capital	25	954	954
Share premium account	26	309	309
Treasury share reserve	26	(31)	-
Other reserves	26	(92)	(92)
Profit and loss account	26	6,758	6,068
<b>Equity attributable to owners of the parent Company</b>		<u>7,898</u>	<u>7,239</u>

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**STAR REFRIGERATION LIMITED**  
**REGISTERED NUMBER: SC048005**

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**CONSOLIDATED BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2019**

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

24<sup>th</sup> MARCH 2020



**A B Pearson**  
Director

The notes on pages 21 to 45 form part of these financial statements.

**STAR REFRIGERATION LIMITED**  
**REGISTERED NUMBER: SC048005**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Tangible assets	14	1,850	1,904
Investments	15	945	945
		2,795	2,849
<b>Current assets</b>			
Stocks	16	480	469
Debtors: amounts falling due after more than one year	17	1,157	450
Debtors: amounts falling due within one year	17	11,241	12,074
Cash at bank and in hand	18	2,717	1,386
		15,595	14,379
Creditors: amounts falling due within one year	19	(10,282)	(8,746)
<b>Net current assets</b>		5,313	5,633
<b>Total assets less current liabilities</b>		8,108	8,482
<b>Provisions for liabilities</b>			
Deferred taxation	23	(71)	(80)
Other provisions	24	(639)	(797)
		(710)	(877)
<b>Net assets</b>		7,398	7,605
<b>Capital and reserves</b>			
Called up share capital	25	954	954
Share premium account	26	309	309
Treasury share reserve	26	(31)	-
Other reserves	26	(92)	(92)
Profit and loss account	26	6,258	6,434
		7,398	7,605

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**STAR REFRIGERATION LIMITED**  
**REGISTERED NUMBER: SC048005**

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**COMPANY BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2019**

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

24<sup>th</sup> MARCH 2020



**A B Pearson**  
Director

The notes on pages 21 to 45 form part of these financial statements.

**STAR REFRIGERATION LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Share premium account £000	Treasury share reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2019	954	309	-	(92)	6,068	7,239
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	737	737
Dividends: Equity capital	-	-	-	-	(47)	(47)
Net movement in treasury share reserve	-	-	(31)	-	-	(31)
<b>Total transactions with owners</b>	-	-	(31)	-	(47)	(78)
<b>At 31 December 2019</b>	<b>954</b>	<b>309</b>	<b>(31)</b>	<b>(92)</b>	<b>6,758</b>	<b>7,898</b>

The notes on pages 21 to 45 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2018	952	309	(92)	6,194	7,363
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	63	63
Dividends: Equity capital	-	-	-	(189)	(189)
Shares issued during the year	2	-	-	-	2
<b>Total transactions with owners</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>(189)</b>	<b>(187)</b>
<b>At 31 December 2018</b>	<b>954</b>	<b>309</b>	<b>(92)</b>	<b>6,068</b>	<b>7,239</b>

The notes on pages 21 to 45 form part of these financial statements.

**STAR REFRIGERATION LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Share premium account £000	Treasury shares £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2019	954	309	-	(92)	6,434	7,605
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(129)	(129)
<b>Transactions with owners</b>						
Dividends: Equity capital	-	-	-	-	(47)	(47)
Net movement in treasury share reserve	-	-	(31)	-	-	(31)
<b>Total transactions with owners</b>	-	-	(31)	-	(47)	(78)
<b>At 31 December 2019</b>	<b>954</b>	<b>309</b>	<b>(31)</b>	<b>(92)</b>	<b>6,258</b>	<b>7,398</b>

The notes on pages 21 to 45 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2018	952	309	(92)	6,625	7,794
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(2)	(2)
<b>Transactions with owners</b>					
Dividends: Equity capital	-	-	-	(189)	(189)
Shares issued during the year	2	-	-	-	2
<b>Total transactions with owners</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>(189)</b>	<b>(187)</b>
<b>At 31 December 2018</b>	<b>954</b>	<b>309</b>	<b>(92)</b>	<b>6,434</b>	<b>7,605</b>

The notes on pages 21 to 45 form part of these financial statements.

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**STAR REFRIGERATION LIMITED**

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>		
Profit for the financial year	737	63
<b>Adjustments for:</b>		
Depreciation of tangible assets	380	319
Loss on disposal of tangible assets	(3)	(5)
Government grants	-	(39)
Interest received	(63)	(68)
Interest paid	2	-
Taxation charge	159	119
Decrease/(increase) in stocks	26	(152)
(Increase)/decrease in debtors	(259)	629
Increase/(decrease) in creditors	2,090	(351)
(Decrease) in provisions	(82)	(117)
Corporation tax (paid)	(44)	(309)
<b>Net cash generated from operating activities</b>	<b>2,943</b>	<b>89</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(426)	(495)
Sale of tangible fixed assets	5	6
Government grants received	-	39
<b>Net cash from investing activities</b>	<b>(421)</b>	<b>(450)</b>

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**STAR REFRIGERATION LIMITED**

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**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	2019 £000	2018 £000
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	-	2
Purchase of own shares	(31)	-
Repayment of/new finance leases	75	-
Dividends paid	(47)	(189)
Interest received	61	68
<b>Net cash used in financing activities</b>	<u>58</u>	<u>(119)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>2,580</u>	<u>(480)</u>
Cash and cash equivalents at beginning of year	3,187	3,667
<b>Cash and cash equivalents at the end of year</b>	<u><u>5,767</u></u>	<u><u>3,187</u></u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	5,767	3,187
	<u><u>5,767</u></u>	<u><u>3,187</u></u>

The notes on pages 21 to 45 form part of these financial statements.

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**STAR REFRIGERATION LIMITED**

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**CONSOLIDATED ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	<b>At 1 January 2019 £000</b>	<b>Cash flows £000</b>	<b>New finance leases £000</b>	<b>At 31 December 2019 £000</b>
Cash at bank and in hand	3,187	2,580	-	5,767
Finance leases	-	-	(75)	(75)
	<u>3,187</u>	<u>2,580</u>	<u>(75)</u>	<u>5,692</u>

The notes on pages 21 to 45 form part of these financial statements.

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## STAR REFRIGERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1. GENERAL INFORMATION

The parent company is a private company limited by shares and is incorporated in Scotland. The address of its registered office is Unit 4, Block 3, Thornliebank Industrial Estate, Glasgow, G46 8JW.

#### 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 United Kingdom and the Republic of Ireland and the Companies Act 2006.

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

The accounts are prepared in GBP and presented in £000.

The following principal accounting policies have been applied:

##### 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

##### 2.3 GOING CONCERN

The Directors ordinarily review and update cash flow and trading forecasts to ensure the Group has sufficient resources to enable it to meet its liabilities as they fall due for a period of twelve months from the date signing of the financial statements. Given the significant uncertainty introduced by the Covid-19 pandemic the Directors have considered a number of potential scenarios, and are confident that the Group has adequate resources to continue trading as a going concern. The Directors have based their assessment on current level of cash resources, the availability of credit facilities from its bankers as well as the flexibility of the company and its workforce to adapt to a changing environment.

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## STAR REFRIGERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.4 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### **Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### **Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

##### 2.5 TANGIBLE FIXED ASSETS

Tangible fixed assets 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.

Certain leasehold properties were revalued in 1989. The company has adopted the transitional provisions of FRS 102, and therefore these valuations have not been updated and are now considered to be deemed cost.

The Group 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 Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Consolidated statement of comprehensive income during the period in which they are incurred.

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## STAR REFRIGERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.5 TANGIBLE FIXED ASSETS (continued)

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.

The estimated useful lives range as follows:

Freehold property	- Over 25 years
Long-term leasehold property	- Shorter of 50 years or over the term of the lease
Short-term leasehold property	- Over the lease term
Plant, machinery and equipment	- Over 3 to 10 years
Motor vehicles	- Over 3 to 8 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 Consolidated statement of comprehensive income.

##### 2.6 OPERATING LEASES: THE GROUP AS LESSEE

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

##### 2.7 DEVELOPMENT COSTS

Research and development expenditure is written off in the year it is incurred.

##### 2.8 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.9 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet 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 Consolidated statement of comprehensive income.

##### 2.10 LONG-TERM CONTRACTS

Amounts recoverable on contracts which are included in debtors are stated at cost as defined above, plus attributable profit to the extent that this is reasonably certain less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments.

For any contracts where receipts exceed the book value of work done, the excess is included in trade and other payables as payments on account.

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## STAR REFRIGERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 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.

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

##### 2.13 FINANCIAL INSTRUMENTS

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

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 payables or receivables, 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 financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow 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 Consolidated statement of comprehensive income.

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, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet 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.

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## STAR REFRIGERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.14 CREDITORS

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

##### 2.15 GOVERNMENT GRANTS

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated statement of comprehensive income in the same period as the related expenditure.

##### 2.16 FOREIGN CURRENCY TRANSLATION

###### Functional and presentation currency

The Group's functional and presentational currency is GBP.

###### 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.

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.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

##### 2.17 FINANCE COSTS

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

##### 2.18 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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## STAR REFRIGERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.19 LEASED ASSETS: THE GROUP AS LESSOR

Where assets leased to a third party give rights approximating to ownership (finance lease), the lessor recognises as a receivable an amount equal to the net investment in the lease i.e. the minimum lease payments receivable under the lease discounted at the interest rate implicit in the lease. This receivable is reduced as the lessee makes capital payments over the term of the lease.

A finance lease gives rise to two types of income: profit or loss equivalent to the profit or loss resulting from outright sale of the asset being leased, at normal selling prices, reflecting any applicable discounts, and finance income over the lease term.

##### 2.20 PENSIONS

###### Defined contribution pension plan

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

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

##### 2.21 INTEREST INCOME

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

##### 2.22 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

##### 2.23 Finance Leases

Assets obtained under 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. 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.

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## STAR REFRIGERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2. ACCOUNTING POLICIES (CONTINUED)

##### 2.24 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a change 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 balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet 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. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### 2.25 RESEARCH AND DEVELOPMENT

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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## STAR REFRIGERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

##### **Revenue recognition**

Revenue on long term contracts for services is recognised according to the stage of completion reached on the contract by measuring a proportion of costs incurred for work performed to total estimated costs. Estimating the costs to completion and therefore the total contract costs is a key judgement in respect of revenue recognition on these contracts.

##### **Long-term contracts**

Judgement is also required in accounting for long-term contracts particularly as regards profit recognition and the assessment of future losses on contracts.

##### **Provisions**

Provisions are recognised where the Group has an obligation, as a result of a past event, that can be measured reliably. The recording of provisions is an area which requires the exercise of management judgement relating to the nature, timing and probability of the liability and typically the Group's balance sheet includes provisions for warranty costs.

##### **Property, plant and equipment**

The estimates and assumptions made to determine asset lives require judgements to be made as regards useful lives and residual values. The useful lives and residual values of the Group's fixed assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets. Historically changes in useful lives have not resulted in material changes to the Group's depreciation charge.

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## STAR REFRIGERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 4. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax.

Ongoing Group turnover is attributable to one continuing activity, the manufacture and commissioning of industrial refrigeration plant, and also to related service, maintenance, supply of spares and product licence fees. The business of Starfrost (UK) Limited in supplying industrial freezing equipment is considered by the directors to fall within the principal activity of the Group.

Turnover from Star M&E Solutions Limited is derived from their work as Mechanical and Electrical contractors and panel builders. A high proportion of this work is as a sub-contractor for the parent company and as such is part of the principal activity of the Group.

Turnover from Star Renewable Energy Limited is derived from consulting services.

A wholly owned subsidiary, Azane Inc, has been incorporated in the State of California to promote Star-designed ammonia packaged systems in the North American market.

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

	2019 £000	2018 £000
Design, manufacture, installation, service and maintenance of industrial refrigeration plant and related systems	49,122	45,625
	<u>49,122</u>	<u>45,625</u>

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	44,306	41,610
Rest of Europe	1,310	1,815
Rest of the world	3,506	2,200
	<u>49,122</u>	<u>45,625</u>

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**STAR REFRIGERATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**5. OTHER OPERATING INCOME**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Government grants receivable	-	39
Profit on disposal of tangible assets	(2)	-
	<u>(2)</u>	<u>39</u>

**6. OPERATING PROFIT**

The operating profit is stated after charging:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Research & development charged as an expense	16	116
Depreciation of tangible fixed assets	380	319
Exchange differences	(28)	(36)
Auditors remuneration	33	32
Land and buildings operating lease rental	319	334
Plant and machinery operating lease rental	450	485
	<u>450</u>	<u>485</u>

**7. AUDITOR'S REMUNERATION**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	33	32
<b>FEEs PAYABLE TO THE GROUP'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:</b>		
Other services relating to taxation	9	9
	<u>42</u>	<u>41</u>

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**STAR REFRIGERATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**8. EMPLOYEES**

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

	<b>Group 2019 £000</b>	<i>Group 2018 £000</i>
Wages and salaries	<b>15,863</b>	<i>14,400</i>
Social security costs	<b>1,765</b>	<i>1,595</i>
Cost of defined contribution scheme	<b>1,477</b>	<i>1,308</i>
	<b>19,105</b>	<i>17,303</i>

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

	<b>2019 No.</b>	<i>2018 No.</i>
Management and sales	<b>150</b>	<i>143</i>
Technical and production	<b>217</b>	<i>211</i>
	<b>367</b>	<i>354</i>

**9. DIRECTORS' REMUNERATION**

	<b>2019 £000</b>	<i>2018 £000</i>
Directors' emoluments	<b>718</b>	<i>615</i>
Company contributions to defined contribution pension schemes	<b>69</b>	<i>53</i>
	<b>787</b>	<i>668</i>

During the year retirement benefits were accruing to 5 directors (2018 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £123,000 (2018 - £120,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £11,000 (2018 - £9,000).

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**STAR REFRIGERATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**10. INTEREST RECEIVABLE**

	<b>2019</b>	<i>2018</i>
	<b>£000</b>	<i>£000</i>
Other interest receivable	<b>63</b>	<i>68</i>
	<u><b>63</b></u>	<u><i>68</i></u>

**11. TAXATION**

	<b>2019</b>	<i>2018</i>
	<b>£000</b>	<i>£000</i>
<b>CORPORATION TAX</b>		
Current tax on profits for the year	<b>168</b>	<i>102</i>
Adjustments in respect of previous periods	<b>(74)</b>	<i>17</i>
	<u><b>94</b></u>	<u><i>119</i></u>
<b>TOTAL CURRENT TAX</b>	<u><b>94</b></u>	<u><i>119</i></u>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	<b>65</b>	<i>22</i>
Adjustment in respect of prior periods	<b>-</b>	<i>(22)</i>
	<u><b>65</b></u>	<u><i>-</i></u>
<b>TOTAL DEFERRED TAX</b>	<u><b>65</b></u>	<u><i>-</i></u>
<b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	<u><b>159</b></u>	<u><i>119</i></u>

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**STAR REFRIGERATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**11. TAXATION (CONTINUED)**

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is lower than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	<u>896</u>	<u>182</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	170	35
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	22	12
Capital allowances for year in excess of depreciation	6	-
Adjustments to tax charge in respect of prior periods	(74)	(5)
Unrelieved tax losses carried forward	42	77
Effect of change in deferred tax rates	(7)	-
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<u><u>159</u></u>	<u><u>119</u></u>

**12. DIVIDENDS**

	2019 £000	2018 £000
Ordinary shares	<u>47</u>	<u>189</u>
	<u><u>47</u></u>	<u><u>189</u></u>

The directors proposed a dividend of 5p per share in respect of the year ended 31 December 2018. The proposed dividend was subject to approval by the shareholders at the Annual General Meeting and was paid in the current year.

The directors have proposed a dividend of 10p per share in respect of the year ended 31 December 2019. The proposed dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

**STAR REFRIGERATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. PARENT COMPANY RESULT FOR THE YEAR**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was £129,000 (2018 - £2,000 loss). This loss is after an impairment charge in respect of Azane Inc of £460,000 and a reversal of a provision of £135,000 in respect of Star M&E Solutions.

**14. TANGIBLE FIXED ASSETS**

**Group**

	Freehold property £000	Long-term leasehold property £000	Short-term leasehold property £000	Plant, machinery and equipment £000	Motor vehicles £000	Total £000
<b>Cost or valuation</b>						
At 1 January 2019	1,722	946	198	3,754	26	6,646
Additions	-	20	-	406	-	426
Disposals	-	-	(22)	(163)	-	(185)
At 31 December 2019	<u>1,722</u>	<u>966</u>	<u>176</u>	<u>3,997</u>	<u>26</u>	<u>6,887</u>
<b>DEPRECIATION</b>						
At 1 January 2019	1,312	277	123	2,740	5	4,457
Charge for the year on owned assets	48	41	13	271	7	380
Disposals	-	-	(22)	(160)	-	(182)
At 31 December 2019	<u>1,360</u>	<u>318</u>	<u>114</u>	<u>2,851</u>	<u>12</u>	<u>4,655</u>
<b>NET BOOK VALUE</b>						
At 31 December 2019	<u>362</u>	<u>648</u>	<u>62</u>	<u>1,146</u>	<u>14</u>	<u>2,232</u>
At 31 December 2018	<u>410</u>	<u>669</u>	<u>75</u>	<u>1,014</u>	<u>21</u>	<u>2,189</u>

**STAR REFRIGERATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**14. TANGIBLE FIXED ASSETS (CONTINUED)**

**Company**

	Freehold property £000	Long-term leasehold property £000	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost or valuation</b>						
At 1 January 2019	1,722	818	67	3,373	26	6,006
Additions	-	-	-	251	-	251
Disposals	-	-	(22)	(115)	-	(137)
At 31 December 2019	<u>1,722</u>	<u>818</u>	<u>45</u>	<u>3,509</u>	<u>26</u>	<u>6,120</u>
<b>DEPRECIATION</b>						
At 1 January 2019	1,312	277	63	2,445	5	4,102
Charge for the year on owned assets	48	27	-	221	7	303
Disposals	-	-	(22)	(113)	-	(135)
At 31 December 2019	<u>1,360</u>	<u>304</u>	<u>41</u>	<u>2,553</u>	<u>12</u>	<u>4,270</u>
<b>NET BOOK VALUE</b>						
At 31 December 2019	<u><u>362</u></u>	<u><u>514</u></u>	<u><u>4</u></u>	<u><u>956</u></u>	<u><u>14</u></u>	<u><u>1,850</u></u>
At 31 December 2018	<u><u>410</u></u>	<u><u>541</u></u>	<u><u>4</u></u>	<u><u>928</u></u>	<u><u>21</u></u>	<u><u>1,904</u></u>

Long leasehold properties in the Group and Company were valued at open market value, on an existing use basis, at 31 December 1989. On the implementation of FRS15, the Company followed the transitional provisions to retain the book value of these revalued assets, but not to adopt a policy of revaluation in the future. The Group and Company have followed this treatment on transition to FRS 102. The original cost of long leasehold property was £142,000 (2018 - £142,000). Accumulated depreciation on the historical cost basis amounted to £75,000 (2018 - £72,000).

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**STAR REFRIGERATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**15. FIXED ASSET INVESTMENTS**

**Company**

	<b>Investments in subsidiary companies £000</b>
<b>Cost or valuation</b>	
At 1 January 2019	945
Discount on subsidiary company loan	460
	<hr/>
At 31 December 2019	1,405
<b>IMPAIRMENT</b>	
Charge for the period	460
	<hr/>
At 31 December 2019	460
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 December 2019	945
	<hr/> <hr/>
At 31 December 2018	945
	<hr/> <hr/>

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**STAR REFRIGERATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**15. FIXED ASSET INVESTMENTS (CONTINUED)**

**SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
Starfrost (UK) Limited	Units 11 & 12, Craftman's Way, Lowescoreft, Suffock, NR32 3FB	Freezer manufacturer	Ordinary	100%
Star M&E Solutions	Unit 1, Wincanton Close, Ascot Drive, Derby, DE24 8NB	Panel builder and electrical contractor	Ordinary	100%
Azane Inc	913 SW Higgins Avenue, Missoula, MT59803, United States	Chiller manufacturer	Ordinary	100%
Star Renewable Energy Limited	Block 3 Units 1,2,3 &4, Thornliebank Industrial Estate, Glasgow, Lanarkshire, G46 8JW	Dormant	Ordinary	100%
MPR Controls Limited	Unit 1, Wincanton Close, Ascot Drive, Derby, DE24 8NB	Dormant	Ordinary	100%

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**STAR REFRIGERATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**16. STOCKS**

	<b>Group 2019 £000</b>	<i>Group 2018 £000</i>	<b>Company 2019 £000</b>	<i>Company 2018 £000</i>
Raw materials and consumables	446	448	408	373
Long term contract balances	72	96	72	96
	<u>518</u>	<u>544</u>	<u>480</u>	<u>469</u>

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

Stock recognised in cost of sales during the year as an expense was £21,240,155 (2018: £18,147,662).

An impairment provision of £170,383 (2018:£168,033) has been recognised in cost of sales against stock.

**STAR REFRIGERATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**17. DEBTORS**

	<b>Group 2019 £000</b>	<i>Group 2018 £000</i>	<b>Company 2019 £000</b>	<i>Company 2018 £000</i>
<b>DUE AFTER MORE THAN ONE YEAR</b>				
Amounts owed by group undertakings	-	-	851	-
Other debtors	306	450	306	450
	<u>306</u>	<u>450</u>	<u>1,157</u>	<u>450</u>
	<b>Group 2019 £000</b>	<i>Group 2018 £000</i>	<b>Company 2019 £000</b>	<i>Company 2018 £000</i>
<b>DUE WITHIN ONE YEAR</b>				
Trade debtors	8,064	8,640	7,544	8,365
Amounts owed by group undertakings	-	-	81	1,161
Other debtors	255	419	155	275
Prepayments and accrued income	527	345	496	317
Amounts recoverable on long term contracts	3,411	2,521	2,965	1,956
	<u>12,257</u>	<u>11,925</u>	<u>11,241</u>	<u>12,074</u>

**18. CASH AND CASH EQUIVALENTS**

	<b>Group 2019 £000</b>	<i>Group 2018 £000</i>	<b>Company 2019 £000</b>	<i>Company 2018 £000</i>
Cash at bank and in hand	5,767	3,187	2,717	1,386
	<u>5,767</u>	<u>3,187</u>	<u>2,717</u>	<u>1,386</u>

**STAR REFRIGERATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**19. CREDITORS: Amounts falling due within one year**

	<b>Group 2019 £000</b>	<i>Group 2018 £000</i>	<b>Company 2019 £000</b>	<i>Company 2018 £000</i>
Payments received on account	2,691	1,924	1,986	1,189
Trade creditors	5,903	5,096	4,789	4,208
Amounts owed to group undertakings	-	-	416	644
Corporation tax	20	44	5	-
Other taxation and social security	1,457	1,444	1,313	1,314
Obligations under finance lease and hire purchase contracts	36	-	-	-
Other creditors	840	563	717	493
Accruals and deferred income	1,329	1,100	1,056	898
	<u>12,276</u>	<u>10,171</u>	<u>10,282</u>	<u>8,746</u>

**20. CREDITORS: Amounts falling due after more than one year**

	<b>Group 2019 £000</b>	<i>Group 2018 £000</i>
Net obligations under finance leases and hire purchase contracts	39	-
	<u>39</u>	<u>-</u>

A finance lease signed on January 2020 in respect of an asset purchased prior to the year end has been disclosed as a finance lease creditor at the balance sheet date.

**21. HIRE PURCHASE AND FINANCE LEASES**

Minimum lease payments under hire purchase fall due as follows:

	<b>Group 2019 £000</b>	<i>Group 2018 £000</i>
Within one year	36	-
Between 1-5 years	39	-
	<u>75</u>	<u>-</u>

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**STAR REFRIGERATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**22. FINANCIAL INSTRUMENTS**

	<b>Group 2019 £000</b>	<i>Group 2018 £000</i>	<b>Company 2019 £000</b>	<i>Company 2018 £000</i>
<b>FINANCIAL ASSETS</b>				
Financial assets that are debt instruments measured at amortised cost	<b>12,308</b>	<i>12,031</i>	<b>11,902</b>	<i>12,207</i>
<b>FINANCIAL LIABILITIES</b>				
Financial liabilities measured at amortised cost	<b>(9,434)</b>	<i>(7,583)</i>	<b>(7,492)</b>	<i>(6,534)</i>

**Group**

Financial assets measured at fair value through profit or loss comprise of trade debtors, other debtors and amounts recoverable on long term contracts.

Financial liabilities measured at amortised cost comprise of trade creditors, other creditors and payments received on account.

**Company**

Financial assets that are measured at amortised cost comprise of trade debtors, other debtors, amounts recoverable on long term contracts and amounts owed by group undertakings.

Financial liabilities that are measured at amortised cost comprise of trade creditors, other creditors, payments on account and amounts owed to group undertakings.

**STAR REFRIGERATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**23. DEFERRED TAXATION**

**Group**

	2019 £000	2018 £000
At beginning of year	(7)	(7)
Charged to statement of comprehensive income	(65)	-
<b>At end of year</b>	<b>(72)</b>	<b>(7)</b>

**Company**

	2019 £000	2018 £000
At beginning of year	(80)	(95)
Credited/(charged) to statement of comprehensive income	9	15
<b>At end of year</b>	<b>(71)</b>	<b>(80)</b>

The provision for deferred taxation is made up as follows:

	<b>Group</b> 2019 £000	<i>Group</i> 2018 £000	<b>Company</b> 2019 £000	<i>Company</i> 2018 £000
Accelerated capital allowances	(120)	(103)	(95)	(100)
Tax losses carried forward	22	74	-	-
Short term timing differences	26	22	24	20
<b>Total</b>	<b>(72)</b>	<b>(7)</b>	<b>(71)</b>	<b>(80)</b>

**STAR REFRIGERATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**24. PROVISIONS**

**Group**

	<b>Warranty provision £000</b>
At 1 January 2019	878
Charged to profit or loss	641
Charged to other comprehensive income	(110)
Utilised in year	(614)
<b>AT 31 DECEMBER 2019</b>	<b>795</b>

**Company**

	<b>Warranty provision £000</b>	<b>Other provision £000</b>	<b>Total £000</b>
At 1 January 2019	662	135	797
Charged to profit or loss	493	-	493
Charged to other comprehensive income	(110)	(135)	(245)
Utilised in year	(406)	-	(406)
<b>AT 31 DECEMBER 2019</b>	<b>639</b>	<b>-</b>	<b>639</b>

The warranty provisions cover expected warranty claims on contracts completed. It is expected that most of these costs will have been incurred within 18 months of the balance sheet date.

Other provision related to a financial liability in respect of Star M&E Solutions Limited.

**25. SHARE CAPITAL**

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Allotted, called up and fully paid</b>		
954,368 (2018 - 954,368) Ordinary Shares shares of £1.00 each	<b>954</b>	<b>954</b>

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## STAR REFRIGERATION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 26. RESERVES

##### Share premium account

This reserve records the amount above the nominal value received for shares issued, less transaction costs.

##### Capital redemption reserve

The Treasury share reserve consists of shares repurchased. During the year shares with a value of £83k were purchased, with shares to the value of £52k being subsequently resold.

##### Other reserves

Star Refrigeration Limited Employee Share Trust holds 5,581 (2018 - 5,581) shares in Star Refrigeration Limited. The trust is funded by Star Refrigeration Limited to meet their obligations under the employee share purchase scheme. All expenses incurred by the trust are settled directly by Star Refrigeration Limited and charged in the financial statements as incurred.

##### Profit and loss account

The profit and loss account represents the accumulated profits and losses of the Group and Company less distributions made to shareholders.

#### 27. CONTINGENT LIABILITIES

Bank overdraft facilities are secured by a bond and floating charges over all the assets of the Group.

#### 28. PENSION COMMITMENTS

The Group operates defined contribution pension schemes. These consist of a Group personal pension scheme that began in May 2006. The pension cost charge of £1,477,000 (2018 - £1,308,000) represents contributions payable by the Company to individual employees' group personal pensions. There were £130,636 (2018 - £130,567) in outstanding contributions payable to the schemes at the year end.

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**STAR REFRIGERATION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**29. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 2019 £000</b>	<i>Group 2018 £000</i>	<b>Company 2019 £000</b>	<i>Company 2018 £000</i>
<b>Land and buildings</b>				
Not later than 1 year	332	287	257	213
Later than 1 year and not later than 5 years	1,229	1,075	982	777
Later than 5 years	652	627	652	602
	<u>2,213</u>	<u>1,989</u>	<u>1,891</u>	<u>1,592</u>
	<b>Group 2019 £000</b>	<i>Group 2018 £000</i>	<b>Company 2019 £000</b>	<i>Company 2018 £000</i>
<b>Other operating leases</b>				
Not later than 1 year	386	314	346	272
Later than 1 year and not later than 5 years	522	414	487	396
	<u>908</u>	<u>728</u>	<u>833</u>	<u>668</u>

**30. RELATED PARTY TRANSACTIONS**

The Group has taken advantage of the exemption in section 33.1A of FRS102 not to disclose inter group transactions.

The directors are considered to be key management personnel of the company. No other employees are considered to have authority for planning, directing, and controlling the activities of the Group. Total remuneration in respect of the directors is £886,000 (2018 : £752,000).

During the year dividends of £14,469 (2018: £58,942) were paid to the directors and other related parties.

In the opinion of the directors the Group has no overall controlling party.