

Company Registration No. 1535598

**ANDREWS AIR CONDITIONING &
REFRIGERATION LIMITED**

Report and Financial Statements

31 December 2005



ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K E J Ford
J R Hargreaves
P T Wood

SECRETARY

M J Calderbank ACA

REGISTERED OFFICE

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

BANKERS

Bank of Scotland plc
National Westminster Bank plc

SOLICITORS

FBC
6 – 10 George Street
Snow Hill
Wolverhampton
WV2 4DN

AUDITOR

Deloitte & Touche LLP
Chartered Accountants
Birmingham

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 31 December 2005.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company installs, maintains and services air conditioning equipment. A proportion of head office administration expenses continue to be charged to the company by way of a support charge from Andrews Sykes Hire Limited. The directors are satisfied with the current level of performance for the 52 week period ended 31 December 2005 and anticipate being able to report satisfactory results in the next financial period.

RESULTS AND DIVIDENDS

The results for the period are set out in the profit and loss account on page 7.

The directors did not declare an interim dividend (2004: £Nil) and total dividends paid during the year of £1,000,000 (2004: £500,000) have been charged against reserves as shown in note 15 to the financial statements.

The directors do not recommend the payment of a final dividend (2004: £1,000,000).

FINANCIAL RISK MANAGEMENT

Funding and liquidity

The Group has a net overdraft facility of £2.0 million which may be used for working capital requirements. At 31 December 2005 the Group had cash at bank of £10.3m. Cash balances are held in current accounts to fund working capital requirements. Whenever surplus funds are identified they are placed on short term deposits. Therefore, the directors consider that the liquidity risk is minimal.

Credit risk

The company's main exposure to credit risk is with regard to recoverability of trade debtors. However, management consider that the carrying value reflects their recoverable amount.

DIRECTORS AND THEIR INTERESTS

The directors who served during the financial period and subsequently are as follows:

K E J Ford (appointed 13 June 2005)
A Hamilton (resigned 13 June 2005)
J Hargreaves (appointed 13 June 2005)
R J Stevens (resigned 1 March 2006)
P T Wood (appointed 2 March 2006)

Other than the interests disclosed below, no director in office at 31 December 2005 had any disclosable interests in the share capital of the company or the group.

Mr R J Stevens was also a director of the ultimate UK parent company, Andrews Sykes Group plc at 31 December 2005, and his interest in the share capital of Andrews Sykes Group plc at 31 December 2005 and 31 December 2004 is disclosed in that company's financial statements.

The interest of Mr K E J Ford in the share capital of Andrew Sykes Group plc at 31 December 2005 and at his date of appointment as a director is as follows:

Ordinary shares in Andrews Sykes Group plc

	Number of ordinary shares held	
	31 December 2005	At date of appointment
K E J Ford	2,166	3,000

The mid-market price of the Company's ordinary shares on 31 December 2005 was 116 pence. The highest and lowest mid-market prices during the period ended 31 December 2005 were 210 pence and 107.5 pence respectively.

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

DIRECTORS' REPORT (continued)

ANNUAL GENERAL MEETING

The company has passed an elective resolution to dispense with the holding of an annual general meeting.

AUDITOR

The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board



M J Calderbank ACA

Company Secretary

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

31 May 2006

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and regulations.

United Kingdom company law requires the directors to prepare financial statements for each financial year. Under the law they have elected to prepare the financial statement in accordance with United Kingdom Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit and loss for that period.

In preparing the financial statements the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

We have audited the financial statements of Andrews Air Conditioning & Refrigeration Limited for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

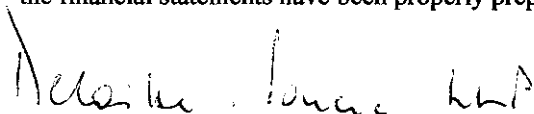
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditor
Birmingham

31 May 2006

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

PROFIT AND LOSS ACCOUNT 52 weeks ended 31 December 2005

	Note	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (*as restated) £000
TURNOVER	2	8,405	9,261
Cost of sales		(5,761)	(6,168)
Gross profit		2,644	3,093
Distribution costs		(675)	(815)
Administrative expenses (including an exceptional charge of £Nil (2004 – £48,000))	3	(1,680)	(1,734)
OPERATING PROFIT	3	289	544
Net interest receivable	4	608	407
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		897	951
Tax on profit on ordinary activities	7	(203)	(355)
PROFIT FOR THE FINANCIAL PERIOD	15	694	596

*The comparative figures for the 53 weeks ended 31 December 2004 have been restated due to both the full adoption of FRS 17 – Retirement Benefits and FRS 21 – Events after the balance sheet date with effect from 1 January 2005 as set out in note 16.

There are no material acquisitions or discontinued operations as defined by FRS 3 during the period.

The accompanying notes are an integral part of this profit and loss account.

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES 52 weeks ended 31 December 2005

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (*as restated) £000
Profit for the financial period	694	596
Actual return less expected return on pension scheme assets	210	27
Experience gains and losses arising on the pension scheme liabilities	-	(45)
Charges in assumptions underlying the present value in scheme liabilities	(283)	-
UK deferred tax attributable to the pension scheme assets and liability adjustments	22	6
Total recognised gains and losses relating to the financial period transferred to reserves (note 15)	643	584
FRS17 prior year adjustments (note 16)	(506)	
Total recognised gains and losses since the 2004 report and financial statements	137	

*The comparative figures for the 53 weeks ended 31 December 2004 have been restated due to the full adoption of FRS17 – Retirement Benefit with effect from 1 January 2005 as set out in note 16.

Movements in reserves are set out in note 15 on page 19.

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

BALANCE SHEET 31 December 2005

		31 December 2005		31 December 2004 (*as restated)	
	Note	£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	9		577		631
CURRENT ASSETS					
Stocks	10	102		158	
Debtors – amounts falling due within one year	11	13,293		20,221	
Cash at bank and in hand		1,007		1,202	
		<u>14,402</u>		<u>21,581</u>	
CREDITORS: amounts falling due within one year	12	<u>(1,955)</u>		<u>(8,682)</u>	
NET CURRENT ASSETS			<u>12,447</u>		<u>12,899</u>
TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET CURRENT ASSETS EXCLUDING PENSION LIABILITY			<u>13,024</u>		<u>13,530</u>
Pension liability	17		<u>(359)</u>		<u>(508)</u>
NET ASSETS INCLUDING PENSION LIABILITY			<u><u>12,665</u></u>		<u><u>13,022</u></u>
CAPITAL AND RESERVES					
Called-up share capital	14		12,500		12,500
Profit and loss account	15		<u>165</u>		<u>522</u>
EQUITY SHAREHOLDERS' FUNDS			<u><u>12,665</u></u>		<u><u>13,022</u></u>

*The comparative figures at 31 December 2004 have been restated due to the full adoption of FRS17 – Retirement Benefit and FRS21 – Events after balance sheet date with effect from 1 January 2005 as set out in note 16.

These financial statements were approved by the Board of Directors on 31 May 2006

Signed on behalf of the Board of Directors


K E J Ford

Director

The accompanying notes are an integral part of this balance sheet.

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

52 weeks ended 31 December 2005

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December (*as restated) 2004 £000
Profit for the financial period	694	596
Dividends paid	(1,000)	(500)
Actual return less expected return on pension scheme assets	210	27
Experience gains and losses arising on the pension scheme liabilities	-	(45)
Charges in assumptions underlying the present value in scheme liabilities	(283)	-
UK deferred tax attributable to the pension scheme assets and liability adjustments	22	6
Net (decrease)/increase in shareholders' funds	(357)	84
Prior year adjustments:		
Shareholders' funds at the beginning of the period as previously stated	12,528	12,934
FRS17 adjustments	(506)	(496)
FRS21 adjustment	1,000	500
Shareholders' funds at the beginning of the period as restated	13,022	12,938
Shareholders' funds at the end of the period	12,665	13,022

*The comparative figures for the 53 weeks ended 31 December 2004 have been restated due to both the full adoption of FRS 17 – Retirement Benefits and FRS 21 – Events after the balance sheet date with effect from 1 January 2005 as set out in note 16.

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the adoption of both FRS 17 – Retirement Benefits and FRS 21 – Events after the balance sheet date. Both these standards are applicable for the first time this year and have a prior year impact as detailed in note 16. FRS 22 – Earnings per share and the relevant paragraphs of FRS 25 – Financial Instruments: Presentation and Disclosure have also been applied but have no impact.

Related party transactions

Under FRS 8 the company is exempt from the requirement to disclose related party transactions with the Andrews Sykes Group and its associated undertakings on the grounds that it is a wholly owned subsidiary undertaking of Andrews Sykes Group plc.

Turnover

Turnover represents the net amount receivable from external customers (excluding VAT and similar taxes and trade discounts) for goods and services supplied in the normal course of business.

Tangible fixed assets

Fixed assets are shown at cost net of depreciation. No depreciation is provided on freehold land. Depreciation of other tangible fixed assets is provided on a straight line basis using rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life, as follows:

Freehold buildings and long leasehold buildings	- 2%
Fixtures, fittings and computer equipment	- 10% to 33%
Motor vehicles	- 20% to 25%

Residual value is calculated on prices prevailing at the date of acquisition.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

Current tax, including UK corporation 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.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in the taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are not recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions costs

Defined Benefit Scheme

As disclosed in note 17 the group previously operated a defined benefit pension scheme for the majority of employees. This scheme was closed to new entrants and all existing members became deferred members on 31 December 2002.

The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 31 December 2005

1. ACCOUNTING POLICIES (CONTINUED)

Pensions costs (continued)

Defined Benefit Scheme (continued)

Defined benefit schemes are funded, with the assets of the scheme held separately from these of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Defined contribution schemes

Employer contributions are charged to the profit and loss account on an accruals basis.

Leases

Rental costs arising from operating leases are charged to the profit and loss account in the period to which they relate.

Cash flow statement

Under FRS 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of a UK parent.

2. SEGMENTAL ANALYSIS

The company's turnover and operating profit derive from its principal activities:

	Turnover		Operating Profit	
	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 £000	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated see note 16) £000
Continuing operations				
Installation, maintenance and service of air conditioning equipment	8,384	9,240	271	526
Property income and group related matters	21	21	18	18
	<u>8,405</u>	<u>9,261</u>	<u>289</u>	<u>544</u>

All of the company's turnover is derived from the United Kingdom.

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 31 December 2005

3. OPERATING PROFIT

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 £000
Operating profit is stated after charging/(crediting):		
Exceptional costs of cash cancellation offer	-	48
Depreciation of owned tangible fixed assets	216	223
Profit on sale of fixed assets	(31)	(13)
Auditors' remuneration:		
- Audit services	9	9
- Non-audit services	-	-
Operating lease rentals – plant and machinery	2	2

On 18 November 2004 the Board of Andrews Sykes Group plc made a cash cancellation offer to all Company's share options holders. The price offered was £1.95 per share and remained open for acceptance until 8 December 2004. The offer gave rise to the exceptional costs of the cash cancellation offer in this company as disclosed above.

4. NET INTEREST RECEIVABLE

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated see note 16) £000
Interest receivable and similar income:		
Bank interest	-	1
Interest receivable from group companies	808	715
Interest receivable and similar income	808	716
Interest payable and similar charges		
Interest payable to group companies	(172)	(288)
Net FRS17 defined benefit pension scheme interest charge (note 17)	(28)	(21)
Interest payable and similar charges	(200)	(309)
Net interest receivable	608	407

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 weeks ended 31 December 2005

5. STAFF COSTS

The average numbers of employees including directors during the period were:

	52 weeks ended 31 December 2005 Number	53 weeks ended 31 December 2004 Number
Installations, distribution and administration	85	87

Their aggregate remuneration comprised:

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated see note 16) £000
Wages and salaries	2,319	2,364
Social security costs	239	246
Other pension costs (see note 17)	32	34
	<u>2,590</u>	<u>2,644</u>

6. DIRECTORS' REMUNERATION

The total amount paid by the company in respect of directors' remuneration is analysed as follows:

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 £000
Emoluments	72	78
Company contributions to money purchase schemes	5	5
	<u>77</u>	<u>83</u>

Details of Directors share options are disclosed in the Director's Report on pages 2 and 3.

On 18 November 2004 the Board of Andrews Sykes Group plc made a cash cancellation offer to all Company's share options holders. The price offered was £1.95 per share and remained open for acceptance until 8 December 2004.

Pursuant to the offer the directors gave notice of their intention to accept the offer in respect of all their options. Accordingly the cash cancellation payment, being the difference between the offer price of £1.95 and the share option exercise price, has been included within directors' emoluments.

The emoluments of the directors who are also directors of Andrews Sykes Group plc are disclosed in that company's financial statements and are not included above as it is not practicable to apportion the amount between the relevant companies.

Pension retirement benefits accrued to 3 directors during the financial period (2004: 2) in respect of qualifying services in the Andrews Sykes Group plc defined benefit pension scheme.

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 31 December 2005

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(i) Analysis of tax charge on ordinary activities

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated see note 16) £000
Current tax:		
UK corporation tax and group relief at 30% based on the taxable profit for the period	226	327
Adjustment in respect of previous periods	(96)	57
Total current tax	130	384
Deferred tax:		
Origination and reversal of timing differences in the current year	59	(30)
Adjustments in respect of previous periods	14	1
Total deferred tax (see note 11)	73	(29)
Tax charge on profit on ordinary activities	203	355

(ii) Factors affecting tax charge for the current period

The tax charge for the current period differs to that resulting by applying the standard rate of corporation tax of 30% (2004 - 30%) to the profit on ordinary activities before tax. The differences are explained below:

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated see note 16) £000
Profit on ordinary activities before taxation	897	951
Tax at 30% thereon	269	285
Adjustment in respect of previous periods	(96)	57
Depreciation in excess of capital allowances	15	13
Expenses not deductible for tax purposes	15	8
Profit on sale of fixed asset	(5)	(4)
Movement on short term timing differences	(68)	25
Current tax charge for the period	130	384

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 weeks ended 31 December 2005

8. DIVIDENDS PAID AND PROPOSED ON EQUITY SHARES

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated see note 16) £000
Final dividend in respect of the previous year declared and paid during the current year:		
Dividends of 8p (2004: 4p) per share	1,000	500

9. TANGIBLE FIXED ASSETS

	Freehold and long leasehold land and buildings £000	Motor vehicles £000	Fixtures, fittings and computer equipment £000	Total £000
Cost				
At 1 January 2005	210	777	318	1,305
Additions	-	155	27	182
Disposals	-	(158)	-	(158)
Transfers from other group undertakings	-	22	13	35
Transfers to other group undertakings	-	(78)	-	(78)
At 31 December 2005	210	718	358	1,286
Depreciation				
At 1 January 2005	18	441	215	674
Charge for period	3	156	57	216
Disposals	-	(151)	-	(151)
Transfers from other group undertakings	-	19	12	31
Transfers to other group undertakings	-	(61)	-	(61)
At 31 December 2005	21	404	284	709
Net book value				
At 31 December 2005	189	314	74	577
At 31 December 2004	192	336	103	631

Included within freehold land and buildings is land valued at £70,000 (2004: £70,000) which is not depreciated.

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 weeks ended 31 December 2005

10. STOCKS

	31 December 2005 £000	31 December 2004 £000
Raw materials	65	145
Work in progress	37	13
	<u>102</u>	<u>158</u>

11. DEBTORS

	31 December 2005 £000	31 December 2004 £000
Amounts falling due within one year:		
Trade debtors	1,684	2,090
Amounts owed by group undertakings	11,321	17,821
Deferred tax	110	98
Prepayments	178	212
	<u>13,293</u>	<u>20,221</u>

The deferred taxation asset is analysed as follows:

	31 December 2005 £000	31 December 2004 £000
Tax written down value of plant and equipment in excess of the accounts written down value	44	31
Other short-term timing differences	66	67
	<u>110</u>	<u>98</u>

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 31 December 2005

11. DEBTORS (CONTINUED)

The movement deferred taxation during the financial period comprises:

	£000
At 1 January 2005 at 30%	98
Profit and loss account charge (note 7)	(73)
Effect of pension payment in excess of actuarial charges	63
Deferred tax attributable to pension asset and liability adjustments posted to reserves	22
	<hr/>
At 31 December 2005 at 30%	110
	<hr/>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2005 £000	31 December 2004 (as restated, see note 16) £000
Trade creditors	640	513
Amounts owed to group undertakings	147	7,288
UK corporation tax payable	83	106
Group relief	165	184
Other taxes and social security	197	198
Accruals and deferred income	723	393
	<hr/>	<hr/>
	1,955	8,682
	<hr/>	<hr/>

All intercompany loans are repayable on demand. Interest is charged at the LIBOR rate plus 0.75%.

13. PROVISIONS FOR LIABILITIES AND CHARGES

	SSAP 24 Pension Provision £000
At the beginning of the period as previously reported	2
Prior year adjustment – release of SSAP 24 pension provision	(2)
	<hr/>
At the beginning of the period as restated and the end of the period	-
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The SSAP 24 pension provision has been released following the adoption of FRS 17: Retirement Benefit, details of which are given in note 16.

14. CALLED-UP SHARE CAPITAL

	31 December 2005 £000	31 December 2004 £000
Authorised, called-up, allotted and fully paid 12,500,002 ordinary shares of £1 each	12,500	12,500
	<hr/>	<hr/>

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS 52 weeks ended 31 December 2005

15. PROFIT AND LOSS ACCOUNT

	£000
At 1 January 2005 as previously reported	28
Adoption of FRS 17 as at 31 December 2004	(506)
Liability for 2004 final dividend not declared at 31 December 2004	1,000
	<hr/>
At 1 January 2005 as restated	522
Total recognised gains and losses relating to the period	643
Dividends paid	(1,000)
	<hr/>
At 31 December 2005	165
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16. PRIOR YEAR ADJUSTMENT

The total of the prior year adjustments arising from the application of FRS 17 – Retirement Benefits and FRS 21 – Events after the Balance Sheet date are analysed as follows:

	Equity shareholders' funds	
	£000	£000
Equity shareholders' funds at 27 December 2003 as previously stated		12,934
Adoption of FRS 17 as at 27 December 2003	(496)	
Liability for 2003 final dividend not declared at 27 December 2003	500	
	<hr/>	
Total prior period adjustments		4
		<hr/>
Equity shareholders' funds at 27 December 2003 as restated		12,938
		<hr/>

	Equity shareholders' funds	
	£000	£000
Equity shareholders' funds at 31 December 2004 as previously stated		12,528
Adoption of FRS 17 as at 31 December 2004	(506)	
Liability for 2004 final dividend not declared at 31 December 2004	1,000	
	<hr/>	
Total prior period adjustments		494
		<hr/>
Equity shareholders' funds at 31 December 2004 as restated		13,022
		<hr/>

The impact of adopting FRS 17 on the current period profit and loss account is a charge of approximately £10,000. The impact of adopting FRS 21 on the current period reserve movement is a charge of approximately £1 million.

ANDREWS AIR CONDITIONING & REFRIGERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

52 weeks ended 31 December 2005

17. RETIREMENT BENEFIT OBLIGATIONS

Defined Contribution Scheme

On 1 January 2003 a new pension scheme was introduced, the Andrews Sykes Stakeholder Pension Plan, to which the majority of UK employees are eligible. The scheme is managed on behalf of the Group by Legal & General. Both the employer and employee contribution rates vary generally based upon the individuals' length of service within the company. The employer's contribution rates vary from 3% to 10% the current average being 4.54%. The profit and loss account charge in the current year amounted to £32,000 (53 weeks ended 31 December 2004: £34,000).

Defined Benefit pension Scheme

The company is also party to the Group Defined Benefit Scheme which was closed to future accrual as at 31 December 2002. The assets of the defined benefits pension scheme continue to be held in a separate trustee administered fund.

The group are making additional contributions in accordance with the 2005 Schedule of Contributions to remove the funding deficit in the Group Pension Scheme. With effect from 1 October 2005 the current monthly contributions were increased to £125,000 from their previous level of £60,000, as approved by independent actuaries.

In addition to the regular monthly contributions, lump sum payments totalling £3.35 million were also paid into the pension scheme by the group following the tender offer and the disposals of certain subsidiary undertakings. These contributions were agreed with both the Pensions Regulator and the Pension Scheme Trustee.

Assumptions

The last full actuarial valuation was carried out at 31 December 2004. A qualified independent actuary has updated the results from this valuation to calculate the deficit as disclosed below.

The major assumptions used in this valuation to determine the present value of the scheme's liabilities were as follows:

	31 December 2005	31 December 2004	27 December 2003
Rate of increase in pensionable salaries	n/a	n/a	n/a
Rate of increase in pensions in payment	2.75%	2.75%	2.75%
Discount rate applied to scheme liabilities	5.00%	5.50%	5.50%
Inflation assumption	2.75%	2.75%	2.75%

The major assumptions used to determine the expected future return on the scheme's assets, were as follows:

Long term rate of return on:			
UK equities	7.50%	7.50%	7.50%
Bonds	4.30%	5.00%	5.50%
Cash	4.10%	4.00%	4.00%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

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52 weeks ended 31 December 2005

17. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Valuations

The proportion of the fair value of the schemes assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the proportion of the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are inherently uncertain, attributable to the company were as follows;

	31 December 2005 £000	31 December 2004 £000	27 December 2003 £000
UK equities	1,351	1,177	982
Bonds	1,054	563	622
Cash	22	10	39
Total market value of assets	2,427	1,750	1,643
Present value of scheme liabilities	(2,940)	(2,476)	(2,371)
Deficit in the scheme – pension liabilities	(513)	(726)	(728)
Related deferred tax asset	154	218	218
Net pension liability	(359)	(508)	(510)

The movement in the deficit during the period was as follows:

Deficit in the scheme at 1 January 2005	(726)	(728)	(568)
Contributions	314	41	33
Other finance costs	(28)	(21)	(16)
Actuarial loss	(73)	(18)	(177)
Deficit in the scheme at 31 December 2005	(513)	(726)	(728)

Profit and loss account impact

There are no amounts chargeable in respect of either current or past service cost as the scheme is closed to future accrual.

	31 December 2005 £000	31 December 2004 £000
The following amounts have been included in other finance income (note 4):		
Expected return on pension scheme assets	114	108
Interest on pension scheme liabilities	(142)	(129)
	(28)	(21)

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52 weeks ended 31 December 2005

17. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Amounts recognised in statement of total recognised gains and losses:

	31 December 2005 £000	31 December 2004 £000
The amounts included in the statement of total recognised gains and losses were:		
Actual return less expected return on scheme assets	210	27
Experience gains and losses arising on scheme liabilities	-	(45)
Changes in assumptions underlying the present value of scheme liabilities	(283)	-
	<u>(73)</u>	<u>(18)</u>
Actuarial loss recognised in the statement of total recognised gains and losses		

History of experience gains and losses

	31 December 2005 £000	31 December 2004 £000	27 December 2003 £000	28 December 2002 £000
Difference between the expected and actual return on scheme assets:				
Amount	210	27	72	(330)
Percentage of scheme assets	8.8%	1.5%	4.4%	-21.8%
Experience gains and losses arising on scheme liabilities:				
Amount	-	(45)	10	36
Percentage of present value of scheme liabilities	0.0%	-1.8%	0.4%	1.7%
Effects to changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:				
Amount	(283)	-	(259)	(63)
Percentage of present value of scheme liabilities	-9.6%	0.0%	10.9%	3.0%
Total amount recognised in statement of total recognised gains and losses:				
Amount	(73)	(18)	(177)	(357)
Percentage of present value of scheme liabilities	-2.3%	-0.8%	-7.4%	-17.2%

18. LEASE COMMITMENTS

Annual commitments under non cancellable operating leases are as follows:

	Plant and Machinery	
	31 December 2005 £000	31 December 2004 £000
Expiring:		
Between two and five years inclusive	<u>2</u>	<u>2</u>

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19. CONTROLLING PARTIES

The company is a subsidiary undertaking of Andrews Sykes Group plc, a company registered in England and Wales.

The only UK group in which the results of Andrews Air Conditioning & Refrigeration Limited are consolidated is that headed by Andrews Sykes Group plc whose principal place of business is Premier House, Darlington Street, Wolverhampton WV1 4JJ. The consolidated accounts for this group are available to the public and may be obtained from the aforementioned address.

As at 31 May 2006, EOI SYKES Sarl, which is incorporated in Luxembourg, held 81.62% of the ordinary share capital of Andrews Sykes Group plc and is therefore that company's immediate parent company. The ultimate holding company is British Security Group Limited, a company incorporated in Bermuda. The ultimate controlling party is Mr J G Murray.