Andrews Air Conditioning and Refrigeration Limited

Directors' report and financial statements

Registered number 01535598

For the year ended 31 December 2018

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Principal activity

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 management charge from Andrews Sykes Hire Limited.

Going concern

The Company is a wholly owned subsidiary of Andrews Sykes Group plc and is reliant on the continuing financial support and success of that group.

The group's consolidated financial statements for the 12 months ended 31 December 2018 were approved on 9 May 2019. In those financial statements, the board of Andrews Sykes Group plc concluded that "after making enquiries, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the board continues to adopt the going concern basis when preparing this annual report and financial statements". Further information explaining why the board reached this conclusion is given on page 12 of the group's 2018 annual report and financial statements.

The directors of this company have confirmed with the board of Andrews Sykes Group plc that they still consider the above statement to be valid as at the date of approval of these financial statements. Given that assurance, the directors have continued to adopt the going concern basis in the preparation of this company's annual report and financial statements.

Business review, results and dividends

The results for the year are set out in the profit and loss account and statement of comprehensive income on page 6.

Dividends during the year of £325,000 *(2017: £300,000)* have been charged against reserves.

The net assets of the company have decreased by £259,000 to £1,334,000 *(2017: increased by £80,000 to £1,593,000)* as shown on page 8.

The directors do not recommend the payment of a final dividend *(2017: £nil)*.

Directors

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

PT Wood
D Himsworth (resigned 31 December 2018)
AW Phillips

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Grant Thornton UK LLP will, therefore, continue in office.

Qualifying third party indemnity provisions

The company has provided qualifying indemnity provisions in respect of the board of directors which were in force during the year and at the date of this report.

Directors' report *(continued)*

Small company provision

In preparing this report, the Directors have taken advantage of the small companies' exemption in Part 15 of the Companies Act 2006.

Signed by order of the board

MJ Calderbank ACA
Company Secretary

St David's Court
Union Street
Wolverhampton
WV1 3JE

11 September 2019

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Independent auditor's report to the members of Andrews Air Conditioning and Refrigeration Limited

Opinion

We have audited the financial statements of Andrews Air Conditioning and Refrigeration Limited (the 'company') for the year ended 31 December 2018 which comprise the Profit and loss account and statement of comprehensive income, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' 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 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report to the members of Andrews Air Conditioning and Refrigeration Limited (continued)

Matters on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Andrew Turner FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
11 September 2019

Profit and loss account and statement of comprehensive income
For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	3	**3,735**	4,271
Cost of sales		**(2,369)**	(2,698)
Gross profit		**1,366**	1,573
Distribution costs		**(358)**	(358)
Administrative expenses		**(863)**	(828)
Operating profit	4	**145**	387
Net interest receivable	5	**19**	18
Profit on ordinary activities before taxation		**164**	405
Tax on profit on ordinary activities	8	**(32)**	(80)
Profit for the financial year		**132**	325
Other comprehensive (charges)/income			
Remeasurement of defined benefit assets and liabilities		**(82)**	68
UK deferred tax attributable to the pension scheme assets and liability adjustments		**16**	(13)
Other comprehensive (charges)/income relating to the financial year net of tax		**(66)**	55
Total comprehensive income for the year		**66**	380

All results are derived from continuing activities in both years.

The notes on pages 9 to 23 form part of these financial statements

Balance sheet
at 31 December 2018

	Note	2018 £000	£000	2017 £000	£000
Fixed assets					
Tangible assets	9		80		61
Retirement benefit pension surplus	16		68		168
			148		229
Current assets					
Stocks	10	54		57	
Debtors: Amounts falling due within one year	11	3,315		3,294	
Cash at bank and in hand		381		284	
		3,750		3,635	
Creditors: Amounts falling due within one year	12	(2,564)		(2,262)	
Net current assets			1,186		1,373
Total assets less current liabilities			1,334		1,602
Provision for liabilities					
Deferred tax	13		-		(9)
Net assets			1,334		1,593
Capital and reserves					
Called up share capital	14		50		50
Profit and loss account			1,284		1,543
Shareholders' funds			1,334		1,593

These financial statements were approved by the board of directors on 11 September 2019 and were signed on its behalf by:

AW Phillips
Director

Company number: 01535598

The notes on pages 9 to 23 form part of these financial statements

Statement of changes in equity
For the year ended 31 December 2018

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 2017	50	1,463	1,513
Profit for the financial year	-	325	325
Other comprehensive income:			
Remeasurement of defined benefit assets and liabilities	-	68	68
Related deferred tax	-	(13)	(13)
Total other comprehensive income	-	55	55
Transactions with owners recorded directly in equity			
Dividends paid	-	(300)	(300)
Total transactions with owners	-	(300)	(300)
At 31 December 2017 and 1 January 2018	50	1,543	1,593
Profit for the financial year	-	**132**	**132**
Other comprehensive charges:			
Remeasurement of defined benefit assets and liabilities	-	**(82)**	**(82)**
Related deferred tax	-	**16**	**16**
Total other comprehensive charges	-	**(66)**	**(66)**
Transactions with owners recorded directly in equity			
Dividends paid	-	**(325)**	**(325)**
Total transactions with owners	-	**(325)**	**(325)**
At 31 December 2018	**50**	**1,284**	**1,334**

The profit and loss account reserve represents net cumulative profits, net of dividends paid and other actuarial adjustments relating to the defined benefit pension scheme.

The notes on pages 9 to 23 form part of these financial statements

Notes
(forming part of the financial statements)

1 Accounting policies

Andrews Air Conditioning and Refrigeration Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")* as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's immediate parent undertaking, Andrews Sykes Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Andrews Sykes Group plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the Company's registered address. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Andrews Sykes Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Notes *(continued)*

1 Accounting policies *(continued)*

Change in accounting policy/prior period adjustments

There are no changes in accounting policy or prior year adjustments in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Going concern

The financial statements have been prepared on the assumption that the company is a going concern and will continue to trade for at least 12 months following the date of approval of the financial statements and based on the assessment made by the directors in the Directors' report; see going concern commentary on page 1 in the directors' report.

Related party transactions

The Company has taken advantage of the exemption available in FRS 102 not to disclose transactions between the Company and its parent and 100% owned subsidiaries within the Andrews Sykes Group.

Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation and any provision for impairment. The Company assesses at each reporting date whether tangible fixed assets are impaired. Depreciation is provided on a straight line basis, so as to write off the original cost, less estimated residual value, of tangible fixed assets over their estimated lives as follows:

Motor vehicles	-	33%
Fixtures, fittings and computer equipment	-	25% to 33%

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the actual purchase invoice price. Provision is made for obsolete, slow moving or defective items calculated on a stock turnover basis where appropriate.

Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account. Non-monetary assets are recorded at the historical rate of exchange.

Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

Basic financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Other financial instruments

Financial instruments not considered to be basic financial instruments (Other financial instruments)

The Company does not currently hold any financial instruments that do not fall within the definition of basic financial instruments.

Leased assets

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Finance leases

Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The Company did not hold any assets that fall within the definition of finance leases during either the current or previous financial years.

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives in respect of leases entered into after the date of transition are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit scheme

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits (continued)

Defined benefit scheme (continued)

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the Company's obligations. A valuation is performed at least triennially and is updated at each balance sheet date by the directors based on advice received from/a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan deficits in full and surpluses to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from the scheme's administration expenses, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the year are recognised in profit and loss account.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Group defined benefit scheme

As disclosed in note 16, the group previously operated a defined benefit scheme for the majority of employees. This scheme was closed to new entrants and all existing members became deferred members on 31 December 2002.

Certain of the Company's employees are deferred members of the above defined benefit scheme. The Company is participating member of the scheme and is therefore one of the entities legally responsible for the group wide scheme. The net defined benefit cost of the plan is charged to participating member entities based upon the number of deferred members employed and pensioners previously employed by each participating member.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Turnover

Turnover represents the net amount receivable from customers (excluding VAT) for the installation and maintenance of air conditioning equipment. Turnover is recognised as the contract progresses on the basis of work completed for installation and at the point in time when the service is completed for maintenance.

Operating profit

Operating profit is defined as the profit for the period from continuing operations after all operating costs and income but before interest receivable and payable and taxation. Operating profit is disclosed as a separate line on the face of the income statement.

Interest receivable and interest payable

Interest payable and similar charges include interest payable and finance related net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and finance related net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to short term timing differences to the extent that it is probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

When preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Pension scheme assumptions and mortality tables

As set out in note 16, the carrying value of the defined benefit pension scheme is calculated using actuarial valuations. These valuations are based on assumptions including the selection of the most appropriate mortality table for the profile of the members in the scheme and the financial assumptions concerning discount rates and inflation. All these are estimates of future events and are therefore uncertain. The choices are based on advice received from the scheme actuaries that are checked from time to time with benchmark surveys. Sensitivity analysis regarding assumptions concerning longevity, discount rates and inflation is provided in note 16.

When assessing the appropriateness of the recognition of a surplus, the directors have considered the guidance in FRS 102 and have concluded that it is appropriate to recognise the asset in the financial statements as the directors are satisfied that the surplus can be recovered through reduced contributions or refunds from the plan in the future.

3 Segmental analysis

The company's turnover and operating profit in both the current and previous financial years derive from its sole principal activity, the installation, maintenance and service of air conditioning equipment.

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

Notes *(continued)*

4 Operating profit

	2018 £000	2017 £000
Operating profit is stated after charging/(crediting)		
Depreciation of owned tangible assets	**19**	2
Operating lease rentals	**111**	77
Auditor's remuneration:		
Fees payable to the Company's auditor in respect of the audit of the company's financial statements	**10**	10

Fees payable to the company's auditors in respect of non-audit services have been included in the disclosures of the consolidated financial statements for the year ended 31 December 2018 of the ultimate parent undertaking, Andrews Sykes Group plc, as required by the Companies Act 2006.

5 Net interest receivable

	2018 £000	2017 £000
Interest receivable and similar income		
Interest receivable from group companies	**46**	43
Net defined benefit pension scheme interest (note 16)	**4**	2
Interest receivable and similar income	**50**	45
Interest payable and similar charges		
Interest payable to group companies	**(31)**	(27)
Interest payable and similar charges	**(31)**	(27)
Net interest receivable	**19**	18

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	Number of employees 2018	2017
Sales and distribution	**9**	7
Engineers	**16**	15
Managers and administration	**9**	9
	34	31

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	**1,107**	1,039
Social security costs	**98**	119
Other pension costs (see note 16)	**33**	17
	1,238	1,175

Notes *(continued)*

7 Directors' remuneration

Directors' emoluments were borne by other group companies in both the current and previous years and it is not practical to apportion the amount between the relevant companies.

Pension retirement benefits accrued to 1 director during the financial year *(2017: 1)* in respect of qualifying services in the Andrews Sykes Group plc defined benefit pension scheme.

8 Taxation

Analysis of charge for the year

	2018		2017	
	£000	£000	£000	£000
UK corporation tax and group relief				
Current tax on income for the year	45		70	
Adjustments in respect of prior years	(12)		1	
Total current tax		33		71
Deferred tax				
Origination and reversal of timing differences	(12)		9	
Adjustments in respect of previous years	11		-	
Total deferred tax (credit)/charge (note 13)		(1)		9
Tax charge on profit on ordinary activities		32		80

Factors affecting the tax charge for the year

The tax charge for the year differs from that resulting by applying the effective standard rate of corporation tax in the UK of 19% *(2017: 19.25%)*. The differences are explained below:

	2018	2017
	£000	£000
Total tax reconciliation		
Profit on ordinary activities before tax	164	405
Tax at 19% *(2017: 19.25%)*	31	78
Effects of:		
Expenses not deductible for tax purposes	2	1
Adjustment to corporation tax and group relief in respect of previous periods	(12)	1
Adjustment to deferred tax in respect of previous periods	11	-
Total tax charge (see above)	32	80

Factors that may affect future total tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016 and received Royal Assent on 15 September 2016. This reduction should further reduce the company's future current tax charge.

Notes *(continued)*

9 Tangible fixed assets

	Motor vehicles £000	Fixtures, fittings and computer equipment £000	Total £000
Cost			
At beginning of year	-	316	316
Additions	33	5	38
At end of year	33	321	354
Depreciation			
At beginning of year	-	255	255
Charge for year	6	13	19
At end of year	6	268	274
Net book value			
At 31 December 2018	**27**	**53**	**80**
At 31 December 2017	-	61	61

10 Stocks

	2018 £000	2017 £000
Raw materials	**18**	-
Work in progress	**36**	57
	54	57

There is no material difference between the balance sheet value of stocks and their replacement cost.

The cost of stock recognised as an expense in the year was £1,003,000 *(2017: £1,087,000)* and the net charge in the profit and loss account for net realisable value provisions was £3,000 *(2017: £11,000).*

11 Debtors: Amounts falling due within one year

	2018 £000	2017 £000
Trade debtors	**690**	664
Amounts owed by group undertakings	**2,524**	2,501
Deferred tax asset (note 13)	**8**	-
Other debtors	-	20
Prepayments	**93**	109
	3,315	3,294

All inter-company loans are due on demand. Interest is charged on all inter-company loans at commercial rates of interest.

Notes *(continued)*

12 Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**144**	169
Amounts owed to group undertakings	**2,128**	1,713
UK corporation tax and group relief	**55**	80
Other taxes and social security	**84**	117
Accruals and deferred income	**153**	183
	2,564	2,262

All inter-company loans are due on demand. Interest is charged on all inter-company loans at commercial rates of interest.

13 Deferred taxation

The deferred taxation (asset)/provision is analysed as follows:

	2018 £000	2017 £000
Tax written down value of plant and equipment in excess of the financial statements written down value	**(4)**	(4)
Other short term timing differences	**(17)**	(19)
Pension scheme surplus	**13**	32
	(8)	9

The movement in deferred tax (asset)/provision during the financial year is as follows:

	£000
At start of year at 19%	9
Profit and loss account credit (note 8)	(1)
Deferred tax attributable to pension asset and liability adjustments posted to reserves	(16)
At end of year at 19% (note 11)	**(8)**

Deferred tax has been calculated using the rates expected to apply when the timing differences reverse in accordance with FRS 102.

There was no unprovided deferred tax at the end of either year.

14 Called up share capital

	2018 £000	2017 £000
Called up, allotted and fully paid:		
50,000 ordinary shares of £1 each	**50**	50

15 Dividends

	2018 £000	2017 £000
Interim dividends of £6.50 per share *(2017: £6)* declared and paid during the year	**325**	300

Notes *(continued)*

16 Retirement benefit obligations

Defined contribution scheme

The Company operates the Andrews Sykes Stakeholder Pension Plan, to which the majority of UK employees are eligible. Both the employer and employee contributions vary, generally based upon the individual's length of service with the company.

The Company has adopted the requirements of auto enrolment for all eligible UK employees. Until 1 October 2017, employee and employer contributions were made at the rate of 1% each of pensionable salary which were then increased to 3% for employees and 2% for employers. On 6 April 2019 these rates were further increased to 5% and 3% respectively.

Contributions for both existing members and members that have been auto enrolled are made to the same scheme. The employer's contribution rates vary from 1% to 15%, the current average being 3.8% (*2017: 2.2%*). The current period charge in the income statement amounted to £33,000 (*2017: £17,000*).

Defined benefit pension scheme

The Company is a participating member of the group defined benefit (DB) scheme. The DB Scheme is established under trust law and complies with the Pension Scheme Act 1993, Pensions Act 1995, Pensions Act 2004, Pensions Act 2014 and all other relevant UK legislation. Pension assets are held in separate trustee administered funds which have equal pension rights with respect to members of either sex in so far as this is required by current legislation.

The DB Scheme was closed to new members on 29 December 2002 and over recent years the Group has taken steps to manage the ongoing risks associated with its defined benefit liabilities.

As at 31 December 2018, the group had a net defined benefit pension scheme surplus, calculated in accordance with FRS 102 using the assumptions as set out below, of £1,356,000 (*2017: £3,364,000*). A qualified actuary has split this surplus between participating members based on the average number of deferred members employed and pensioners previously employed by each participating member. The Company's share of this surplus on this basis is £68,000 *(2017: £168,000)* and this asset has been recognised in these financial statements as the directors are satisfied that it is recoverable through either reduced future contributions or refunds from the plan.

Following the triennial recalculation of the funding deficit as at 31 December 2016, a revised schedule of contributions and recovery plan was agreed with the pension scheme trustees in October 2017. In accordance with this schedule of contributions, which was backdated to be effective from 1 January 2017, the group made additional contributions during 2017 to remove the funding deficit in the group scheme calculated as at 31 December 2016 of £710,000 and this was eliminated by 31 December 2017.

Throughout 2017 and 2018, the Group continued to make a contribution towards expenses of £10,000 per month and this will continue until the next formal schedule of contributions is agreed with the pension scheme trustees. The Group made total pension contributions of £120,000 during 2018 (*2017: £920,000*).

The next formal triennial funding valuation is due as at 31 December 2019. The Group currently expects to make pension contributions of £120,000 during 2019 in accordance with the current schedule of contributions.

Notes *(continued)*

16 Retirement benefit obligations *(continued)*

Principal risks

The following table summarises the principal risks associated with the group's DB Scheme:

Investment risk	The present value of defined benefit liabilities is calculated using a discount rate set by reference to high-quality corporate bond yields. If scheme assets underperform corporate bonds, this will create a deficit
Interest rate risk	A fall in bond yields would increase the value of the liabilities. This would only be partially offset by an increase in the value of the bond investments held.
Inflation risk	An increase in inflation would increase the value of pension liabilities. The assets would be expected to also increase, to the extent they are linked to inflation, but this would not be expected to fully match the increase in liabilities.
Longevity risk	The present value of the defined benefit liabilities is calculated having regards to a best estimate of the mortality of the scheme members. If members live longer than this mortality assumption, this will increase the liabilities.

Assumptions

The last full actuarial valuation was carried out as at 31 December 2016. A qualified independent actuary has updated the results of this full actuarial valuation to calculate the position as described below.

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

	2018	2017
Rate of increase in pensionable salaries	**n/a**	n/a
Rate of increase in pensions in payment	**3.2%**	3.1%
Discount rate applied to scheme liabilities	**2.8%**	2.5%
Inflation assumption:		
RPI	**3.2%**	3.1%
CPI for the first 6 years	**2.2%**	2.1%
CPI after the first 6 years	**2.2%**	2.1%
Percentage of deferred members taking maximum tax free lump sum on retirement	**75.0%**	75.0%

From 1 January 2011, the government amended the basis for statutory increases to deferred pensions and pensions in payment. Such increases are now based on inflation measured by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). Having reviewed the scheme rules and considered the impact of the change on this pension scheme, the directors consider that future increases to all deferred pensions and Guaranteed Minimum Pensions accrued between 6 April 1988 and 5 April 1997 and currently in payment will be based on CPI rather than RPI. Accordingly, this assumption was adopted as at 31 December 2010 and subsequently.

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics.

The current mortality table used is 110% S2NA CM12017 *(2017:* 110% S2NA CM12016*)* with a 1.25% per annum long term improvement rate for both males and females (*2017: 1.25% for both males and females*). The assumed average life expectancy of a pensioner retiring at the age of 65 given by the above tables is as follows:

	2018 Years	2017 Years
Male, current age 45	**22.8**	22.9
Female, current age 45	**24.9**	25.0
Male, current age 65	**21.4**	21.5
Female, current age 65	**23.4**	23.5

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. The expected return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation.

Notes *(continued)*

16 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 stated below:

	2018 £000	2017 £000
UK equities	**721**	856
Corporate bonds	**853**	942
Gilts	**472**	475
Cash	**6**	10
Total market value of assets	**2,052**	2,283
Present value of scheme liabilities calculated in accordance with stated assumptions	**(1,984)**	(2,115)
Surplus in the scheme calculated in accordance with stated assumptions	**68**	168

The movement in the market value of the Company's portion of the scheme's assets over the year is as follows:

	2018 £000	2017 £000
Market value of plan assets at start of year	**2,283**	2,168
Administrative expenses charged in the profit and loss account	**(7)**	(7)
Expected return on plan assets (interest income)	**55**	58
Actuarial (losses) and gains recognised in other comprehensive income	**(132)**	101
Employer contributions:		
Normal	**6**	48
Benefits paid	**(153)**	(85)
Market value of plan assets at end of year	**2,052**	2,283

The above pension scheme assets do not include any investments in the parent company's own shares or property occupied by the company or its subsidiaries.

The movement in the Company's proportion of the present value of the scheme's defined benefit liabilities during the year were as follows:

	2018 £000	2017 £000
Present value of scheme liabilities at beginning of year	**2,115**	2,111
Past service cost – GMP equalisation	**21**	-
Interest on scheme liabilities	**51**	56
Actuarial (gain)/loss recognised in other comprehensive income	**(50)**	33
Benefits paid	**(153)**	(85)
Present value of scheme liabilities at end of year	**1,984**	2,115

Notes *(continued)*

16 Retirement benefit obligations (continued)

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.

The following amounts have been included in the profit and loss account:

	2018 **£000**	2017 £000
Expected return on pension scheme assets (interest income)	**55**	58
Interest on pension scheme liabilities	**(51)**	(56)
Net pension scheme interest income (note 5)	**4**	2
Administration expenses:		
Past service cost – GMP equalisation	**(21)**	-
Pension scheme administration expenses	**(7)**	(7)
	(24)	(5)

Although the DB scheme was closed to new members on 29 December 2002, and future benefits ceased to accrue to existing members on that date, a GMP equalisation charge of £21,000 has been recognised in the current year within past service costs. This followed a High Court judgement in the case of Lloyds Banking Group on 26 October 2018 when it was clarified that pension benefits paid by UK defined benefit pension schemes do need to be equalised for previously unequal Guaranteed Minimum Pensions (GMP). This charge has been recognised in the income statement as the ruling is considered to have created a new obligation which was not previously incorporated into the calculation of the liabilities. Any future changes in the assumptions adopted this year will be recognised in the consolidated statement of comprehensive total income as a re-measurement item.

Amounts recognised in other comprehensive income

The amounts included in other comprehensive income were:

	2018 **£000**	2017 £000
Actual return less expected return (interest income) on scheme assets	**(132)**	101
Experience gains and losses arising on scheme liabilities	**(21)**	8
Changes in assumptions underlying the present value of scheme liabilities	**71**	(41)
Actuarial (loss)/gain recognised in other comprehensive income	**(82)**	68

Key assumptions — sensitivity analysis

The key assumptions used to calculate the scheme's liabilities are longevity, discount rate and the inflation assumptions (RPI and CPI).

If the average actual longevity from the age of 65 years is one year greater than that assumed, the Company's total pension scheme liabilities would increase by approximately £91,000 *(2017: £99,000)*. If the actual longevity is one year less than that assumed, the Company's total pension scheme liabilities would reduce by a similar amount.

A 0.1% increase in the discount rate applied to the scheme liabilities and a 0.1% increase in the inflation assumptions would reduce/increase the present value of the Company's defined benefit obligation by approximately £27,000 (*2017: £31,000*) and £21,000 (*2017: £23,000*) respectively. A 0.1% decrease in these assumptions would increase/ reduce the present value of the Company's defined benefit obligation by a similar amount.

Notes *(continued)*

16 Retirement benefit obligations (continued)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. No allowance has been made for any change in assets that might arise under any of the scenarios set out above. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised within the balance sheet.

The sensitivities shown are just one possible outcome and should not be taken as an indication of the likelihood of a change occurring in the future. Economic markets are volatile and market metrics used to derive the discount rate and price inflation assumptions could increase or decrease in the future, by more or less than the change set out.

This methodology is unchanged from last year's disclosures.

17 Operating leases

Commitments under non-cancellable operating lease agreements are payable as follows:

	2018	2017
	£000	£000
Less than one year	**94**	95
Between one and five years	**170**	171
	264	266

18 Related party transactions

There was no disclosable related party transactions in either the current or preceding financial years.

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 and Refrigeration Limited are consolidated is that headed by Andrews Sykes Group plc, whose registered office is:

St David's Court
Union Street
Wolverhampton
WV1 3JE

The consolidated financial statements for this group are available to the public and may be obtained from the afore-mentioned address.

As at 11 September 2019, EOI SYKES Sarl, which is incorporated in Luxembourg, held 86.25% of the ordinary share capital of Andrews Sykes Group plc and is therefore that company's immediate parent company. The ultimate holding company is the Tristar Corporation, a company incorporated in The Republic of Panama. The Tristar Corporation is held jointly, in equal proportions, by the Ariane Trust and the Eden Trust and controlled by the trustees of these trusts through a Trustees' Committee. The directors therefore consider that the trustees of the Ariane and Eden Trusts are the ultimate controlling parties of the Company.