

Andrews Air Conditioning and Refrigeration Limited

Annual Report and Financial Statements

Year ended

31 December 2022

Company number: 01535598

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Andrews Air Conditioning and Refrigeration Limited

Annual report and financial statements for the year ended 31 December 2022

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Directors

CD Webb
IS Poole

Registered office

Unit 601, Axxess 10 Business Park, Bentley Road South, Wednesbury, WS10 8LQ

Company Secretary

IS Poole

Company number

01535598

Bankers

National Westminster Group, Queen Square, Wolverhampton, WV1 1TL

Andrews Air Conditioning and Refrigeration Limited

Report of the Directors for the year ended 31 December 2022

The directors present their annual report and the audited financial statements for the year ended 31 December 2022.

Principal activity

The company sells, 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.

Business review, results and dividends

The results for the year are set out in the profit and loss account and the statement of comprehensive income on pages 3 and 4 respectively.

Dividends during the year of £400,000 (2021: £950,000) have been charged against reserves.

The net assets of the company have decreased by £360,000 to £398,000 (2021: decreased by £616,000 to £758,000) as shown on page 6.

The directors do not recommend the payment of a final dividend (2021: £nil).

Directors

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

CD Webb

KD Price (resigned 7 March 2023)

IS Poole (appointed 7 March 2023)

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

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 2022 were approved on 2 May 2023. In those financial statements, the board of Andrews Sykes Group plc concluded that "based on the detailed forecast prepared by management, the Board has a reasonable expectation that the group has adequate resources to continue to trade for the foreseeable future even in the reasonable worst-case scenario identified by the group. 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 39 and 40 of the group's 2022 annual report and financial statements.

Based on the group's strength, the directors of this company have continued to adopt the going concern basis in the preparation of this company's annual report and financial statements. Explicit support from the group has not been requested in order to support this going concern assessment.

Andrews Air Conditioning and Refrigeration Limited

Report of the Directors for the year ended 31 December 2022 (*continued*)

Statement of Directors' responsibilities

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') and the Companies Act 2006. 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.

Audit exemption under Section 479 of the Companies Act 2006

These financial statements are unaudited as the directors have taken advantage of the exemption available under Section 479 of the Companies Act 2006. In accordance with Section 479A of the Companies Act 2006, all of the company's members have agreed to the company taking advantage of the audit exemption and a parent company guarantee has been provided to the company in accordance with Section 479C of the Companies Act 2006.

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.

On behalf of the board



IS Poole
Director

19 May 2023

Andrews Air Conditioning and Refrigeration Limited

Profit and loss account for the year ended 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Turnover	3	2,805	2,700
Cost of sales		(1,643)	(1,635)
Gross profit		1,162	1,065
Distribution costs		(97)	(54)
Administrative expenses		(1,038)	(813)
Other operating income		-	34
Operating profit	4	27	232
Interest receivable	5	6	1
Profit on ordinary activities before taxation		33	233
Tax on profit on ordinary activities	8	3	(43)
Profit for the financial year		36	190

All results are derived from continuing activities in both years.

The notes on pages 7 to 23 form part of these financial statements.

Andrews Air Conditioning and Refrigeration Limited

Statement of comprehensive income for the year ended 31 December 2022

	<i>Note</i>	2022 £000	2021 £000
Profit for the financial year		36	190
Other comprehensive income			
Remeasurement of defined benefit assets and liabilities	10	41	221
Related asset restriction	10	(37)	(77)
Other comprehensive income relating to the financial year net of tax		4	144
Total comprehensive income for the year		40	334

The notes on pages 7 to 23 form part of these financial statements.

Andrews Air Conditioning and Refrigeration Limited

Statement of changes in equity for the year ended 31 December 2022

	Share capital £000	Profit and loss account £000	Total equity £000
Balance at 31 December 2020	50	1,324	1,374
Total comprehensive income for the year			
Profit for the financial year	-	190	190
Other comprehensive charges:			
Remeasurement of defined benefit assets and liabilities	-	221	221
Related asset restriction	-	(77)	(77)
Other comprehensive charges for the year	-	144	144
Transactions with owners recorded directly in equity			
Dividends paid	-	(950)	(950)
Total transactions with owners	-	(950)	(950)
Balance at 31 December 2021	50	708	758
Total comprehensive income for the year			
Profit for the financial year	-	36	36
Other comprehensive charges:			
Remeasurement of defined benefit assets and liabilities	-	41	41
Related asset restriction	-	(37)	(37)
Other comprehensive charges for the year	-	4	4
Transactions with owners recorded directly in equity			
Dividends paid	-	(400)	(400)
Total transactions with owners	-	(400)	(400)
Balance at 31 December 2022	50	348	398

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 7 to 23 form part of these financial statements.

Andrews Air Conditioning and Refrigeration Limited

Balance sheet at 31 December 2022

Company no: 01535598

	Note	£000	2022 £000	£000	2021 £000 As restated
Fixed assets	21				
Tangible assets	9		-		18
Retirement benefit pension surplus	10		268		200
			<u>268</u>		<u>218</u>
Current assets					
Stocks	11	17		21	
Debtors: Amounts falling due within one year	12	449		344	
Cash at bank and in hand		366		685	
			<u>832</u>	<u>1,050</u>	
Creditors: Amounts falling due within one year	14	(558)		(510)	
			<u>274</u>		<u>540</u>
Net current assets					
			<u>542</u>		<u>758</u>
Total assets less current liabilities					
Creditors: Amounts falling due after more than one year					
Provisions	15		(144)		-
			<u>398</u>		<u>758</u>
Net assets					
			<u>398</u>		<u>758</u>
Capital and reserves					
Called up share capital	16		50		50
Profit and loss account			348		708
			<u>398</u>		<u>758</u>
Shareholders' funds					
			<u>398</u>		<u>758</u>

For the year ended 31 December 2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The shareholders have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The accounts were approved by the Board of Directors on 19 May 2023.



CD Webb
Director

The notes on pages 7 to 23 form part of these financial statements.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

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 December 2017. 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.

Audit exemption under Section 479 of the Companies Act 2006

These financial statements are unaudited as the directors have taken advantage of the exemption available under Section 479 of the Companies Act 2006. In accordance with Section 479A of the Companies Act 2006, all of the company's members have agreed to the company taking advantage of the audit exemption and a parent company guarantee has been provided to the company in accordance with Section 479C of the Companies Act 2006.

Change in accounting policy/prior period adjustments

There have been no changes in accounting policy in these financial statements. Details of a prior year adjustment are given in note 21.

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 company is a wholly owned subsidiary of Andrews Sykes Group plc.

The group's consolidated financial statements for the 12 months ended 31 December 2022 were approved on 2 May 2023. In those financial statements, the board of Andrews Sykes Group plc concluded that "based on the detailed forecast prepared by management, the Board has a reasonable expectation that the group has adequate resources to continue to trade for the foreseeable future even in the reasonable worst-case scenario identified by the group. 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 39 and 40 of the group's 2022 annual report and financial statements.

Based on the group's strength, the directors of this company have continued to adopt the going concern basis in the preparation of this company's annual report and financial statements.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

1 Accounting policies (continued)

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.

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.

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.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

1 Accounting policies (*continued*)

Leased assets (*continued*)

Finance leases (continued)

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.

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.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

1 Accounting policies (*continued*)

Employee benefits

Defined contribution plans

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.

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.

Net defined benefit pension scheme surpluses are presented separately on the balance sheet within non-current assets respectively after the withholding tax applicable to pension scheme surpluses in the UK of 35% has been included against them. An asset restriction is applied to the associated defined benefit surplus as it is expected that the defined benefit scheme would deduct withholding tax from any surplus before a net surplus is returned to the company. No deferred taxation is recognised for the timing difference on actuarial movements on the basis that the net surplus is expected to be recovered by way of a refund on wind-up. Net defined benefit pension scheme surpluses are only recognised to the extent of any future refunds to the scheme.

Group defined benefit scheme

As disclosed in note 10, 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 probable 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.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

1 Accounting policies *(continued)*

Turnover

Turnover represents the net amount receivable from customers (excluding VAT) for the installation and maintenance of air conditioning equipment. Turnover is recognised on the completion of installation for the sale and installation of goods. Turnover is recognised as the service is completed for maintenance services although the majority of maintenance work is completed in 1-2 days.

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 that are recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested.

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.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

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 historic 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 10, 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 10.

3 Turnover 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.

4 Operating profit

	2022 £000	2021 £000
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation of owned tangible fixed assets:	18	12
Operating lease rentals	62	91
<i>Auditor's remuneration:</i>		
Fees payable to the company's auditor in respect of the audit of the company's financial statements	-	20

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 2022 of the ultimate parent undertaking, Andrews Sykes Group plc, as required by the Companies Act 2006.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

5 Interest receivable

	2022 £000	2021 £000
<i>Interest receivable and similar income</i>		
Net defined benefit pension scheme interest (note 10)	6	1
	<u>6</u>	<u>1</u>

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	
	2022	2021
Sales and distribution	1	1
Engineers	12	12
Managers and administration	9	8
	<u>22</u>	<u>21</u>

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	875	725
Social security costs	72	68
Other pension costs (see note 10)	39	20
	<u>986</u>	<u>813</u>

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 2 directors during the financial year (2021: 2) in respect of qualifying services in the Andrews Sykes Group plc defined contribution pension scheme.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

8 Taxation

Analysis of charge for the year

	2022 £000	2021 £000
<i>UK corporation tax and group relief</i>		
Adjustments in respect of prior years	-	3
	<hr/>	<hr/>
Total current tax charge	-	3
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(3)	24
Adjustments in respect of previous years	-	18
Effect of tax rate change	-	(2)
	<hr/>	<hr/>
Total deferred tax (credit)/charge (note 13)	(3)	40
	<hr/>	<hr/>
Tax (credit)/ charge on profit on ordinary activities	(3)	43
	<hr/>	<hr/>

The current tax charge for the year differs from that resulting by applying the effective standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
<i>Total tax reconciliation</i>		
Profit on ordinary activities before tax	33	233
	<hr/>	<hr/>
Tax at 19% (2021: 19%)	6	44
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(3)	11
Adjustment to corporation tax and group relief in respect of previous years	-	3
Adjustment to deferred tax in respect of previous years	-	18
Tax rate change	-	(2)
Group relief claim	(6)	(31)
	<hr/>	<hr/>
Total tax (credit)/ charge	(3)	43
	<hr/>	<hr/>

Factors that may affect future tax charges

In the UK budget on 15 March 2021, the Chancellor announced that the rate of corporation tax would increase from its current level of 19% to 25% with effect from 1 April 2023. The rate will remain at 19% until that date. This amendment was enacted by Parliament on 24 May 2021 and received Royal Assent on 10 June 2021 and will increase the amount of corporation tax payable in the future.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

9 Tangible fixed assets

	Fixtures, fittings and computer equipment £000
Cost	
At beginning of year	322
Additions	-
	<hr/>
At end of year	322
	<hr/>
Depreciation	
At beginning of year	305
Charge for year	18
	<hr/>
At end of year	322
	<hr/>
Net book value	
At 31 December 2022	-
	<hr/>
At 31 December 2021	18
	<hr/>

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

10 Retirement benefit obligations

Defined contribution scheme

The company operates the Andrews Sykes Stakeholder Pension Plan, to which the majority of UK employees are eligible. During the year the UK introduced a salary sacrifice arrangement for pension contributions meaning the employer now makes all pension contributions instead of the employee and employer making contributions. The amount varies, generally based upon the individual's seniority and length of service with the company.

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 3% to 15%, the current average being 5.2% (2021: 3.5%). The current period charge in the income statement amounted to £39,000 (2021: £20,000).

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 2022, the group had a net defined benefit pension scheme surplus, calculated in accordance with FRS 102 using the assumptions as set out below, of £7,824,000 (2021: £5,830,000). The applicable withholding tax of 35% has been applied to the scheme surplus giving a net surplus recognised on the balance sheet of £5,086,000 (2021: £3,790,000). This asset has been recognised in these financial statements as the directors are satisfied that it is recoverable in accordance FRS 102.

The last formal triennial funding valuation was as at 31 December 2019. The valuation, including a revised schedule of contributions and funding plan, was agreed between the pension scheme trustees and the Board of directors in March 2021 and was effective from 1 January 2021. In accordance with this schedule of contributions and recovery plan, the group will be making regular contributions of £110,000 per month for the period 1 January 2022 to 31 December 2022, and £10,000 per month for the period 1 January 2023 to 31 December 2025 or until a revised schedule of contributions is agreed, if earlier. Consequently, the group has made total contributions to the pension scheme of £1,320,000 during 2022 and expects to continue to make total contributions of £120,000 during 2023. The company share of these contributions during 2022 was £66,000 and is anticipated to be £6,000 during 2023.

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 scheme members. If members live longer than this mortality assumption, this will increase the liabilities.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

10 Retirement benefit obligations *(continued)*

Assumptions

The last full actuarial valuation was carried out as at 31 December 2019 (2021: 31 December 2019). A qualified independent actuary has updated the results of this valuation to calculate the position as disclosed below.

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

	2022	2021
Rate of increase in pensions in payment	3.15%	3.50%
Discount rate applied to scheme liabilities	2.55%	2.90%
Inflation assumption:	4.75%	1.85%
RPI		
CPI for the first 6 years	3.15%	3.50%
CPI after the first 6 years	2.55%	2.90%
Percentage of deferred members taking maximum tax free lump sum on retirement	75.00%	75.00%

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics. The current mortality table used is 100% S3PA* CMI_2021 (2021: 110% S3PA CMI_2018), heavy tables for males and middle for females, with a 1.25% per annum long-term improvement rate for both males and females (2021: 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:

	2022 Years	2021 Years
Male, current age 65	19.8	19.7
Female, current age 65	23.8	23.7
Male, current age 45	21.2	21.1
Female, current age 45	25.3	25.2

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.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

10 Retirement benefit obligations *(continued)*

Valuations

The proportion of the fair value of the scheme's 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:

	2022 £000	2021 £000
UK equities	747	922
Corporate bonds	391	879
Gilts	673	560
Cash	30	63
Total market value of assets	1,841	2,424
Present value of scheme liabilities	(1,429)	(2,117)
Scheme surplus	412	307
Impact of asset restriction	(144)	(107)
Net pension asset recognised on the balance sheet	268	200

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

	2022 £000	2021 £000
Market value of plan assets at start of year	2,424	2,251
Administration expenses charged in the profit and loss account	(9)	(6)
Expected return on plan assets (interest income)	45	29
Actuarial gains recognised in other comprehensive income	(593)	172
Employer contributions	67	66
Benefits paid	(93)	(88)
Market value of plan assets at end of year	1,841	2,424

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 is as follows:

	2022 £000	2021 £000
Present value of scheme liabilities at beginning of year	2,117	2,226
Interest on scheme liabilities	39	28
Actuarial (gain)/loss recognised in other comprehensive income	(634)	(49)
Benefits paid	(93)	(88)
Present value of scheme liabilities at end of year	1,429	2,117

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

10 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:

	2022 £000	2021 £000
Expected return on pension scheme assets (interest income)	45	29
Interest on pension scheme liabilities	(39)	(28)
Net pension scheme interest income (note 5)	6	1
Pension scheme administration expenses	(9)	(6)
	(3)	(5)

The present value of the defined benefit obligation of £1,429,000 (2021: £2,117,000) comprised approximately 45% relating to deferred participants and 55% relating to pensioners (2021: 45% deferred participants and 55% pensioners).

The weighted average duration of the pension scheme liabilities is 14 years (2021: 16 years).

Amounts recognised in other comprehensive income

The amounts included in other comprehensive income were:

	2022 £000	2021 £000
Actual return less expected return (interest income) on scheme assets	(593)	172
Experience gains and losses arising on scheme liabilities	(78)	26
Changes in assumptions underlying the present value of scheme liabilities	712	23
Actuarial gain/(loss) recognised in other comprehensive income	41	221

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 share of the total pension scheme liabilities would increase by approximately £95,000 (2021: £118,000). If the actual longevity is one year less than that assumed, the 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 share of the defined benefit obligation by approximately £34,000 (2021: £36,000) and £27,000 (2021: £29,000) respectively. A 0.1% decrease in these assumptions would increase/reduce the present value of the defined benefit obligation by a similar amount.

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. This methodology is unchanged from last year's disclosures.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

11 Stocks

	2022 £000	2021 £000
Raw materials	17	17
Work in progress	-	4
	<u>17</u>	<u>21</u>

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

12 Debtors: Amounts falling due within one year

	2022 £000	2021 £000
Trade debtors	335	254
Deferred tax asset (note 13)	8	5
Prepayments	106	85
	<u>449</u>	<u>344</u>

13 Deferred taxation

The deferred taxation asset is analysed as follows:

	2022 £000	2021 £000
Tax written down value of plant and equipment in excess of the financial statements written down value	8	5
	<u>8</u>	<u>5</u>

The movement in the deferred tax asset during the financial year is as follows:

	2022 £000	2021 £000 As restated
At start of year	5	(35)
Profit and loss account charge (note 8)	3	40
At end of year	<u>8</u>	<u>5</u>

The deferred tax balances at both 31 December 2022 and 31 December 2021 have been calculated based on the rates that have been substantially enacted at the balance sheet date and which the directors anticipate will apply when the timing differences are expected to reverse. Accordingly, a rate of 25% (2021: 25%) has been used where timing differences are expected to reverse after 1 April 2023.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

14 Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	164	196
Amounts owed to group undertakings	199	152
Other taxes and social security	68	72
Other creditors	-	3
Accruals and deferred income	127	87
	<u>558</u>	<u>510</u>

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

15 Provisions

	2022 £000 Restructuring
Balance at 1 January	-
Provision created in the year	144
Utilised during the year	-
Unused amounts reversed	-
	<u>144</u>

Restructuring provision relates to the relocation to one large consolidated group site and the associated costs involved including expected move costs and onerous leases. It is anticipated that the majority of these costs will be incurred during 2023. The impact of discounting is considered immaterial to the amounts provided. The final actual cost is uncertain and based on the outcome of potential redundancy consultations, as well as the final actual move costs. The current provision is based on best estimates.

16 Called up share capital

	2022 £000	2021 £000
<i>Called up, allotted and fully paid:</i>		
50,000 ordinary shares of £1 each	50	50
	<u>50</u>	<u>50</u>

17 Dividends

	2022 £000	2021 £000
Interim dividends of £8.00 per share (2021: £19.00) declared and paid during the year	400	950
	<u>400</u>	<u>950</u>

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

18 Operating leases

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

	2022 £000	2021 £000
Less than one year	55	79
Between two and five years	19	82
	<u>74</u>	<u>161</u>

19 Related party transactions

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

20 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:

Unit 601
Access 10 Business Park
Bentley Road South
Wednesbury
WS10 8LQ

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

As at 19 May 2023, EOI SYKES Sarl, which is incorporated in Luxembourg, held 86.33% of the ordinary share capital of Andrews Sykes Group plc and is therefore that company's immediate parent company. The intermediate holding company is SK Participation Sarl, a company incorporated in Luxembourg, and 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.

The lowest level at which consolidated accounts are prepared is Andrews Sykes Group plc and the highest level is SK Participation Sarl.

Andrews Air Conditioning and Refrigeration Limited

Notes to the financial statements for the year ended 31 December 2022

21 Prior period adjustment

Following an internal review of Andrews Sykes Group Plc's compliance with certain technical aspects of both IFRIC 14 and IAS19, the Group has restated certain balances previously reported. Section 28 of FRS 102 largely applies the requirements of IAS 19 and therefore IFRIC 14, except for minor differences not applicable in the scenario covered discussed in this note. As such the principles applied in the Group accounts have been assumed in the Company's financial statements.

Following the review it has been determined that the previously recognised deferred tax liability held against the defined benefit pension scheme surplus meets the definition of an asset restriction.

The prior period adjustment had an immaterial impact on the profit and loss account and for the prior year ended 31 December 2021 and the balance sheet as at 31 December 2020 (being the beginning of the prior year), and as such are not disclosed.

	2021 As reported £000	Adjustment £000	2021 Restated £000
Fixed assets			
Tangible assets	18	-	18
Retirement benefit pension surplus	307	(107)	200
	325	(107)	218
Current assets			
Stocks	21	-	21
Debtors: Amounts falling due within one year	339	5	344
Cash at bank and in hand	685	-	685
	1,045	5	1,050
Creditors: Amounts falling due within one year	(510)	-	(510)
Net current assets	535	5	540
Total assets less current liabilities	860	(102)	758
Creditors: Amounts falling due after more than one year			
Deferred tax liability	(102)	102	-
Net assets	758	-	758
Capital and reserves			
Called up share capital	50	-	50
Profit and loss account	708	-	708
Shareholders' funds	758	-	758