



HVAC
BUSINESS SALES

Normalising your profit

The add-backs buyers
accept and reject

2027 edition 15-minute read

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A practical guide with an add-back schedule

Images are illustrative.

The whole guide on one page

Normalising asks what profit your business would make with somebody else owning it. This guide gives the tests each adjustment has to pass, and the paperwork that settles it.

The adjustment	What good looks like	Evidence to gather
1. Your pay is not your profit	Pay for your work kept apart from your return as owner	Payslips and dividend vouchers
2. What each of your jobs costs to replace	A price for the engineer's job and the manager's job	Your week in hours, and a role description
3. One-off costs that come round again	A cost that will not come round again	Three years of one ledger account, and renewal dates
4. Personal costs the business has paid	Costs reported as personal when they were paid	Job sheets, bills and what was reported as benefits
5. Premises, vehicles and family on the payroll	Every dealing with yourself at a market rate	An agent's rent letter, the lease, licence cards
6. The costs your accounts leave out	Accounts that carry today's cost of vans, kit and refrigerant	The asset register and last year's gas invoices
7. Putting the schedule together	Every line with an amount and a document	The schedule near the back, filled in

We found no public figure for which add-backs buyers accept. This guide gives the tests an adjustment has to pass instead.

Our Pre-Sale Programme helps owners build the schedule before a sale. Ask for a free first conversation: **01285 704466**.

Why your accounts show the wrong profit for a sale

1 in 10

plumbing, heating and air-conditioning installation companies where every individual owner on the public register is 60 or over.

Reads analysis of Companies House data, October 2026 [1]

That is between 5,135 and 5,194 of the 49,775 active companies registered under SIC 43220.

Your accounts were not drawn up for a sale. A sale needs a different figure: the profit the business would make with somebody else owning it. Getting from one to the other is called normalising.

An add-back is a cost in your accounts that a new owner would not have. Your own pay is one example. It works the other way too. A cost a new owner would have, and your accounts leave out, belongs in.

Test	The question	What settles it
Is it real?	Is the cost in the accounts, at this amount?	The ledger line and the invoice
Will it stop?	Does it end when you leave, or come round again?	Three years of the same account, and any renewal cycle
What replaces it?	What will a new owner pay instead?	A pay rate, a quote or a lease

Each chapter puts one kind of adjustment through those three tests. The schedule near the back holds the result on one sheet.

We do not rank add-backs by how readily buyers accept them. We found no public figure for that. You get the tests, and the documents that pass them.

Meet Brackenfold Climate Services

We follow one business through the guide. Brackenfold is invented, and the figures for this business are illustrative.

One business, three profit figures

Illustrative



The first draft adds £59,000 back and takes nothing off.

Brackenfold turns over £1.2m: £600,000 of installations, £420,000 from maintenance contracts and £180,000 of reactive call-outs. It has four engineers, and the owner is one of them.

The accounts show £180,000 profit after the owner has taken £40,000 in pay.

The owner's first draft of the schedule adds back three things and takes nothing off.

The first draft	Amount
Profit in the accounts	£180,000
Add back the owner's pay	£40,000
Add back one-off costs	£10,000
Add back personal costs	£9,000
First draft profit	£239,000

By the end of this guide the same business shows £140,000. No one has been unfair to the owner. The first draft only counted in one direction.

The question behind every chapter. If you were buying this business, and had to pay for everything the owner does and owns, what would it earn?

1. Your pay is not your profit

If you own a heating and cooling firm and work in it, it pays you twice. Once for the work: surveying, commissioning, holding the gas ticket. Once for owning it. Your accounts may not keep the two apart.

What good looks like

Pay for your work kept apart from your return as owner. In a limited company, a dividend is a payment to shareholders out of profit, and it cannot be counted as a business cost for Corporation Tax [2]. So the profit line is struck before your dividends. What it has paid for your work is the salary you chose.

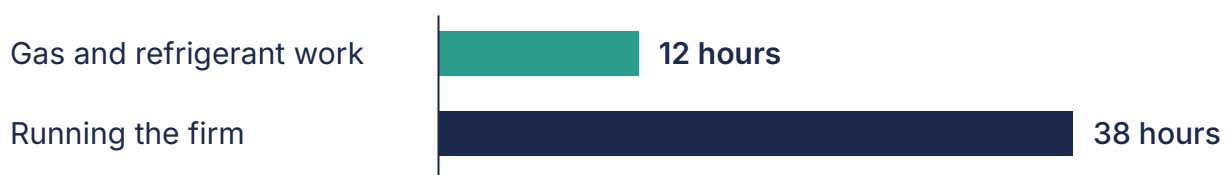
Brackenfold

Illustrative

The owner takes £40,000 in pay and the rest as dividends. In a 50-hour week, 12 hours are gas and refrigerant work on the tools.

Where the Brackenfold owner's week goes

Illustrative



A 50-hour week. The rest is quotes, dispatch, customers and the office.

What you take	What it is	In the profit?
Salary	Pay for your work	Already taken off
Dividends	Your return as owner	Not taken off: paid out of the profit
Unpaid hours on the tools	Engineer labour	Missing until you price it

What the buyer is thinking

I am buying the return. I will have to pay someone for the labour. Show me which is which.

Rule of thumb

Add back your pay and take off the cost of your work in the same line.

2. What each of your jobs costs to replace

On Monday you commission a multi-split system. On Tuesday you price a plant-room job. Those are two jobs, at two rates of pay.

What good looks like

A price for each job, from published pay. The table gives UK median gross annual pay for full-time employees in two occupations, for the year to April 2025 [3]. The cost to employ adds employer's National Insurance and the minimum employer pension at the rates for the tax year 2026 to 2027 [4]. It leaves out a van and a bonus.

Occupation, as the survey names it	Median pay	Cost to employ
Air-conditioning and refrigeration installers and repairers	£41,166	£47,639
Production managers and directors in construction	£56,021	£64,995

Brackenfold

Illustrative

The schedule takes off £80,000 for one working manager who holds the gas and F-gas tickets and can survey, price and commission: the £64,995 in the table, plus a van and a bonus.

What the buyer is thinking

You work 50 hours. One hire may not. Who covers your 12 hours on the tools, and who holds your gas category?

What to check

☐ The categories on your own licence card that nobody else holds.

☐ A written role for the hire, with the tickets it needs.

Rule of thumb

Price each job as a hire. Start with the salary. Add employer's National Insurance and pension [4]. Then add the van.

3. One-off costs that come round again

A one-off is a cost that will not come back. In this trade some costs can look like one-offs because they land in a single year.

What good looks like

A cost that will not come round again. Ticket costs fail that test, however rarely they show in the accounts, because they return on a set cycle. A company certified to service other people's stationary F-gas equipment must renew that certificate every three years [6]. For Gas Safe registration, evidence of an engineer's gas competence must be less than five years old, and the registration itself runs for one year [5].

Brackenfold

Illustrative

The draft claims £10,000. Moving the stores and vans to a new unit cost £6,000, which passes. Gas reassessments and the F-gas renewal cost £4,000. They come back, so that stays in.

Cost	How often it returns	Treat it as
Company F-gas certificate	Renewed every three years [6]	A normal cost, spread
Each engineer's gas competence evidence	Must be under five years old [5]	A normal cost, spread
Gas Safe registration	Runs for one year [5]	A normal cost
Moving premises	Once	A one-off, with the invoices

What the buyer is thinking

Show me three years. If it turns up in each, it is a cost of being in this trade.

Rule of thumb

Look for the same kind of cost in your last three years. If it appears twice, or returns on a set cycle, leave it in.

4. Personal costs the business has paid

A car that never goes to site. The air conditioning at home that your own engineers fitted. A new owner would not carry these.

What good looks like

Costs reported as personal when they were paid. In a limited company, personal use of something that belongs to the business has to be reported as a benefit, and any tax due paid [2]. For Corporation Tax, no deduction is allowed for an expense not incurred wholly and exclusively for the trade, apart from an identifiable business part of a mixed cost [7]. An add-back says the cost was personal. Your tax records should say the same.

Brackenfold

Illustrative

The draft adds back £9,000: £5,500 of kit and engineers' time for air conditioning at the owner's home, and £3,500 a year to run a family car.

Cost	Evidence	The question it raises
Kit fitted at your home	Job sheet and supplier invoice	Was it invoiced to you, or reported as a benefit?
Engineers' hours at your home	Timesheets	Were the hours charged to a job?
A car that does no site work	Mileage log and insurance schedule	Who drives it, and what for?

What the buyer is thinking

I can accept a personal cost I can see. If it went through as a business cost for tax, I will ask what else did.

What to check

- ☐ Ask your accountant how each item was treated for tax.
- ☐ Gather what was reported to HMRC as benefits.

5. Premises, vehicles and family on the payroll

The unit that holds your stores, vans and refrigerant cage may belong to you or your pension, not the company. If so, the rent is whatever you decided. So is the wage of a son or daughter on the tools.

What good looks like

Every dealing between you and the company at a market rate, in writing. The regulations on small companies' accounts use the same test. Unless the company qualifies as a micro-entity, the notes to its accounts must give particulars of transactions with its directors that are material and "have not been concluded under normal market conditions" [8].

Brackenfold

Illustrative

The owner owns the unit and charges the company £14,000 a year. A local agent puts the market rent at £22,000. If a buyer is to rent it at that figure, the schedule takes off the £8,000 difference.

Item	Test	Evidence
Premises you own	Market rent for the unit, the yard and the refrigerant store	An agent's letter and the lease
Vans or plant in your own name	What a lease would cost	Lease quotes
Family on the tools	The job and tickets, at the going rate	Hours, licence card and a comparable wage

What the buyer is thinking

If I rent your unit, I want a lease at a rent I can check.

Rule of thumb

Write the market figure beside the one in the accounts. The gap is the adjustment, up or down.

6. The costs your accounts leave out

Normalising cuts both ways. A cost missing from your accounts belongs on the schedule too. A buyer can put it there if you do not.

What good looks like

Accounts that carry today's cost of the vans, the kit and the refrigerant. One of those costs has a date against it: the supply limit below tightens in 2027 [9]. It is a limit on supply, not a ban on existing equipment, and it does not tell you what gas will cost.

Brackenfold

Illustrative

Two of the four vans are owned outright and nine years old. Leasing two replacements would cost £7,000 a year, which the accounts do not carry. Six callbacks from last year's 60 installations are open and could cost a further £12,000.

Missing cost

Where it shows

Vans run past their time

The asset register: age and mileage

Recovery units, gauges and leak detectors

Service and calibration records

Open callbacks

Job sheets and the complaints file

What the buyer is thinking

A van you have run into the ground is a cost you have passed to me. I will price it.

1 January 2027 The amount of HFC refrigerant that can be placed on the market in Great Britain falls from 31% to 24% of the baseline [9]. If you top up under fixed-price contracts, keep last year's gas invoices beside your supplier's current prices.

Check this

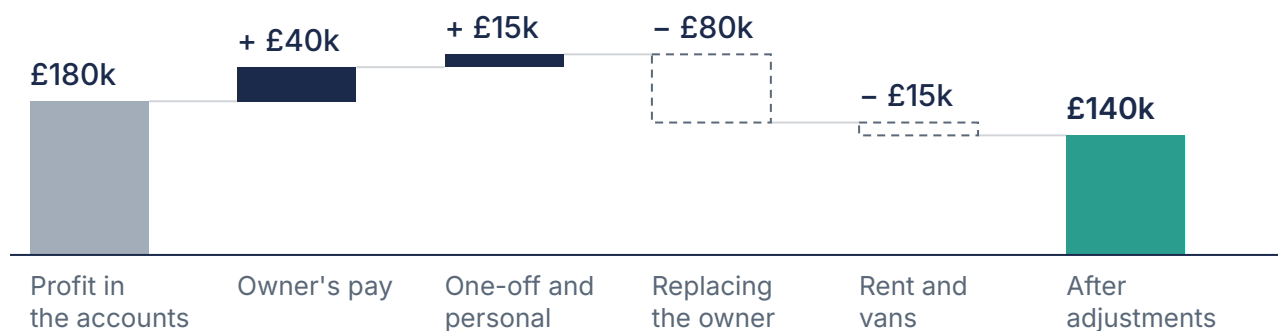
☐ Decide whether open callbacks come off the profit or the price. Never both.

7. Putting the schedule together

One line for each adjustment, with its amount and its document. Here is Brackenfold's. The schedule near the back adds lines for tickets, refrigerant and callbacks.

Brackenfold's schedule after the tests

Illustrative



£180,000 plus £40,000 less £80,000 is £140,000. The other four lines cancel out.

Adjustment	First draft	After the tests
Add: owner's pay	£40,000	£40,000
Less: replacing the owner's work	none	£80,000
Add: one-off costs	£10,000	£6,000
Add: personal costs	£9,000	£9,000
Less: market rent	none	£8,000
Less: van leases	none	£7,000
Profit after adjustments	£239,000	£140,000

What good looks like

A document behind every line: payslips, the removal invoices, the job sheet for the home air conditioning, the agent's rent letter, the van lease quotes. A limited company must keep its accounting records for at least six years from the end of the financial year they relate to [2].

What the buyer is thinking

The £12,000 of callbacks is not on your schedule. I will raise it. Tell me first where you think it belongs.

Rule of thumb

Count the lines with no document behind them. Those are the ones a buyer can strike out.

What the public record shows about who stays

None of the three sources below gives a price or says how the profit was adjusted. Two are acquirers' announcements that say who was to carry on. The third is a register entry, which shows who took control and nothing more.

When	Who took control, and the firm	What the source shows
January 2026	Nordic Climate Group and Allcool (NW)	The managing director will continue to lead the business with the team [11]
June 2025	KSX Holdings and Elite Pacific	KSX Holdings took 75% or more of the shares [12]
August 2024	Johnson Controls and Password Services	The current business owners plan to remain with the business [10]

Allcool is a refrigeration and air-conditioning firm near Blackpool with 40 staff and roots going back to 1977. Nordic Climate Group said Allcool would keep its name and its site [11].

Elite Pacific is a Wakefield firm whose website offers air conditioning and commercial refrigeration. KSX Holdings was incorporated on 1 April 2025. The register shows one person with significant control of KSX Holdings, who had been a person with significant control of Elite Pacific since 2022 [12].

If the person who does your job stays on a salary, that cost is already in the accounts. If you do it and you leave, it is an estimate.

Ask about our Pre-Sale Programme

Fill in the schedule on the next page, then bring it to a free first conversation.

01285 704466

[See the Pre-Sale Programme](#)

Add-back schedule

One line for each adjustment to your last full year. Write "add" or "less" with each amount, and tick a line when it has a document behind it.

Business and year end

Adjustment	Amount (£)	Evidence you hold	What a buyer can ask	Backed
Your pay (add)			Is the cost of your work taken off too?	☐
Replacing your work (less)			Does the hire hold your gas and F-gas tickets?	☐
One-off cost (add)			Is it in the two years before, or due again?	☐
Ticket renewals and reassessments			Is a normal year's share left in?	☐
Personal cost (add)			How was it treated for tax?	☐
Family member's pay			What is the job, and the going rate?	☐
Rent on premises you own			What would a landlord charge?	☐
Vans or plant in your own name			What would a lease cost?	☐
Vans and kit to replace (less)			What will that cost a year?	☐
Refrigerant at today's prices			What does your supplier quote now?	☐
Open callbacks			Off the profit or off the price?	☐
				☐

Profit in the accounts, total added, total taken off, profit after adjustments

Sources and validity

1. Reads analysis of Companies House data, October 2026. [Company snapshot](#), 1 October 2026; [persons with significant control snapshot](#), 9 October 2026.
2. GOV.UK, Running a limited company: [Taking money out of a limited company](#); [Company and accounting records](#). UK.
3. Office for National Statistics: [Annual Survey of Hours and Earnings 2025](#), Table 14.7a. Air-conditioning and refrigeration installers and repairers; production managers and directors in construction. Employees, UK, year to April 2025, provisional. It was the latest edition available on 12 October 2026. The engineer figure rests on a small sample.
4. HMRC: [Rates and thresholds for employers 2026 to 2027](#); GOV.UK: [Workplace pensions](#). Salary plus 15% on earnings over £5,000 plus 3% of earnings between £6,240 and £50,270. £41,166 plus £5,425 plus £1,048 is £47,639. £56,021 plus £7,653 plus £1,321 is £64,995. These are the employer rate for category letter A and the automatic enrolment minimum for the tax year 2026 to 2027, as they stand on 12 October 2026, before any Employment Allowance.
5. Gas Safe Register: [Becoming registered](#).
6. Environment Agency and Defra: [Company certification to work with F gas](#). Great Britain.
7. Corporation Tax Act 2009, section 54, subsections (1) and (2). UK.
8. Small Companies and Groups (Accounts and Reports) Regulations 2008: [Schedule 1](#), paragraph 66; [regulation 5A](#), for micro-entities. UK. Companies Act individual accounts.
9. Regulation (EU) No 517/2014 as it applies in Great Britain, Annex V; Defra: [Amending the hydrofluorocarbon phasedown schedule](#), updated 15 May 2026.
10. Johnson Controls: [announcement](#), 8 August 2024.
11. Nordic Climate Group: [announcement](#), 15 January 2026.
12. Companies House: [Elite Pacific Limited](#), persons with significant control, change dated 26 June 2025, and [company overview](#); [KSX Holdings Limited](#), incorporated 1 April 2025. Elite Pacific: [company website](#), for its trade.

Checked 12 October 2026. We review every guide after the Autumn Budget on 28 October 2026. Tax, legal and accounting treatment depends on your own business, so take advice from your own accountant or solicitor.

The tests. The three tests and the three-year look back are ours. They are a way to check your own figures. We found no public source that reports which add-backs buyers accept, or how often, so this guide does not say.

The opening figure. 49,775 active companies list SIC 43220, which covers plumbing as well as heating and air conditioning and leaves out firms filed under other codes. An owner here is an individual person with significant control. Every such person is 60 or over in 5,135 to 5,194 of them. The range is there because the register gives month and year of birth only. Age on the register says nothing about one owner's plans.

The example. Brackenfold Climate Services is invented. It is not a Reads client or a real sale. Its figures and the views given for its buyer are there to show the arithmetic and are not market evidence. The public sources show who took control and, in two cases, who was to carry on. None is evidence of a price. The images in this guide are illustrative.

Bring the line you cannot support



You do not need a finished schedule for a first conversation. Bring it as it stands and tell Simon which adjustment worries you most.

A first conversation is free, and there is no obligation to go further.

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