

**ANDREWS SYKES HIRE LIMITED**

**Report and Financial Statements**

**31 December 2005**



# **ANDREWS SYKES HIRE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

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# **ANDREWS SYKES HIRE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

K E J Ford  
P T Wood

#### **SECRETARY**

M J Calderbank ACA

#### **REGISTERED OFFICE**

Premier House  
Darlington Street  
Wolverhampton  
WV1 4JJ

#### **BANKERS**

Bank of Scotland plc  
National Westminster Bank plc

#### **SOLICITORS**

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

#### **AUDITOR**

Deloitte & Touche LLP  
Chartered Accountants  
Birmingham

## **DIRECTORS' REPORT**

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

### **PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

The company's principal activity is the hire and sale of environmental control equipment including air conditioning, pumping and heating equipment. The directors are satisfied with the current level of performance and anticipate being able to report satisfactory results in the next financial period.

### **RESULTS AND DIVIDENDS**

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

The directors did not declare an interim dividend (2004: £Nil) and total dividends paid during the year of £7,650,000 (2004 (as restated): £8,150,000) have been charged against reserves as shown in note 17 to the financial statements.

The directors do not recommend the payment of a final dividend (2004 (as restated): £7,650,000).

### **DIRECTORS AND THEIR INTERESTS**

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

K E J Ford  
R J Stevens (resigned 1 March 2006)  
P T Wood (appointed 2 March 2006)

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

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

The interest of Mr K E J Ford in the share capital of Andrews Sykes Group plc at 31 December 2005 and 31 December 2004 is as follows:

#### **Ordinary shares of 20p each in Andrews Sykes Group plc**

	<b>Number of ordinary shares held</b>	
	<b>31 December 2005</b>	<b>31 December 2004</b>
K E J Ford	2,166	3,000

The mid-market price of the ordinary shares of Andrew Sykes Group plc on 31 December 2005 was 116 pence. The highest and lowest mid-market prices during the 52 weeks ended 31 December 2005 were 210 pence and 107.5 pence respectively.

### **FINANCIAL RISK MANAGEMENT**

#### *Funding and liquidity*

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

#### *Credit risk*

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

**DIRECTORS' REPORT (CONTINUED)**

**HEALTH, SAFETY AND THE ENVIRONMENT**

The company aims to achieve world class performance in health, safety and environmental issues by eliminating injuries, work related ill-health and minimising the effect of our activities on the environment. Health and Safety Officers are appointed at each location and receive periodic training to keep abreast of both legislative requirements and technological advances. The Company aims to continually improve its performance in order to meet changing business and regulatory requirements.

**EMPLOYMENT OF DISABLED PERSONS**

The company makes every reasonable effort to give disabled applicants and existing employees who become disabled, equal opportunities for work, training and career development in keeping with their individual aptitudes and abilities.

**EMPLOYEE INVOLVEMENT**

The company recognises the need to ensure effective communications with employees. Policies and procedures have been developed to suit the needs of each operating unit, taking into account factors such as numbers employed and location, including newsletters and communication meetings.

**REMUNERATION POLICY AND INCENTIVE SCHEMES**

The company's policy is designed to attract, retain and motivate employees of the high calibre required to ensure that the company is managed successfully to the benefit of the shareholders.

**PAYMENT TO SUPPLIERS**

The company agrees payment terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The company does not have a standard or code which deals specifically with the payment of suppliers. The average number of creditor days outstanding at 31 December 2005 was 55 days (2004: 47 days).

**ANNUAL GENERAL MEETING**

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

**AUDITOR**

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

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



**M J Calderbank ACA**

*Company Secretary*

Premier House  
Darlington Street  
Wolverhampton  
WV1 4JJ

31 July 2006

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

In preparing the financial statements the directors are required to:

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANDREWS SYKES HIRE LIMITED**

We have audited the financial statements of Andrews Sykes Hire Limited for the period ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

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

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

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

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

### **Basis of audit opinion**

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

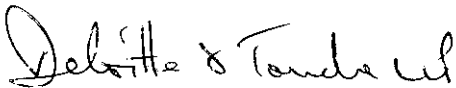
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

## **ANDREWS SYKES HIRE LIMITED**

### **Opinion**

In our opinion:

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



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditor  
Birmingham

31 July 2006



# ANDREWS SYKES HIRE LIMITED

## PROFIT AND LOSS ACCOUNT 52 weeks ended 31 December 2005

	Note	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (*as restated) £000
<b>TURNOVER</b>	2	35,435	36,902
Cost of sales		(14,034)	(14,844)
Gross profit		21,401	22,058
Distribution costs		(6,904)	(6,777)
Administrative expenses (including exceptional items of £Nil (2004: £743,000))	3	(4,810)	(4,944)
<b>OPERATING PROFIT</b>	4	9,687	10,337
Net interest payable	5	(312)	(437)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		9,375	9,900
Tax on profit on ordinary activities	8	(2,976)	(3,231)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>		6,399	6,669

\*The comparative figure for the 53 weeks ended 31 December 2004 have been restated due to the full adoption of FRS 17- Retirement Benefits and FRS 21 – Events after the balance sheet date with effect from 1 January 2005 as set out in note 18.

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

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

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

	<b>52 weeks ended 31 December 2005 £000</b>	<b>53 weeks ended 31 December 2004 (*as restated) £000</b>
Profit for the financial period	6,399	6,669
Actual return less expected return on pension scheme assets	2,492	327
Experience gains and losses arising on the pension scheme liabilities	(4)	(556)
Charges in assumptions underlying the present value in scheme liabilities	(3,255)	-
UK deferred tax attributable to the pension scheme assets and liabilities	230	69
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial period transferred to reserves (note 17)	5,862	6,509
	<hr/>	<hr/>
FRS17 prior year adjustments (note 18)	(5,834)	
	<hr/>	
Total recognised gains and losses since the 2004 report and financial statements	28	
	<hr/>	

\* The comparative figures for the 53 weeks ended 31 December 2004 have been restated due to the full adoption of FRS17-Retirement Benefit with effect from 1 January 2005 as set out in note 18.

Movements in reserves are set out in note 17.

# ANDREWS SYKES HIRE LIMITED

## BALANCE SHEET

31 December 2005

	Note	31 December 2005 £000	31 December 2004 (*as restated) £000
<b>FIXED ASSETS</b>			
Tangible assets	10	7,738	7,891
<b>CURRENT ASSETS</b>			
Stocks	11	3,248	3,206
Debtors – amounts falling due within one year	12	9,604	17,720
Cash at bank and in hand		8,302	9,806
		<u>21,154</u>	<u>30,732</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(19,099)</u>	<u>(24,965)</u>
<b>NET CURRENT ASSETS</b>		<u>2,055</u>	<u>5,767</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>9,793</u>	<u>13,658</u>
Pension liability		<u>(4,075)</u>	<u>(6,152)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>5,718</u>	<u>7,506</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	15	5,580	5,580
Share premium account	16	103	103
Profit and loss account	17	35	1,823
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>5,718</u>	<u>7,506</u>

\*The comparative figures at 31 December 2004 have been restated due to the full adoption of FRS 17 – Retirement Benefits and FRS 21 – Events after the Balance sheet date with effect from 1 January 2005 as set out in note 18.

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

Signed on behalf of the Board of Directors

  
K E J Ford

Director

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

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

**52 weeks ended 31 December 2005**

	<b>52 weeks ended 31 December 2005 £000</b>	<b>53 weeks ended 31 December 2004 (*as restated) £000</b>
Profit for the financial period	6,399	6,669
Dividends paid	(7,650)	(8,150)
Actual return less expected return on pension scheme assets	2,492	327
Experience gains and losses arising on the pension scheme liabilities	(4)	(556)
Charges in assumptions underlying the present value in scheme liabilities	(3,255)	-
UK deferred tax attributable to the pension scheme assets and liability adjustments	230	69
Net decrease in shareholders' funds	<u>(1,788)</u>	<u>(1,641)</u>
Prior year adjustments:		
Shareholders' funds at the beginning of the period as previously stated	5,690	6,666
FRS17 adjustments	(5,834)	(5,669)
FRS21 adjustment	7,650	8,150
Shareholders' funds at beginning of the period as restated	<u>7,506</u>	<u>9,147</u>
Shareholders' funds at the end of the period	<u>5,718</u>	<u>7,506</u>

\* The comparative figures for the 53 weeks ended 31 December 2004 have been restated due to both the full adoption of FRS 17 – Retirement Benefits and FRS 21 – Events after the balance sheet date with effect from 1 January 2005 as set out in note 18.

**NOTES TO THE FINANCIAL STATEMENTS**

**52 weeks ended 31 December 2005**

**1. ACCOUNTING POLICIES**

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the adoption of both FRS 17 – Retirement Benefits and FRS 21 – Events after the balance sheet date. Both these standards are applicable for the first time this year and have a prior year impact as detailed in note 18. FRS 22 – Earnings per share and the relevant paragraphs of FRS 25 – Financial Instruments: Presentation and Disclosure have also been applied but have no impact.

**Related party transactions**

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

**Turnover**

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

**Goodwill**

Goodwill, which represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets at the date of acquisition, is capitalised and amortised over its estimated economic life.

**Tangible fixed assets**

Tangible fixed assets are shown at cost less accumulated depreciation. Depreciation is provided on a straight line basis as to write off the original cost, less estimated residual value, of tangible fixed assets over their estimated useful lives as follows:

Short leasehold land and buildings	- over the period of the lease
Equipment for hire	- 3 to 7 years
Plant, machinery and vehicles	- 4 to 13 years

**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.

**Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

**Leased assets**

Assets acquired under finance leases and similar hire purchase contracts are treated as tangible fixed assets and depreciation is provided accordingly. The capital element of future rentals payable is included within creditors. Lease payments are treated as consisting of capital and interest elements and interest is charged to the profit and loss account using the annuity method.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**52 weeks ended 31 December 2005**

**1. ACCOUNTING POLICIES (continued)**

**Foreign currency**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**Pensions**

*Defined Benefit Scheme*

As disclosed in note 19 the group previously operated a defined benefit pension scheme for the majority of employees. This scheme was closed to new entrants and all existing members became deferred members on 31 December 2002.

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

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

*Defined contribution schemes*

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

**Cash flow statement**

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**52 weeks ended 31 December 2005**

**2. SEGMENTAL ANALYSIS**

The company's turnover and operating profit derive from its principal activities, the hire, sale and service of a range of equipment including portable heating, air conditioning, drying, ventilation and pumps originating within the United Kingdom.

The company's turnover can be analysed as follows:

	<b>52 weeks ended 31 December 2005 £000</b>	<b>53 weeks ended 31 December 2004 £000</b>
Hire	29,775	30,057
Sales, service and installation	5,660	6,845
	<u>35,435</u>	<u>36,902</u>

The company's integrated nature does not permit a meaningful analysis of profit before interest and tax or net assets by the above product groups.

The geographical analysis of turnover by destination is as follows:

	<b>52 weeks ended 31 December 2005 £000</b>	<b>53 weeks ended 31 December 2004 £000</b>
United Kingdom	35,015	36,090
Rest of Europe	128	251
Middle East & Africa	31	123
The Americas	261	437
Rest of World	-	1
	<u>35,435</u>	<u>36,902</u>

**3. EXCEPTIONAL ADMINISTRATIVE EXPENSES**

	<b>52 weeks ended 31 December 2005 £000</b>	<b>53 weeks ended 31 December 2004 £000</b>
Exceptional costs of cash cancellation offer	-	743

On 18 November 2004 the Board of Andrews Sykes Group plc made a cash cancellation offer to all the Company's share option holders. The price offered remained open for acceptance until 8 December 2004. The above charge last year included all cost associated with the cancellation in respect of the company's employees.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**52 weeks ended 31 December 2005**

**4. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 £000
Depreciation of tangible fixed assets:		
- owned	3,191	3,519
Profit on sale of tangible fixed assets	(254)	(456)
Operating lease rentals:		
- plant and machinery	19	14
- external property rents	743	732
Auditors' remuneration:		
- audit services	40	45
- non audit services	-	-
	<u>          </u>	<u>          </u>

**5. NET INTEREST PAYABLE**

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated, see note 18) £000
<i>Interest receivable and similar income:</i>		
Interest charged to other group companies	315	307
Bank interest receivable	440	358
	<u>755</u>	<u>665</u>
<i>Interest payable and similar charges:</i>		
Net FRS 17 defined benefit pension scheme interest charge (note 19)	(225)	(241)
Interest payable to group companies	(837)	(861)
Other interest	(5)	-
	<u>(1,067)</u>	<u>(1,102)</u>
Net interest payable	<u>(312)</u>	<u>(437)</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52 weeks ended 31 December 2005

6. STAFF COSTS

The average monthly number of persons employed by the company, including directors, during the period was as follows:

	52 weeks ended 31 December 2005 No.	53 weeks ended 31 December 2004 No.
Hire, distribution and administration	314	342

Their aggregate remuneration comprised:

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated, see note 18) £000
Wages and salaries	8,110	8,847
Social security costs	809	908
Other pension costs (see note 19)	234	308
	<u>9,153</u>	<u>10,063</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**52 weeks ended 31 December 2005**

**7. DIRECTORS' REMUNERATION**

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

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 £000
<i>Emoluments as executives of the company</i>		
Emoluments	62	130
Company contributions to money purchase schemes	5	4
	<hr/> 67	<hr/> 134

Details of Directors share interests are disclosed in the Director's Report on page 2.

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

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

The emoluments of the directors who are also directors of Andrews Sykes Group plc are disclosed in that company's financial statements and are not included above.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**52 weeks ended 31 December 2005**

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

(i) *Analysis of tax charge on ordinary activities*

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated, see note 18) £000
<b>Current tax:</b>		
UK corporation tax and group relief at 30% based on the taxable profit for the period	1,852	2,889
Adjustment in respect of previous periods	76	77
Total current tax	1,928	2,966
<b>Deferred tax:</b>		
Origination and reversal of timing differences in the current year	1,131	180
Adjustments in respect of previous periods	(83)	85
Total deferred tax (see note 12)	1,048	265
Tax on profit on ordinary activities	2,976	3,231

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**52 weeks ended 31 December 2005**

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

(ii) *Factors affecting tax charge for the current period*

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

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated, see note 18) £000
Profit on ordinary activities before taxation	9,375	9,900
Tax at 30% thereon	2,813	2,970
Adjustment in respect of previous periods	76	77
Depreciation in excess of capital allowances	70	153
Expenses not deductible for tax purposes	169	95
Profit on disposal of fixed asset	(76)	(137)
Movement on short term timing differences	(1,124)	(192)
Current tax charge for the period	1,928	2,966

**9. DIVIDENDS PAID AND PROPOSED ON EQUITY SHARES**

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 £000
Final dividend in respect of the previous year declared and paid during the current year:		
Dividend of £1.371 (2004: £1.461) per share	7,650	8,150

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**52 weeks ended 31 December 2005**

**10. TANGIBLE FIXED ASSETS**

	Short leasehold land and buildings £000	Equipment for hire £000	Plant, machinery and vehicles £000	Total £000
<b>Cost</b>				
At the beginning of the period	382	21,776	7,369	29,527
Additions	7	2,922	300	3,229
Disposals	-	(2,150)	(518)	(2,668)
Transfers from group undertakings	-	8	94	102
Transfers to group undertakings	-	-	(36)	(36)
At the end of the period	389	22,556	7,209	30,154
<b>Depreciation</b>				
At the beginning of the period	327	15,738	5,571	21,636
Charge for period	5	2,307	879	3,191
Disposals	-	(1,946)	(498)	(2,444)
Transfers from group undertakings	-	4	61	65
Transfers to group undertakings	-	-	(32)	(32)
At the end of the period	332	16,103	5,981	22,416
<b>Net book value</b>				
At 31 December 2005	57	6,453	1,228	7,738
At 31 December 2004	55	6,038	1,798	7,891

**11. STOCKS**

	31 December 2005 £000	31 December 2004 £000
Finished goods and goods for resale	3,248	3,206

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
52 weeks ended 31 December 2005

12. DEBTORS

	31 December 2005 £000	31 December 2004 (as restated, see note 18) £000
<b>Debtors due within one year:</b>		
Trade debtors	6,873	6,187
Amounts owed by group undertakings	1,056	9,740
Prepayments and accrued income	801	878
UK corporation tax receivable	-	114
Deferred tax asset	874	801
	<u>9,604</u>	<u>17,720</u>

The deferred taxation asset is analysed as follows:

	31 December 2005 £000	31 December 2004 (as restated see note 18) £000
Tax written down value of plant and equipment in excess of the accounts written down value	396	395
Short term timing differences arising on:		
Other timing differences	478	406
	<u>874</u>	<u>801</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**52 weeks ended 31 December 2005**

**12. DEBTORS (CONTINUED)**

The movement on the deferred tax account during the period was as follows:

	<b>£000</b>
At beginning of period at 30% as previously reported	938
Prior year adjustment – release of SSAP 24 provision	(137)
	<hr/>
At the beginning of the period as restated	801
Profit and loss account charge (note 8)	(1,048)
Effect of pension payments in excess of actuarial charges	891
Deferred tax attributable to pension asset and liability adjustments posted to reserves	230
	<hr/>
At the end of the period at 30%	<u>874</u>

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

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>31 December 2004</b>	<b>31 December 2005</b>
	<b>(as restated, see note 18)</b>	<b>£000</b>
Bank overdraft	-	81
Trade creditors	2,557	2,998
Amounts owed to group undertakings	17,831	12,668
Other creditors:		
- UK corporation tax payable	-	775
- Other taxes and social security	1,559	689
- Other creditors	45	247
Group relief	1,387	58
Accruals and deferred income	1,586	1,583
	<hr/>	<hr/>
	<u>24,965</u>	<u>19,099</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**52 weeks ended 31 December 2005**

**14. PROVISIONS FOR LIABILITIES**

	<b>SSAP 24 Pension provision £000</b>
At the beginning of the period as previously reported	455
Prior year adjustment – release of SSAP 24 pension provision	(455)
	<hr/>
At the beginning of the period as restated and at end of period	-
	<hr/> <hr/>

The SSAP 24 pension provision has been released following the full adoption of FRS17: Retirement Benefits, details of which are given in note 19.

**15. CALLED-UP SHARE CAPITAL**

	<b>31 December 2005 £</b>	<b>31 December 2004 £</b>
<b>Authorised</b>		
6,000,000 ordinary shares of £1 each	6,000,000	6,000,000
	<hr/>	<hr/>
<b>Called-up, allotted and fully paid</b>		
5,580,002 ordinary shares of £1 each	5,580,002	5,580,002
	<hr/>	<hr/>

**16. SHARE PREMIUM ACCOUNT**

	<b>£000</b>
At 31 December 2004 and 31 December 2005	103
	<hr/>
Goodwill previously written off through capital reconstruction against share premium is as follows:	
Arising on acquisition of trade and assets	16,897
	<hr/> <hr/>



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**52 weeks ended 31 December 2005**

**17. PROFIT AND LOSS ACCOUNT RESERVE**

	£000
At beginning of the period as previously reported	7
Adoption of FRS 17 as at 31 December 2004	(5,834)
Liability for 2004 final dividend not declared at 31 December 2004	7,650
At the beginning of the period as restated	1,823
Total recognised gains and losses relating to the period	5,862
Dividends paid	(7,650)
At the end of the period	35

**18. PRIOR YEAR ADJUSTMENT**

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

The opening equity shareholders' funds at 27 December 2003 were restated as follows:

	Equity shareholders' funds	£000
Equity shareholders' funds at 27 December 2003 as previously stated	£000	6,666
Adoption of FRS17 as at 27 December 2003	(5,669)	
Liability for 2003 dividend not declared at 27 December 2003	8,150	
Total prior period adjustments		2,481
Equity shareholders' funds at 27 December 2003 as restated		9,147

The closing equity shareholders' funds at 31 December 2004 were restated as follows:

	Equity shareholders' funds	£000
Equity shareholders' funds at 31 December 2004 as previously stated	£000	5,690
Adoption of FRS17 as at 31 December 2004	(5,834)	
Liability for 2004 dividend not declared at 31 December 2004	7,650	
Total prior period adjustments		1,816
Equity shareholders' funds at 31 December 2004 as restated		7,506

The impact of adopting FRS 17 on the current period profit and loss account is a charge of approximately £5,000. The impact of adopting FRS 21 on the current period reserve movement is a charge of approximately £7.65 million.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 52 weeks ended 31 December 2005

#### 19. RETIREMENT BENEFIT OBLIGATIONS

##### *Defined Contribution Scheme*

On 1 January 2003 a new pension scheme was introduced, the Andrews Sykes Stakeholder Pension Plan, to which the majority of UK employees are eligible. The scheme is managed on behalf of the Group by Legal & General. Both the employer and employee contribution rates vary generally based upon the individuals' length of service within the company. The employer's contribution rates vary from 3% to 10% the current average being 4.54%. The profit and loss account charge in the current year amounted to £234,000 (53 weeks ended 31 December 2004: £308,000).

##### *Defined benefit pension scheme*

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

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

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

##### *Assumptions*

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

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

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

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

Long term rate of return on:

UK equities	7.50%	7.50%	7.50%
Bonds	4.30%	5.00%	5.50%
Cash	4.10%	4.00%	4.00%

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**52 weeks ended 31 December 2005**

**19. 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. The allocation of both the assets and the liabilities across group companies have been revised this year by the actuary following the disposal of certain group undertakings during 2005.

	<b>31 December 2005 £000</b>	<b>31 December 2004 £000</b>	<b>27 December 2003 £000</b>
UK equities	15,729	14,285	11,923
Bonds	12,281	6,836	7,539
Cash	254	132	479
Total market value of assets	28,264	21,253	19,941
Present value of scheme liabilities	(34,085)	(30,042)	(28,759)
Deficit in the scheme – pension liability	(5,821)	(8,789)	(8,818)
Related deferred tax	1,746	2,637	2,646
Net pension liability	<u>(4,075)</u>	<u>(6,152)</u>	<u>(6,172)</u>
The movement in the deficit during the period was as follows:			
Deficit in the scheme at the beginning of the period	(8,789)	(8,818)	(6,894)
Contributions	3,960	499	407
Other finance costs (note 5)	(225)	(241)	(198)
Actuarial loss	(767)	(229)	(2,133)
Deficit in the scheme at the end of the period	<u>(5,821)</u>	<u>(8,789)</u>	<u>(8,818)</u>

The following amounts have been included in other finance income:

	<b>31 December 2005 £000</b>	<b>31 December 2004 £000</b>
Expected return on pension scheme assets	1,399	1,317
Interest on pension scheme liabilities	(1,624)	(1,558)
	<u>(225)</u>	<u>(241)</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**52 weeks ended 31 December 2005**

**19. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**

	31 December 2005 £000	31 December 2004 £000
<b>Amounts recognised in statement of total recognised gains and losses</b>		
The amounts included in the statement of total recognised gains and losses were:		
Actuarial return less expected return on scheme assets	2,492	327
Experience gains and losses arising on scheme liabilities	(4)	(556)
Changes in assumptions underlying the present value of scheme liabilities	(3,255)	-
	<u>(767)</u>	<u>(229)</u>
Actuarial loss recognised in the statement of total recognised gains and losses	<u>(767)</u>	<u>(229)</u>

	31 December 2005 £000	31 December 2004 £000	27 December 2003 £000	28 December 2002 £000
Experience between the expected and actual return on scheme assets:				
Amount	2,492	327	876	(4,000)
Percentage of scheme assets	8.8%	1.5%	4.4%	(21.8%)
Experience gains and losses arising on scheme liabilities:				
Amount	(4)	(556)	114	429
Percentage of present value of scheme liabilities	0.0%	(1.8%)	0.4%	1.7%
Effects to changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:				
Amount	(3,255)	-	(3,123)	(768)
Percentage of present value of scheme liabilities	(9.6%)	0.0%	(10.9%)	(3.0%)
Total amount recognised in statement of total recognised gains and losses				
Amount	(767)	(229)	(2,133)	(4,339)
Percentage of present value of scheme liabilities	(2.3%)	(0.8%)	(7.4%)	(17.2%)

**20. LEASE COMMITMENTS**

	Land and buildings		Other	
	31 December 2005 £000	31 December 2004 £000	31 December 2005 £000	31 December 2004 £000
Expiring:				
Within one year	28	14	1	-
Between two and five years inclusive	206	99	18	-
In five years or more	479	566	-	-
	<u>713</u>	<u>679</u>	<u>19</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**52 weeks ended 31 December 2005**

**21. 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 Sykes Hire Limited are consolidated is that headed by Andrews Sykes Group plc whose principal place of business is Premier House, Darlington Street, Wolverhampton WV1 4JJ. The consolidated accounts for this group are available to the public and may be obtained from the aforementioned address.

As at 31 July 2006, EOI SYKES Sarl, which is incorporated in Luxembourg, held 81.65% of the ordinary share capital of Andrews Sykes Group plc and is therefore that company's immediate parent company. The ultimate holding company is British Security Group Limited, a company incorporated in Bermuda. The ultimate controlling party is Mr J G Murray.