

**Andrews Sykes Hire Limited**

**Directors' report and financial  
statements**

**Registered number 02985657**

**For the year ended 31 December 2011**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

### **Principal activity**

The company's principal activity is the hire and sale of environmental control equipment, including air conditioning, pumping and heating equipment

### **Business review**

Trading conditions in the UK remained difficult, turnover decreased by 4%, which resulted in a reduced operating profit. The market conditions in the UK remained challenging throughout the year, with the construction market not showing any significant sign of recovery, this along with the unusually dry conditions throughout the year meant that the pump hire market was particularly difficult. Government expenditure controls coupled with poor summer weather conditions also meant that the air conditioning market was unfavourable. The company did benefit from the cold weather conditions at the very beginning of the year, but the winter months towards the end of 2011 were very mild and provided little opportunity for our heat for hire products. The success we achieved during previous years in reducing the reliance of our pumping products on the construction industry continued to benefit the business during 2011. Throughout the year, our cost base was carefully managed and capital expenditure was directed into new hire fleet equipment that provides our customers with new solutions whilst providing a good return to the business.

### ***Andrews Heat for Hire***

The year started well for our heating products following on from the severe weather conditions during the latter part of 2010 which continued into 2011. The final quarter of 2011 was however disappointing due to very mild weather conditions during the winter. During the year, business continued to invest in high capacity heaters with increased efficiency and further investment was made in our electrical heater range for niche market opportunities.

### ***Sykes Pumps***

Continuing with our successful initiatives during recent years, significant progress was once again made in developing non-construction markets for our pumping products. In previous years our pump hire business had been very reliant on major civil engineering and infrastructure projects but, as these markets have declined in the UK, we have been able to successfully diversify into other market sectors. In particular, the utility sector has produced a stable source of revenue and, in 2011, the company has enjoyed further success by winning several major supply contracts to major utility providers. Once again, our main focus remains with our major clients who can benefit from our comprehensive pumping product portfolio and our unique service offering, whilst ensuring that our local customers are provided with a high level of service from our UK depot network. During 2011, significant investments were made in the pump hire fleet: these included new purpose-built, heavy-duty sludge pumps and also a new range of specialist explosion-proof submersible units. These units were developed to overcome difficult applications and provide our customers with unique solutions.

### ***Andrews Dehumidification***

During 2011 further progress was made with our dehumidification products. In particular, our desiccant dehumidifier range was extended, these units are often used for close control projects which require very low humidity. The majority of the success came from industrial applications, the very dry weather conditions and the continuing downturn in the construction industry hampering our performance from the building sector. Focused marketing and promotional activity has enabled us to enter new markets, which should provide further opportunities in the future.

## **Directors' report** *(continued)*

### **Business review** *(continued)*

#### **Andrews Air Conditioning**

The UK market for air conditioning hire was once again very challenging. The summer weather conditions throughout the UK were poor, the hot days were few and far between and did little to stimulate requirement. Progress was made, however, with specialist applications and also emergency breakdown requirements. To support this, further investment was made in our new PAC 60 unit which offers a unique solution for specialist requirements in the IT and Telecommunications sectors. During the first half of 2012, a new corporate website was launched with new features that particularly benefit our air conditioning business. Towards the end of 2011, we were successful with a major project tender. This will also benefit our cooling hire products.

#### **Andrews Ventilation**

After relaunching the Andrews Ventilation brand in 2010, further progress was made in developing our products and services for ventilation equipment. New products have been introduced to our hire fleet and a number of marketing initiatives have helped to stimulate demand from target sectors. Plans have been made to introduce larger units into our hire fleet in 2012 and several enquiries have already been received for these products from major civil engineering contractors.

#### **Andrews Chillers**

Once again, our Chiller hire business products good results for the year, with further growth on the 2010 performance. The larger units in our hire fleet, which we have focused our investment upon, continue to perform particularly well. Andrews Chiller hire offer a unique 24/7 service which has enabled this division to gain an excellent reputation in this competitive market. During 2011, significant investment was made in new specialist units which will enable the business to penetrate new market. These include high capacity and low temperature applications. For 2012, new bespoke units have also been designed and developed.

#### **Andrews Boilers**

Despite the mild winter conditions, our boiler hire division once again provided the business with a strong result. Our wide product range and market expertise, coupled with our unique service offering, has made Andrews a leader in this market. Investment was continued in our product range during the year which, along with additional specialist accessories, has extended the capabilities of our hire fleet even further. Although the winter of 2011/12 was mild, our boiler fleet enjoyed high utilisation and good results.

#### **Quality and environmental**

Andrews Sykes has ISO 9001 quality accreditation at all of its hire depots as well as head office location, we take our quality standards seriously and carry out regular internal quality audits within our own qualified staff in addition to external auditors.

Following the ISO 14001 accreditation in 2007 the company has continued with its commitment to improving environmental issues across the business, this includes regular environmental audits at our locations and ongoing product developments based on efficiency and environmental improvements.

#### **Health and safety**

The company is committed to an ongoing Health and Safety Improvement programme, this provides our staff with a safe environment in which to work and provides our customers with safe products and solutions that have been risk assessed. This initiative is further enhanced with regular internal audits by our own fully qualified health and safety managers, along with training, induction and awareness programmes for all members of staff.

## **Directors' report** *(continued)*

### **Business review** *(continued)*

#### ***Our people***

During the year the company continued with its policy of training and development for all employees. By improving the skills of our staff the company aims to continue with the high level of staff retention we have currently and provide clear internal promotion opportunities. The business operates regular personal development reviews for all members of staff, where training and development plans are made for each individual. Communication with our staff has once again been improved during the year.

#### ***Our depots***

We are pleased to report that no depot closures were necessary in 2011 and we have continued with the same number of depots, providing our customers with a local service nationwide. During the year we continued to upgrade our depot facilities with a number of major refurbishments completed. Towards the end of 2011, preparations were being made to relocate our London depot to a modern facility within the same area. This new depot has a much larger capacity, with modern facilities that will enable us to provide increased levels of service to our London based customers.

#### ***Technology***

We have continued to review our technology and business systems to ensure that the company has fast and reliable IT systems that provide excellent management tools. The development of a new IT system to improve our customer relationship is almost complete. This will provide our clients with a better level of service and provide better efficiency for our sales team.

#### ***Summary***

Throughout 2011, the company has continued to concentrate on its core product range of pumping, heating and cooling equipment, focusing on markets that are less reliant on climatic conditions, whilst still being able to take advantage of any extremes of weather conditions whenever they arise. Through careful cost control and efficiency improvements, the company has once again achieved a good operating profit during a very challenging year in which both the economy and weather conditions were not entirely favourable. Our hire fleet investment will continue to focus on modern products that have increased efficiency, environmental advantages and new technological developments. At the same time, the business will also continue to carefully control its cost base to ensure that satisfactory levels of profits can continue to be achieved despite the difficult economic conditions that the UK construction market is experiencing and without total reliance on severe weather conditions.

#### **Results and dividends**

The results for the year are set out in the profit and loss account on page 11.

Total dividends paid during the year of £5,000,000 (2010 £5,000,000) have been charged against reserves.

The net assets of the company have increased by £1,843,000 to £15,203,000 (2010 £2,286,000 to £13,360,000) as shown on page 13.

The directors do not recommend the payment of a final dividend (2010 £Nil).

#### **Directors**

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

KEJ Ford  
PT Wood

## **Directors' report** *(continued)*

### **Financial key performance indicators (KPIs)**

The key financial performance indicators are

- average turnover per employee,
- operating cash flow\* as a percentage of operating assets\*\* employed,
- operating profit divided by net interest charge,
- hire fleet asset utilisation

\* Operating cash flow before defined benefit scheme contributions

\*\* Operating assets are net assets employed, excluding pension scheme assets and liabilities, inter-company loans, deferred and current tax balances and cash

### **Risk management**

The company's principal risks are as follows

#### ***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 2011 were approved on 1 May 2012. In those financial statements, the board of Andrews Sykes Group plc concluded that "after making enquiries, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the board continues to adopt the going concern basis when preparing this annual report and financial statements". Further information explaining why the board reached this conclusion is given on page 17 of the group's 2011 annual report and financial statements.

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

#### ***Strategic risks***

In common with all entities operating in a dynamic market place, the company faces a number of strategic risks. Management has developed long term business plans to manage the impact of these risks to ensure that the company delivers a satisfactory performance in future years. The main strategic risks faced by the business, together with the actions taken by management to mitigate their impact, are set out below.

Competition, product innovations and industry changes are regarded as the main strategic risks. These are mitigated by investment in new environmentally friendly technically advanced products and equipment and providing service levels that are recognised as being among the best in the industry. We undertake market research and customer satisfaction studies to ensure that our products and services continue to meet the needs of our customers.

In order to remain competitive, management recognise the need to invest in appropriate IT equipment and software. Consequently, the communication network, website and data capture systems are all being constantly reviewed and updated to ensure they remain at the forefront of industry standards. The company's main computer systems were upgraded with technologically advanced products last year.

## **Directors' report** *(continued)*

### **Risk management** *(continued)*

#### **Strategic risks** *(continued)*

The potential impact of the weather has been significantly reduced over the past few years by the expansion of our non-weather related business. The company also has a diverse product range of pumps, heaters and air conditioning and environmental control equipment which enables it to take maximum advantage of any extremes in weather conditions whenever they arise. This, combined with our policy of reducing fixed costs and linking them to a sustainable level of turnover, enables the company to achieve a satisfactory level of profits even in non-extreme weather conditions.

#### **Financial risks**

There has been no change during the year, or since the year end, to the type of financial risks faced by the company or the management of those risks.

The key financial risks are

- interest rate risk,
- funding and liquidity,
- credit risk

#### **Interest rate risk**

The company is partially financed by inter-company loans on which interest is charged at variable rates based on LIBOR. The directors consider that the company's exposure to fluctuations in the market interest rates is currently not significant given Andrews Sykes Group plc's financial arrangements.

As at 31 December 2011, the group's gross debt was £14.6 million, including bank loans of £14 million on which interest is charged based on LIBOR plus a margin of between 0.65% and 1.25%. On 30 April 2012, the group repaid £6 million of the outstanding loan.

To minimise the impact of any large increases in LIBOR, as at 31 December 2011, the group held an interest rate cap agreement based on a notional capital value of £10 million on which the interest charged is capped at 6.25%. The effect of the cap is to limit the group's exposure to LIBOR to a maximum of the cap rate applied to the nominal capital value or actual loan value, whichever is the lesser.

#### **Funding and liquidity**

The group has the above secured loan facilities which are fully utilised. There are no unsecured short term loans.

At 31 December 2011, the group had cash balances of £25.0 million. Cash balances are pooled across all companies and are held in current accounts to fund working capital requirements. Whenever surplus funds are identified, they are placed on short term deposit. Therefore, the directors currently consider the company's risk to be minimal, given the group's funding facilities.

#### **Credit risk**

The company's main exposure to credit risk is with regard to recoverability of trade debtors. Trade debtors consist of a large number of customers spread across diverse industries and geographical locations. Ongoing credit evaluation is performed on the financial condition of debtor accounts and where appropriate, credit guarantee insurance cover is purchased. Management consider that the carrying value reflects their recoverable amount.

## **Directors' report** *(continued)*

### **Risk management** *(continued)*

#### **Pension scheme surplus**

As set out in note 16 to the financial statements, as at 31 December 2011, the company's share of the pension scheme assets was £29.9 million which, after deducting the company's share of the present value of the pension scheme liabilities of £28.3 million, calculated in accordance with FRS 17, results in a pre-tax surplus of £1.6 million. In accordance with FRS 17, this asset has not been recognised in these financial statements as the scheme is closed to future accrual.

Management continues to work with the pension scheme trustees to maximise the return from the pension scheme assets and to match that return with the pension scheme liabilities as they crystallise in order to minimise the exposure of the group. The net surplus or deficit is sensitive to changes in assumptions, which are at least in part influenced by changes in market conditions and therefore this area continues to be a high priority.

#### **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.

#### **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 2011 was 43 days (2010: 53 days).

#### **Disclosure of information to auditor**

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



## **Directors' report** *(continued)*

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG Audit Plc will, therefore, continue in office

Signed by order of the board



MJ Calderbank ACA  
*Company Secretary*

Premier House  
Darlington Street  
Wolverhampton  
WV1 4JJ

21 September 2012

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 of the company and of the 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 judgments and 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, and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **KPMG Audit Plc**

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
United Kingdom

### **Independent auditor's report to the members of Andrews Sykes Hire Limited**

We have audited the financial statements of Andrews Sykes Hire Limited for the year ended 31 December 2011 set out on pages 11 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of Andrews Sykes Hire Limited**  
*(continued)*

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**DK Turner (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
*Chartered Accountants*

21 September 2012

**Profit and loss account**  
*for the year ended 31 December 2011*

	<i>Note</i>	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>34,503</b>	<b>35,940</b>
Cost of sales		<b>(12,827)</b>	<b>(13,026)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>21,676</b>	<b>22,914</b>
Distribution costs		<b>(7,550)</b>	<b>(7,357)</b>
Administrative expenses		<b>(4,546)</b>	<b>(5,059)</b>
		<hr/>	<hr/>
<b>Operating profit</b>	<b>3</b>	<b>9,580</b>	<b>10,498</b>
Net interest receivable/(payable)	<b>4</b>	<b>12</b>	<b>(172)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>9,592</b>	<b>10,326</b>
Tax on profit on ordinary activities	<b>7</b>	<b>(2,666)</b>	<b>(3,022)</b>
		<hr/>	<hr/>
<b>Profit for the financial year</b>	<b>15</b>	<b>6,926</b>	<b>7,304</b>
		<hr/>	<hr/>

All results are derived from continuing activities in both years

**Statement of total recognised gains and losses**  
*for the year ended 31 December 2011*

	2011 £000	2010 £000
<b>Profit for the financial year</b>	<b>6,926</b>	<b>7,304</b>
<b>Other recognised gains and losses</b>		
Actual return less expected return on pension scheme assets	173	1,243
Experience gains and losses arising on the pension scheme liabilities	(247)	473
Changes in assumptions underlying the present value in scheme liabilities	(383)	79
Net pension asset not recognised	(1,547)	(1,890)
Reverse provision re non-recognition of pension scheme asset	1,890	70
UK deferred tax attributable to the pension scheme assets and liability adjustments	31	7
<b>Total other recognised gains and losses relating to the financial year net of tax</b>	<b>(83)</b>	<b>(18)</b>
<b>Total recognised gains and losses relating to the financial year transferred to reserves (note 15)</b>	<b>6,843</b>	<b>7,286</b>

**Balance sheet**  
**at 31 December 2011**

	<i>Note</i>	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	9	6,796	7,363
<b>Current assets</b>			
Stocks	10	1,778	2,476
Debtors Amounts falling due within one year	11	10,280	10,398
Cash at bank and in hand		21,065	22,107
		<u>33,123</u>	<u>34,981</u>
<b>Creditors</b> Amounts falling due within one year	12	<u>(24,716)</u>	<u>(28,984)</u>
<b>Net current assets, being total net assets</b>		<u>15,203</u>	<u>13,360</u>
<b>Capital and reserves</b>			
Called up share capital	13	5,580	5,580
Share premium account	14	103	103
Profit and loss account	15	9,520	7,677
<b>Shareholders' funds</b>		<u>15,203</u>	<u>13,360</u>

These financial statements were approved by the board of directors on 21 September 2012 and were signed on its behalf by

  
KEJ Ford

Director

Company number 02985657

**Reconciliation of movement in shareholders' funds**  
*for the year ended 31 December 2011*

	<i>Note</i>	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>
<b>Profit for the financial year</b>		<b>6,926</b>	<b>7,304</b>
Dividends paid	8	(5,000)	(5,000)
Actual return less expected return on pension scheme assets		173	1,243
Experience gains and losses arising on the pension scheme liabilities		(247)	473
Changes in assumptions underlying the present value in scheme liabilities		(383)	79
Net pension asset not recognised		(1,547)	(1,890)
Reverse provision re non-recognition of pension scheme asset		1,890	70
UK deferred tax attributable to the pension scheme assets and liability adjustments		31	7
<b>Total other recognised gains and losses relating to the financial year (net of tax)</b>		<b>(83)</b>	<b>(18)</b>
<b>Net increase in shareholders' funds</b>		<b>1,843</b>	<b>2,286</b>
Shareholders' funds at beginning of year		13,360	11,074
<b>Shareholders' funds at end of year</b>		<b>15,203</b>	<b>13,360</b>



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards

#### **Going concern**

The financial statements have been prepared on the assumption that the company is a going concern and will continue to trade for at least 12 months following the date of approval of the financial statements and based on the assessment made by the directors in the directors' report, see going concern commentary in the directors' report on page 4

#### **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, for which the group financial statements are publicly available

#### **Turnover**

Turnover represents the net amount receivable from external customers (excluding VAT) for the hire and sale of environmental control products after deducting trade discounts. Turnover is recognised on despatch for the sale of goods and, for hire items, over the period of hire

#### **Tangible fixed assets**

Tangible fixed assets are shown at cost less accumulated depreciation and any provision for impairment. 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

Short leasehold land and buildings	-	over the period of the lease
Equipment for hire	-	10% to 33%
Plant, machinery and vehicles	-	7.5% to 33%

#### **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 substantially 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 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

## Notes (continued)

### 1 Accounting policies (continued)

#### Pension costs

##### Defined benefit scheme

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

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 those 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.

The pension scheme surplus (to the extent that it is considered to be recoverable) or deficit is recognised in full.

##### Defined contribution schemes

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

#### 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.

#### Leased assets

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

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

#### Cash flow statement

Under FRS 1, 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 whose financial statements are publicly available.

### 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:

	2011 £000	2010 £000
Hire	30,855	32,721
Sales, service and installation	3,648	3,219
	<hr/>	<hr/>
	34,503	35,940
	<hr/>	<hr/>

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.

## Notes (continued)

### 2 Segmental analysis (continued)

The geographical analysis of turnover by destination is as follows

	2011 £000	2010 £000
United Kingdom	33,625	35,222
Rest of Europe	743	424
Rest of world	135	294
	<u>34,503</u>	<u>35,940</u>

### 3 Operating profit

	2011 £000	2010 £000
<i>Operating profit is stated after charging/(crediting)</i>		
Depreciation of tangible fixed assets		
Owned	2,578	2,921
Leased	-	26
Profit on sale of tangible fixed assets	(429)	(336)
Operating lease rentals		
Vehicles, plant and machinery	682	573
External property rents	903	883
	<u></u>	<u></u>
<i>Auditor's remuneration</i>		
Fees payable to the company's auditor in respect of the audit of the company's financial Statements	36	20
Fees payable to the company's auditor in respect of non-audit services	-	-
	<u></u>	<u></u>

### 4 Net interest receivable/(payable)

	2011 £000	2010 £000
<i>Interest receivable and similar income</i>		
Interest receivable from other group companies	6	4
Bank interest	158	163
Other interest	8	-
	<u>172</u>	<u>167</u>
<i>Interest payable and similar charges</i>		
Interest payable to group companies	(160)	(250)
Net FRS 17 defined benefit pension scheme interest charge (note 16)	-	(89)
	<u>(160)</u>	<u>(339)</u>
Net interest receivable/(payable)	<u>12</u>	<u>(172)</u>

## Notes (continued)

### 5 Staff numbers and costs

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

	Number of employees	
	2011	2010
Sales and distribution	122	115
Engineers	92	92
Managers and administration	86	83
	<u>300</u>	<u>290</u>

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	8,869	8,484
Social security costs	909	847
Other pension costs (see note 16)	243	228
	<u>10,021</u>	<u>9,559</u>

### 6 Directors' remuneration

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

	2011 £000	2010 £000
Emoluments as executive of the company		
Emoluments	115	99
Company contributions to money purchase schemes	12	11
	<u>127</u>	<u>110</u>

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 two directors during the financial year (2010 two) in respect of qualifying services in the Andrews Sykes Group plc defined benefit pension scheme

## Notes (continued)

### 7 Tax on profit on ordinary activities

#### Analysis of charge for the year

	2011 £000	£000	2010 £000	£000
<i>UK corporation tax and group relief</i>				
Current tax on income for the year	2,637		3,260	
Adjustments in respect of prior years	(25)		(12)	
	<hr/>		<hr/>	
Total current tax		2,612		3,248
<i>Deferred tax</i>				
Origination and reversal of timing differences	(13)		(283)	
Effect of change in rate of corporation tax	80		38	
Adjustments in respect of previous years	(13)		19	
	<hr/>		<hr/>	
Total deferred tax charge/(credit)		54		(226)
		<hr/>		<hr/>
Tax charge on profit on ordinary activities		2,666		3,022
		<hr/>		<hr/>

#### Factors affecting the tax charge for the current year

The current tax charge for the year differs from that resulting by applying the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	9,592	10,326
	<hr/>	<hr/>
Current tax at 26.5% (2010 28%)	2,542	2,891
<i>Effects of</i>		
Adjustments in respect of previous years	(25)	(12)
Capital allowances less than depreciation	176	247
Expenses not deductible for tax purposes	79	71
Profit on sale of fixed assets	(114)	(94)
Movement on short term timing differences	(46)	145
	<hr/>	<hr/>
Total current tax charge (see above)	2,612	3,248
	<hr/>	<hr/>

#### Factors that may affect future current and total tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

The above will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 31 December 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date) by approximately £80,000.

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

## Notes (continued)

### 8 Dividends

	2011 £000	2010 £000
Interim dividends of £0.8961 per share (2010 £0.8961) declared and paid during the current year	5,000	5,000

### 9 Tangible fixed assets

	Short leasehold land and buildings £000	Equipment for hire £000	Plant, machinery and vehicles £000	Total £000
<b>Cost</b>				
At beginning of year	583	28,666	5,164	34,413
External additions	-	2,064	272	2,336
Inter-company additions	-	-	25	25
External disposals	-	(1,345)	(541)	(1,886)
Inter-company disposals	-	(284)	-	(284)
At end of year	583	29,101	4,920	34,604
<b>Depreciation</b>				
At beginning of year	360	22,167	4,523	27,050
Charge for year	18	2,217	343	2,578
Inter-company additions	-	-	25	25
External disposals	-	(1,233)	(540)	(1,773)
Inter-company disposals	-	(72)	-	(72)
At end of year	378	23,079	4,351	27,808
<b>Net book value</b>				
At 31 December 2011	205	6,022	569	6,796
At 31 December 2010	223	6,499	641	7,363

The net book value of fixed assets includes £Nil (2010 £Nil) in respect of assets held under hire purchase and similar finance lease agreements. The depreciation charged on those assets during the year amounts to £Nil (2010 £26,000).

### 10 Stocks

	2011 £000	2010 £000
Finished goods and goods for resale	1,778	2,476

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

## Notes (continued)

### 11 Debtors: Amounts falling due within one year

	2011 £000	2010 £000
Trade debtors	7,334	8,112
Amounts owed by group undertakings	1,251	537
Prepayments and accrued income	694	723
Other debtors	-	2
Deferred tax asset	1,001	1,024
	<u>10,280</u>	<u>10,398</u>

All inter-company loans are due on demand. During 2011 and 2010, interest was charged at the LIBOR rate plus a margin of 0.65%.

The deferred taxation asset is analysed as follows

	£000	£000
Tax written down value of plant and equipment in excess of the financial statements written down value	281	299
Other short term timing differences	720	725
	<u>1,001</u>	<u>1,024</u>

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

	£000
At start of year at 27%	1,024
Profit and loss account charge (note 7)	(54)
Deferred tax attributable to pension asset and liability adjustments posted to reserves	31
At end of year at 25%	<u>1,001</u>

A deferred tax asset has been recognised as the directors consider that there will be sufficient taxable profits generated by the company in the next 12 months to ensure its recovery. It has been calculated using the rates expected to apply when the timing differences reverse in accordance with FRS 19.

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

## Notes (continued)

### 12 Creditors: Amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	2,006	2,256
Amounts owed to group undertakings	15,925	19,266
Other creditors		
UK corporation tax and group relief	2,751	3,400
Other taxes and social security	944	1,066
Other creditors	343	225
Accruals and deferred income	2,747	2,771
	<u>24,716</u>	<u>28,984</u>

All inter-company loans are due on demand. During 2011 and 2010, interest was charged at the LIBOR rate plus a margin of 0.65%.

### 13 Called up share capital

	2011 £000	2010 £000
<i>Called up, allotted and fully paid:</i>		
5,580,002 ordinary shares of £1 each	<u>5,580</u>	<u>5,580</u>

### 14 Share premium account

	£000
At beginning and end of year	<u>103</u>
Goodwill previously written off through capital reconstruction against share premium is as follows:	
Arising on acquisition of trade and assets	<u>16,897</u>

### 15 Profit and loss account

	£000	£000
At beginning of year		7,677
Profit for the financial year	6,926	
Total other recognised gains and losses relating to the year	<u>(83)</u>	
		6,843
Dividends paid (note 8)		<u>(5,000)</u>
At end of year		<u>9,520</u>



## Notes (continued)

### 16 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 15%, the current average being 5.3% (2010 5.1%). The profit and loss account charge in the current year amounted to £243,000 (2010 £228,000).

#### Defined benefit pension scheme

The company is also party to the group defined benefit scheme which was closed to future accrual as at 29 December 2002. The assets of the defined benefits pension scheme continue to be held in a separate trustee administered fund.

The group has been making additional contributions to remove the funding deficit in the group pension scheme. These contributions include both one-off and regular monthly payments, which were £10,000 per month during 2011 and are agreed with the trustees of the pension scheme.

Following the triennial recalculation of the funding deficit as at 31 December 2010, and taking into account the significant market movements since that date, a revised schedule of contributions and recovery plan has now been agreed with the pension scheme trustees. Based on this schedule of contributions, which is effective from 1 January 2011, the best estimate of the employer contributions to be paid during the year commencing 1 January 2012 is £840,000.

#### Assumptions

The last full actuarial valuation was carried out as at 31 December 2010. 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:

	2011	2010	2009
Rate of increase in pensionable salaries	n/a	n/a	n/a
Rate of increase in pensions in payment	2.90%	3.30%	3.40%
Discount rate applied to scheme liabilities	4.80%	5.50%	5.80%
Inflation assumption			
RPI	3.00%	3.50%	3.60%
CPI for the first 6 years	2.00%	2.50%	n/a
CPI after the first 6 years	2.00%	3.00%	n/a

From 1 January 2011, the government has amended the basis for statutory increases to deferred pensions and pensions in payment. Such increases are now based on inflation measured by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). Having reviewed the scheme rules and considered the impact of the change on this pension scheme, the directors consider that future increases to all deferred pensions and Guaranteed Minimum Pensions accrued between 6 April 1988 and 5 April 1997 and currently in payment will be based on CPI rather than RPI. Accordingly, this assumption has been adopted as at 31 December 2011 and 2010, in 2009 it was assumed that such pension increases would be linked to RPI. It has been assumed in all years that all other pension increases will be linked to RPI.

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

## Notes (continued)

### 16 Retirement benefit obligations (continued)

#### Assumptions (continued)

The current mortality table used is 110%*SINASMI2010 (2010 and 2009 PA92YOBMC+2)* The assumed average life expectancy of a pensioner retiring at the age of 65 given by the above tables is as follows

	2011	2010	2009
Male, current age 45	22.8 years	21.3 years	21.3 years
Female, current age 45	23.9 years	24.1 years	24.1 years

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

	2011	2010	2009
	%	%	%
Long term rate of return on			
UK equities	7.70	7.60	7.50
Corporate bonds	4.80	5.00	5.40
Gilts	2.50	4.00	4.40
Cash	2.50	4.00	4.40

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

#### 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

	2011	2010	2009
	£000	£000	£000
UK equities	8,784	9,473	8,397
Corporate bonds	14,908	14,568	13,995
Gilts	5,928	4,879	4,537
Cash	254	276	560
Total market value of assets	29,874	29,196	27,489
Present value of scheme liabilities calculated in accordance with stated assumptions	(28,327)	(27,306)	(27,419)
Surplus in the scheme calculated in accordance with stated assumptions	1,547	1,890	70
Pension surplus not recognised	*(1,547)	*(1,890)	(70)
Recognised deficit in the scheme at end of year	-	-	-
Related deferred tax asset	-	-	-
Net pension liability	-	-	-

\* In accordance with FRS 17, the potential asset of £1,547,000 (2010 £1,890,000) has not been recognised in these financial statements as the scheme is closed to future accrual

## Notes (continued)

### 16 Retirement benefit obligations (continued)

#### Valuations (continued)

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

	2011 £000	2010 £000	2009 £000
Market value of plan assets at start of year	29,196	27,489	25,118
Expected return on plan assets	1,472	1,469	1,271
Actuarial gains and losses recognised in the STRGL	173	1,243	942
Employer contributions			
Normal	114	114	1,425
Non-recurring	-	-	-
Benefits paid	(1,081)	(1,119)	(1,267)
Market value of plan assets at end of year	29,874	29,196	27,489

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 present value of the scheme's defined benefit liabilities during the year is as follows

	2011 £000	2010 £000	2009 £000
Present value of scheme liabilities at beginning of year calculated in accordance with stated assumptions	27,306	27,419	24,857
Interest on scheme liabilities	1,472	1,558	1,453
Actuarial loss/(gain) recognised in STRGL calculated in accordance with stated assumptions	630	(552)	2,376
Benefits paid	(1,081)	(1,119)	(1,267)
Present value of scheme liabilities calculated in accordance with stated Assumptions	28,327	27,306	27,419
Net pension asset not recognised	*1,547	*1,890	70
Present value of scheme liabilities at end of year	29,874	29,196	27,489

\* In accordance with FRS 17, the potential asset of £1,547,000 (2010 1,890,000) has not been recognised in these financial statements as the scheme is closed to future accrual

#### 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 interest payable (note 4)

	2011 £000	2010 £000	2009 £000
Expected return on pension scheme assets	1,472	1,469	1,271
Interest on pension scheme liabilities	(1,472)	(1,558)	(1,453)
	-	(89)	(182)

## Notes (continued)

### 16 Retirement benefit obligations (continued)

#### Amounts recognised in statement of total recognised gains and losses

The amounts included in the statement of total recognised gains and losses were

	2011 £000	2010 £000	2009 £000
Actual return less expected return on scheme assets	173	1,243	942
Experience gains and losses arising on scheme liabilities	(247)	473	(400)
Changes in assumptions underlying the present value of scheme liabilities	(383)	79	(1,976)
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses calculated in accordance with stated assumptions	(457)	1,795	(1,434)
Reverse provision re non-recognition of pension scheme asset	1,890	70	261
Pension surplus not recognised	(1,547)	(1,890)	(70)
Total actuarial loss recognised in statement of total recognised gains and losses	(114)	(25)	(1,243)

#### History of experience gains and losses

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Market value of scheme assets	29,874	29,196	27,489	25,118	24,617
Present value of scheme liabilities	(29,874)	(29,196)	(27,489)	(25,118)	(25,793)
Recognised deficit in the scheme	-	-	-	-	(1,176)
Experience adjustments on					
Scheme assets	173	1,243	942	(2,626)	146
Scheme liabilities	(247)	473	(400)	(186)	398

### 17 Lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings		Other	
	2011 £000	2010 £000	2011 £000	2010 £000
Expiring				
Within one year	82	43	22	19
Between two and five years inclusive	240	302	503	585
In five years or more	472	492	-	-
	794	837	525	604

## Notes (continued)

### 18 Capital commitments and contingencies

There were no outstanding capital commitments or contingencies at either 31 December 2011 or 31 December 2010

### 19 Related party transaction

During the year, the company transacted in the normal course of business with London Securities plc, a related party by way of ultimate shareholding. Aggregate details of these transactions, together with the amounts outstanding at the balance sheet date are set out below

	2011 £	2010 £
Purchases from London Securities plc	16,127	15,278
Amounts owed to London Securities plc	-	2,669
	<hr/>	<hr/>

### 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 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

As at 21 September 2012, EOI SYKES Sarl, which is incorporated in Luxembourg, held 86.08% of the ordinary share capital of Andrews Sykes Group plc and is therefore that company's immediate parent company. The ultimate holding company is the Tristar Corporation, a company incorporated in The Republic of Panama. The Tristar Corporation is held jointly, in equal proportions, by the Ariane Trust and the Eden Trust and therefore the directors consider these trusts to be the ultimate controlling parties of the company.