

Andrews Sykes Hire Limited

**Annual report and financial
statements**

Registered number 02985657

For the year ended 31 December 2014

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Strategic report

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

Andrews Sykes Hire is one of the market leaders in the rental of specialist climate control products which include air conditioning and chillers, heating and boilers, dehumidifiers and ventilation, along with a range of industrial pumping equipment.

Sykes Pumps has been established in the UK since 1857 and the Andrews brand marked its 50th anniversary late in 2014, having been founded by John Andrews in 1964, close to our current head office location in Wolverhampton. We have arranged a number of special activities to mark the event which will run throughout the 50th year.

We aim to use our expertise to provide the most modern, technically advanced and environmentally friendly rental equipment in the market. We offer our products and services throughout the UK via a network of 28 locations employing over 300 members of staff. During the year we continued to develop our product range and service offering with further investment in our hire fleet, depots and infrastructure.

In addition to renting our products, we provide our equipment for sale along with a full service and repair backup.

By providing a first class level of service 24 hours per day 365 days per year we have become the preferred suppliers to many major businesses and operations spanning a huge range of industries. Our reputation for providing high levels of training to our staff whilst maintaining a strict health and safety workplace, within an environmentally conscious culture, makes us an employer of choice for our Industry.

By continual investment in new technology we ensure that we provide our customers with new solutions to overcome their operational challenges. We constantly review and refresh our fleet of rental equipment to ensure that we set the standards within the rental industry throughout the UK.

2014 operational performance

Turnover decreased from £38,622,000 last year to £37,401,000 in the current year, a decrease of £1,221,000 or 3.16% compared with last year. Operating profit decreased by £1,589,000 or 14.0%, from £11,345,000 in 2013 to £9,756,000 in 2014.

The profit result was adversely affected by a shortfall in heating hire revenue, particularly during the early part of 2014. Our Chiller and Boiler hire division produced a performance which was ahead of the previous year and our specialist Pump hire division produced a strong performance for the year, this was enhanced by the wet weather that hit the UK during the first quarter. Dehumidification and Ventilation hire continued to grow during the period following the focus which was applied during the previous year.

Outlook and future development of the business

After the difficult start to 2014, trading improved significantly during the year with the final quarter result ahead of the result achieved last year providing a strong foundation for 2015.

Our success has been centred on providing technically advanced climate rental products to numerous market sectors. We plan to continue to develop new products and services within our specialist product line whilst continuing to expand our coverage both within existing and new markets. For 2015 we have several new products ready for launching which extend our product offering to both new and existing customers. In addition the company continues to carefully control its cost base to ensure that satisfactory levels of profit can be achieved even during difficult market conditions.

Strategic 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 2014 were approved on 5 May 2015. In those financial statements, the board of Andrews Sykes Group plc concluded that "after making enquiries, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the board continues to adopt the going concern basis when preparing this annual report and financial statements". Further information explaining why the board reached this conclusion is given on page 12 of the group's 2014 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. Market research and customer satisfaction studies are undertaken 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 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.

Strategic report *(continued)*

Risk management *(continued)*

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.

The group's previous bank loan agreement expired on 30 April 2013 and the outstanding loan of £8 million was repaid in full on that date. The group held an interest rate cap to limit the group's exposure to fluctuations in LIBOR and this cap also expired when the bank loan was repaid. A new £8 million bank loan was drawn down on 30 April 2013 but due to the current low interest rates and the indications that these will not increase substantially in the immediate future, it was considered that interest rate caps are not currently cost-effective. Accordingly the group does not hold any interest rate caps as at 31 December 2014 although this position is constantly under review.

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 2014, the group had cash balances of £24.1 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.

Strategic report *(continued)*

Pension scheme surplus

As set out in note 16 to the financial statements, as at 31 December 2014, the company's share of the pension scheme assets was £36.9 million which, after deducting the company's share of the present value of the pension scheme liabilities of £35.7 million, calculated in accordance with FRS 17, results in a pre-tax surplus of £1.2 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.

Signed by order of the board



MJ Calderbank ACA
Company Secretary

1st Floor
St David's Court
Union Street
Wolverhampton
WV1 3JE

24 August 2015

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Results and dividends

The results for the year are set out in the profit and loss account on page 10.

Total dividends paid during the year of £8,500,000 (2013: £7,000,000) have been charged against reserves.

The net assets of the company have decreased by £1,458,000 to £14,765,000 (2013: increased by £894,000 to £16,223,000) as shown on page 12.

The directors do not recommend the payment of a final dividend (2013: £Nil).

Directors

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

KEJ Ford	(resigned 28 December 2014)
PT Wood	
D Himsworth	(appointed 7 January 2015)
AW Phillips	(appointed 5 May 2015)

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. This 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. 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 development and involvement

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.

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.

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 LLP will, therefore, continue in office.

Signed by order of the board


MJ Calderbank ACA
Company Secretary

1st Floor
St David's Court
Union Street
Wolverhampton
WV1 3JE

24 August 2015

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

The directors are responsible for preparing the Strategic report, 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 LLP

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 2014 set out on pages 10 to 26. 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 7, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014 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 Strategic report and 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.



Simon Purkess (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

24 August 2015

Profit and loss account
for the year ended 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Turnover	2	37,401	38,622
Cost of sales		(13,275)	(13,226)
Gross profit		24,126	25,396
Distribution costs		(8,497)	(8,750)
Administrative expenses		(5,873)	(5,301)
Operating profit	3	9,756	11,345
Net interest receivable	4	108	68
Profit on ordinary activities before taxation		9,864	11,413
Tax on profit on ordinary activities	7	(2,134)	(2,817)
Profit for the financial year	15	7,730	8,596

All results are derived from continuing activities in both years.

Statement of total recognised gains and losses
for the year ended 31 December 2014

	2014 £000	2013 £000
Profit for the financial year	7,730	8,596
Other recognised gains and losses		
Actual return less expected return on pension scheme assets	2,109	824
Experience gains and losses arising on the pension scheme liabilities	365	(68)
Changes in assumptions underlying the present value in scheme liabilities	(3,287)	(2,242)
Net pension asset not recognised	(1,191)	(1,144)
Reverse provision re non-recognition of pension scheme asset	1,144	1,718
UK deferred tax attributable to the pension scheme assets and liability adjustments	172	210
Total other recognised gains and losses relating to the financial year net of tax	(688)	(702)
Total recognised gains and losses relating to the financial year transferred to reserves (note 15)	7,042	7,894

Balance sheet
at 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Fixed assets			
Tangible assets	9	6,870	6,834
Current assets			
Stocks	10	1,763	1,247
Debtors: Amounts falling due within one year	11	11,728	11,830
Cash at bank and in hand		15,588	18,942
		29,079	32,019
Creditors: Amounts falling due within one year	12	(21,184)	(22,630)
Net current assets		7,895	9,389
Total assets less current liabilities, being net assets excluding pension liability		14,765	16,223
Pension liability	16	-	-
Net assets		14,765	16,223
Capital and reserves			
Called up share capital	13	5,580	5,580
Share premium account	14	103	103
Profit and loss account	15	9,082	10,540
Shareholders' funds		14,765	16,223

These financial statements were approved by the board of directors on 24 August 2015 and were signed on its behalf by:



AW Phillips
Director

Company number: 02985657

Reconciliation of movement in shareholders' funds
for the year ended 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Profit for the financial year		7,730	8,596
Dividends paid	8	(8,500)	(7,000)
Actual return less expected return on pension scheme assets		2,109	824
Experience gains and losses arising on the pension scheme liabilities		365	(68)
Changes in assumptions underlying the present value in scheme liabilities		(3,287)	(2,242)
Net pension asset not recognised		(1,191)	(1,144)
Reverse provision re non-recognition of pension scheme asset		1,144	1,718
UK deferred tax attributable to the pension scheme assets and liability adjustments		172	210
Total other recognised gains and losses relating to the financial year (net of tax)		(688)	(702)
Net (decrease)/increase in shareholders' funds		(1,458)	894
Shareholders' funds at beginning of year		16,223	15,329
Shareholders' funds at end of year		14,765	16,223

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 strategic report; see going concern commentary on page 2 in the strategic report.

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:

	2014 £000	2013 £000
Hire	33,914	34,682
Sales, service and installation	3,487	3,940
	<u>37,401</u>	<u>38,622</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.

Notes (continued)

2 Segmental analysis (continued)

The geographical analysis of turnover by destination is as follows:

	2014 £000	2013 £000
United Kingdom	36,817	37,820
Rest of Europe	429	641
Rest of world	155	161
	<u>37,401</u>	<u>38,622</u>

3 Operating profit

	2014 £000	2013 £000
<i>Operating profit is stated after charging/(crediting)</i>		
Depreciation of tangible fixed assets:		
Owned	2,571	2,627
Profit on sale of tangible fixed assets	(249)	(390)
Operating lease rentals:		
Vehicles, plant and machinery	1,117	956
External property rents	808	862
	<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	39	38
Fees payable to the company's auditor in respect of non-audit services	-	-
	<u></u>	<u></u>

4 Net interest receivable

	2014 £000	2013 £000
<i>Interest receivable and similar income</i>		
Interest receivable from other group companies	33	23
Bank interest	208	204
	<u>241</u>	<u>227</u>
<i>Interest payable and similar charges</i>		
Interest payable to group companies	(133)	(159)
Net FRS 17 defined benefit pension scheme interest charge (note 16)	-	-
	<u>(133)</u>	<u>(159)</u>
Net interest receivable	<u>108</u>	<u>68</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	
	2014	2013
Sales and distribution	134	132
Engineers	92	96
Managers and administration	87	81
	<u>313</u>	<u>309</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	10,087	9,900
Social security costs	1,007	998
Other pension costs (see note 16)	263	227
	<u>11,357</u>	<u>11,125</u>

6 Directors' remuneration

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

	2014 £000	2013 £000
Emoluments as executive of the company:		
Emoluments	102	116
Company contributions to money purchase schemes	13	13
	<u>115</u>	<u>129</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 2 directors during the financial year (2013: 2) 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

	2014 £000	£000	2013 £000	£000
<i>UK corporation tax and group relief</i>				
Current tax on income for the year	2,110		2,558	
Adjustments in respect of prior years	(117)		(93)	
	<hr/>		<hr/>	
Total current tax		1,993		2,465
<i>Deferred tax</i>				
Origination and reversal of timing differences	76		164	
Effect of change in rate of corporation tax	-		144	
Adjustments in respect of previous years	65		44	
	<hr/>		<hr/>	
Total deferred tax charge (note 11)		141		352
		<hr/>		<hr/>
Tax charge on profit on ordinary activities		2,134		2,817
		<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 effective standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	2014 £000	2013 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	9,864	11,413
	<hr/>	<hr/>
Current tax at 21.5% (2013: 23.25%)	2,121	2,654
<i>Effects of:</i>		
Adjustments in respect of previous years	(117)	(93)
Capital allowances less than depreciation	152	185
Expenses not deductible for tax purposes	66	64
Profit on sale of fixed assets	(54)	(91)
Movement on short term timing differences	(175)	(254)
	<hr/>	<hr/>
Total current tax charge (see above)	1,993	2,465
	<hr/>	<hr/>

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 21% and 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions in the corporation tax rate to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were announced in the 2015 summer budget on 8 July 2015. These will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes (continued)

8 Dividends

	2014 £000	2013 £000
Interim dividends of £1.5233 per share (2013: £1.2545) declared and paid during the current year	8,500	7,000

9 Tangible fixed assets

	Short leasehold land and buildings £000	Equipment for hire £000	Plant, machinery and vehicles £000	Total £000
Cost				
At beginning of year	629	30,853	5,073	36,555
External additions	-	2,438	355	2,793
External disposals	(18)	(1,398)	(657)	(2,073)
At end of year	611	31,893	4,771	37,275
Depreciation				
At beginning of year	420	25,017	4,284	29,721
Charge for year	21	2,174	376	2,571
External disposals	(18)	(1,213)	(656)	(1,887)
At end of year	423	25,978	4,004	30,405
Net book value				
At 31 December 2014	188	5,915	767	6,870
At 31 December 2013	209	5,836	789	6,834

10 Stocks

	2014 £000	2013 £000
Finished goods and goods for resale	1,763	1,247

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

	2014 £000	2013 £000
Trade debtors	7,020	7,701
Amounts owed by group undertakings	2,537	2,204
Prepayments and accrued income	1,182	967
Deferred tax asset	989	958
	<u>11,728</u>	<u>11,830</u>

All inter-company loans are due on demand. Until 30 April 2013, interest was charged at the LIBOR rate plus a margin of 0.65%. From 1 May 2013 the margin was increased to 1.2% in line with the group's new bank agreement.

The deferred taxation asset is analysed as follows:

	2014 £000	2013 £000
Tax written down value of plant and equipment in excess of the financial statements written down value	394	344
Other short term timing differences	595	614
	<u>989</u>	<u>958</u>

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

	£000
At start of year at 20%	958
Profit and loss account charge (note 7)	(141)
Deferred tax attributable to pension asset and liability adjustments posted to reserves	172
At end of year at 20%	<u>989</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

	2014 £000	2013 £000
Bank overdraft	-	348
Trade creditors	1,895	1,877
Amounts owed to group undertakings	12,143	12,776
Other creditors:		
UK corporation tax and group relief	2,250	2,698
Other taxes and social security	1,036	1,189
Other creditors	450	513
Accruals and deferred income	3,410	3,229
	<u>21,184</u>	<u>22,630</u>

All inter-company loans are due on demand. Until 30 April 2013, interest was charged at the LIBOR rate plus a margin of 0.65%. From 1 May 2013, the margin was increased to 1.2% in line with the group's new bank agreement.

13 Called up share capital

	2014 £000	2013 £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		10,540
Profit for the financial year	7,730	
Total other recognised gains and losses relating to the year	(688)	
	<u></u>	
Total recognised gains and losses for the financial year		7,042
Dividends paid (note 8)		(8,500)
		<u></u>
At end of year		<u>9,082</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 3.7% (2013: 5.6%). The profit and loss account charge in the current year amounted to £263,000 (2013: £227,000).

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.

Following the triennial recalculation of the funding deficit as at 31 December 2013, a revised schedule of contributions and recovery plan was agreed with the pension scheme trustees in June 2014. The group has been making additional contributions in accordance with this schedule to remove the funding deficit in the group pension scheme. These contributions totalled £905,000 during 2014 and the funding deficit as at 31 December 2013 has now been eliminated.

The next triennial valuation is due as at 31 December 2016. Until such time as this has been agreed the group does not expect to make any further contributions to the pension scheme with the exception of a contribution towards expenses. This will be calculated at each annual review, subject to a maximum amount of £10,000 per month. Accordingly, the best estimate of the employer contributions to be paid during the year commencing 1 January 2015 is £120,000.

Assumptions

A qualified independent actuary has updated the results of the 2013 full actuarial 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:

	2014	2013	2012
Rate of increase in pensionable salaries	n/a	n/a	n/a
Rate of increase in pensions in payment	3.00%	3.40%	2.90%
Discount rate applied to scheme liabilities	3.40%	4.40%	4.30%
Inflation assumption:			
RPI	3.10%	3.50%	3.00%
CPI for the first 6 years	2.10%	2.50%	2.00%
CPI after the first 6 years	2.10%	2.50%	2.00%
Percentage of deferred members taking maximum tax free lump sum on retirement	90%	100%	100%

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

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

Notes (continued)

16 Retirement benefit obligations (continued)

Assumptions (continued)

The current mortality table used is 110% SINA CMI2014 (2013: 110% SINA CMI2013; 2012: 110% SINA CMI2011). The assumed average life expectancy of a pensioner retiring at the age of 65 given by the above tables is as follows:

	2014	2013	2012
Male, current age 45	22.5 years	22.7 years	22.6 years
Female, current age 45	25.2 years	24.0 years	23.9 years

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

	2014 %	2013 %	2012 %
Long term rate of return on:			
UK equities	7.70	8.00	7.80
Corporate bonds	3.40	4.40	4.30
Gilts	2.20	3.50	2.30
Cash	2.20	3.50	2.30

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:

	2014 £000	2013 £000	2012 £000
UK equities	11,858	11,667	9,805
Corporate bonds	17,255	16,036	16,673
Gilts	7,084	5,886	5,921
Cash	724	333	86
Total market value of assets	36,921	33,922	32,485
Present value of scheme liabilities calculated in accordance with stated assumptions	(35,730)	(32,778)	(30,767)
Surplus in the scheme calculated in accordance with stated assumptions	1,191	1,144	1,718
Pension surplus not recognised	*(1,191)	*(1,144)	*(1,718)
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 £1,191,000 (2013: £1,144,000) 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:

	2014 £000	2013 £000	2012 £000
Market value of plan assets at start of year	33,922	32,485	29,874
Expected return on plan assets	1,412	1,289	1,331
Actuarial gains and losses recognised in the STRGL	2,109	824	1,711
Employer contributions:			
Normal	860	912	798
Benefits paid	(1,382)	(1,588)	(1,229)
	<hr/>	<hr/>	<hr/>
Market value of plan assets at end of year	36,921	33,922	32,485
	<hr/>	<hr/>	<hr/>

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:

	2014 £000	2013 £000	2012 £000
Present value of scheme liabilities at beginning of year calculated in accordance with stated assumptions	32,778	30,767	28,327
Interest on scheme liabilities	1,412	1,289	1,331
Actuarial loss recognised in STRGL calculated in accordance with stated assumptions	2,922	2,310	2,338
Benefits paid	(1,382)	(1,588)	(1,229)
	<hr/>	<hr/>	<hr/>
Present value of scheme liabilities calculated in accordance with stated assumptions	35,730	32,778	30,767
Net pension asset not recognised	*1,191	*1,144	*1,718
	<hr/>	<hr/>	<hr/>
Present value of scheme liabilities at end of year	36,921	33,922	32,485
	<hr/>	<hr/>	<hr/>

* In accordance with FRS 17, the potential asset of £1,191,000 (2013: £1,144,000) 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):

	2014 £000	2013 £000	2012 £000
Expected return on pension scheme assets	1,412	1,289	1,331
Interest on pension scheme liabilities	(1,412)	(1,289)	(1,331)
	<hr/>	<hr/>	<hr/>
	-	-	-
	<hr/>	<hr/>	<hr/>

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:

	2014 £000	2013 £000	2012 £000
Actual return less expected return on scheme assets	2,109	824	1,711
Experience gains and losses arising on scheme liabilities	365	(68)	(264)
Changes in assumptions underlying the present value of scheme liabilities	(3,287)	(2,242)	(2,074)
Actuarial loss recognised in the statement of total recognised gains and losses calculated in accordance with stated assumptions	(813)	(1,486)	(627)
Reverse provision re non-recognition of pension scheme asset	1,144	1,718	1,547
Net pension asset not recognised	(1,191)	(1,144)	(1,718)
Total actuarial loss recognised in statement of total recognised gains and losses	(860)	(912)	(798)

History of experience gains and losses

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Market value of scheme assets	36,921	33,922	32,485	29,874	29,196
Present value of scheme liabilities	(36,921)	(33,922)	(32,485)	(29,874)	(29,196)
Recognised deficit in the scheme	-	-	-	-	-
Experience adjustments on:					
Scheme assets	2,109	824	1,711	173	1,243
Scheme liabilities	365	(68)	(264)	(247)	473

17 Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2014 £000	2013 £000	2014 £000	2013 £000
Expiring:				
Within one year	49	61	129	157
Between two and five years inclusive	359	397	557	583
In five years or more	329	286	422	56
	737	744	1,108	796

Notes (continued)

18 Capital commitments and contingencies

There were no outstanding capital commitments or contingencies at either 31 December 2014 or 31 December 2013.

19 Related party transactions

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:

	2014 £	2013 £
Purchases from London Securities plc	10,183	13,276
Amounts owed to London Securities plc	1,026	1,569
	<u> </u>	<u> </u>

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 registered office is:

1st Floor
St David's Court
Union Street
Wolverhampton
WV1 3JE

As at 24 August 2015, 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.