Andrews Sykes Hire Limited

Directors' report and financial statements

Registered number 02985657

For the year ended 31 December 2012

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

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

The company produced a positive result for the year with turnover ahead of the previous year by 5%, which resulted in an increased operating profit The general market conditions in the UK remained challenging throughout the year, the construction sector continues to be difficult and without any significant sign of recovery During 2012 the business benefitted from the London Olympic Games, with a number of very successful projects fulfilled for both the Olympic Games and also the Paralympic Games The unusual weather conditions had an impact on the mix of business, the very wet and mild summer conditions had an adverse effect on our air conditioning related revenue, however the wet weather, which continued for the remainder of the year, had a positive effect on the Pump Hire business

Quality and Environmental

Andrews Sykes has ISO 9001 quality accreditation at all of its UK hire depots as well as head office location, we take our quality standards seriously and carry out regular internal quality audits with 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, including 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, providing our staff with a safe environment in which to work and providing 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

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

In the first half of 2012, we opened our new London depot, although only a few hundred metres away from our previous site, the new property offers a much larger storage and workshop facility The location is ideally positioned to service our customer base within the London area being only seven miles from the centre In addition to our new flagship depot in London, we have continued to upgrade and refurbish our depots throughout the UK We are pleased to report that no depots were closed during the year and towards the end of the year we opened a new depot in Inverness, which enables us to provide an improved level of service to our customers in the highlands of Scotland

Directors' report *(continued)*

Business review *(continued)*

Technology

We continue to review our technology to ensure that the company has fast and reliable IT systems that provide excellent management tools This was further enhanced by a new CRM programme which was implemented in the final quarter In the first half of the year a new corporate website was launched which includes new features such as online ordering, live chat and enhanced usability, further development will continue throughout 2013

Summary

In 2012, the company concentrated its efforts into developing its core product range of pumping, heating and cooling equipment This subsidiary continues to focus its business development activities on markets that are less reliant on climatic conditions, whilst still being able to take advantage of favourable weather conditions whenever they arise Through careful cost controls and efficiency improvement, this business is able to provide the group with good profit contribution even when the economy and weather conditions are not entirely favourable Further investments have been made to ensure that our hire fleet is kept up to date with both technical and environmental evolution, this enables us to provide our customers with unique and cost effective solutions The business continues to demonstrate its ability to carefully control its cost base in line with market conditions, which ensures that acceptable levels of profits can be provided during difficult circumstances but also allows the business to expand its resources quickly as market conditions change

Results and dividends

The results for the year are set out in the profit and loss account on page 9

Total dividends paid during the year of £6,500,000 *(2011 £5,000,000)* have been charged against reserves

The net assets of the company have increased by £126,000 to £15,329,000 *(2011 £1,843,000 to £15,203,000)* as shown on page 11

The directors do not recommend the payment of a final dividend *(2011 £Nil)*

Directors

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

KEJ Ford
PT Wood

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

Directors' report *(continued)*

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 2012 were approved on 30 April 2013 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 15 of the group's 2012 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 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

Notes *(continued)*

Risk management *(continued)*

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 2012, the group's gross debt was £8 5 million, including bank loans of £8 million on which interest is charged based on LIBOR plus a margin of between 0 65% and 1 25% On 30 April 2013, the group repaid the outstanding loan and a new loan of the same amount was taken out with the group's existing bank on the same day this new loan is for four years with annual repayments of £1 0 million commencing on 30 April 2014 and a final balloon payment of £5 0 million due on 30 April 2017 Interest will be charged at LIBOR plus 1 2% plus mandatory costs

To minimise the impact of any large increases in LIBOR, as at 31 December 2012, 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 was 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 The cap agreement expired on 30 April 2013

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 2012, 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

Pension scheme surplus

As set out in note 16 to the financial statements, as at 31 December 2012, the company's share of the pension scheme assets was £32 5 million which, after deducting the company's share of the present value of the pension scheme liabilities of £30 8 million, calculated in accordance with FRS 17, results in a pre-tax surplus of £1 7 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

Directors' report *(continued)*

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 2012 was 33 days *(2011 43 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

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

9 August 2013

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 2012 set out on pages 9 to 25 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 6, 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 web-site 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 2012 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

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

9 August 2013

Notes *(continued)*

Risk management *(continued)*

Interest rate risk

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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

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Statement of total recognised gains and losses
for the year ended 31 December 2012

	2012 £000	2011 £000
Profit for the financial year	**7,224**	6,926
Other recognised gains and losses		
Actual return less expected return on pension scheme assets	**1,711**	173
Experience gains and losses arising on the pension scheme liabilities	**(264)**	(247)
Changes in assumptions underlying the present value in scheme liabilities	**(2,074)**	(383)
Net pension asset not recognised	**(1,718)**	(1,547)
Reverse provision re non-recognition of pension scheme asset	**1,547**	1,890
UK deferred tax attributable to the pension scheme assets and liability adjustments	**200**	31
Total other recognised gains and losses relating to the financial year net of tax	**(598)**	(83)
Total recognised gains and losses relating to the financial year transferred to reserves (note 15)	**6,626**	6,843

Balance sheet
at 31 December 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Tangible assets	*9*		**6,962**		6,796
Current assets					
Stocks	*10*	**1,585**		1,778	
Debtors Amounts falling due within one year	*11*	**11,195**		10,280	
Cash at bank and in hand		**18,108**		21,065	
		30,888		33,123	
Creditors Amounts falling due within one year	*12*	**(22,521)**		(24,716)	
Net current assets			**8,367**		8,407
Total assets less current liabilities, being net assets excluding pension liability			**15,329**		15,203
Pension liability	*16*		**-**		-
Net assets			**15,329**		15,203
Capital and reserves					
Called up share capital	*13*		**5,580**		5,580
Share premium account	*14*		**103**		103
Profit and loss account	*15*		**9,646**		9,520
Shareholders' funds			**15,329**		15,203

These financial statements were approved by the board of directors on 9 August 2013 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 2012

	Note	**2012 £000**	2011 £000
Profit for the financial year		**7,224**	6,926
Dividends paid	*8*	**(6,500)**	(5,000)
Actual return less expected return on pension scheme assets		**1,711**	173
Experience gains and losses arising on the pension scheme liabilities		**(264)**	(247)
Changes in assumptions underlying the present value in scheme liabilities		**(2,074)**	(383)
Net pension asset not recognised		**(1,718)**	(1,547)
Reverse provision re non-recognition of pension scheme asset		**1,547**	1,890
UK deferred tax attributable to the pension scheme assets and liability adjustments		**200**	31
Total other recognised gains and losses relating to the financial year (net of tax)		**(598)**	(83)
Net increase in shareholders' funds		**126**	1,843
Shareholders' funds at beginning of year		**15,203**	13,360
Shareholders' funds at end of year		**15,329**	15,203

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 3

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

	2012	2011
	£000	£000
Hire	**32,418**	30,855
Sales, service and installation	**4,669**	3,648
	37,087	34,503

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

	2012 £000	2011 £000
United Kingdom	**36,436**	33,625
Rest of Europe	**563**	743
Rest of world	**88**	135
	37,087	34,503

3 Operating profit

	2012 £000	2011 £000
Operating profit is stated after charging/(crediting)		
Depreciation of tangible fixed assets		
Owned	**2,475**	2,578
Profit on sale of tangible fixed assets	**(292)**	(429)
Operating lease rentals		
Vehicles, plant and machinery	**507**	682
External property rents	**900**	903
Auditor's remuneration		
Fees payable to the company's auditor in respect of the audit of the company's financial statements	**38**	36
Fees payable to the company's auditor in respect of non-audit services	**-**	-

4 Net interest receivable

	2012 £000	2011 £000
Interest receivable and similar income		
Interest receivable from other group companies	**11**	6
Bank interest	**148**	158
Other interest	**-**	8
	159	172
Interest payable and similar charges		
Interest payable to group companies	**(119)**	(160)
Net FRS 17 defined benefit pension scheme interest charge	**-**	-
Other interest	**(2)**	-
	(121)	(160)
Net interest receivable	**38**	12

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 2012	2011
Sales and distribution	**125**	122
Engineers	**91**	92
Managers and administration	**81**	86
	297	300

The aggregate payroll costs of these persons were as follows

	2012 £000	2011 £000
Wages and salaries	**9,086**	8,869
Social security costs	**927**	909
Other pension costs (see note 16)	**217**	243
	10,230	10,021

6 Directors' remuneration

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

	2012 £000	2011 £000
Emoluments as executive of the company		
Emoluments	**115**	115
Company contributions to money purchase schemes	**12**	12
	127	127

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 *(2011 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

	2012 £000	£000	2011 £000	£000
UK corporation tax and group relief				
Current tax on income for the year	**2,468**		2,637	
Adjustments in respect of prior years	**(43)**		(25)	
Total current tax		**2,425**		2,612
Deferred tax				
Origination and reversal of timing differences	**(2)**		(13)	
Effect of change in rate of corporation tax	**96**		80	
Adjustments in respect of previous years	**7**		(13)	
Total deferred tax charge		**101**		54
Tax charge on profit on ordinary activities		**2,526**		2,666

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 24 5% *(2011 26 5%)* The differences are explained below

	2012 £000	2011 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**9,750**	9,592
Current tax at 24 5% *(2011 26 5%)*	**2,389**	2,542
Effects of		
Adjustments in respect of previous years	**(43)**	(25)
Capital allowances less than depreciation	**157**	176
Expenses not deductible for tax purposes	**72**	79
Profit on sale of fixed assets	**(71)**	(114)
Movement on short term timing differences	**(79)**	(46)
Total current tax charge (see above)	**2,425**	2,612

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax 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 This will reduce the company's future current tax charge accordingly The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% 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

	2012 **£000**	2011 £000
Interim dividends of 1 1649 per share *(2011 £0 8961)* declared and paid during the current year	**6,500**	5,000

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	583	29,101	4,920	34,604
External additions	46	2,146	542	2,734
External disposals	-	(890)	(429)	(1,319)
At end of year	629	30,357	5,033	36,019
Depreciation				
At beginning of year	378	23,079	4,351	27,808
Charge for year	21	2,130	324	2,475
External disposals	-	(798)	(428)	(1,226)
At end of year	399	24,411	4,247	29,057
Net book value				
At 31 December 2012	**230**	**5,946**	**786**	**6,962**
At 31 December 2011	205	6,022	569	6,796

10 Stocks

	2012 **£000**	2011 £000
Finished goods and goods for resale	**1,585**	1,778

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

	2012 £000	2011 £000
Trade debtors	**7,706**	7,334
Amounts owed by group undertakings	**1,603**	1,251
Prepayments and accrued income	**786**	694
Deferred tax asset	**1,100**	1,001
	11,195	10,280

All inter-company loans are due on demand During 2012 and 2011, interest was charged at the LIBOR rate plus a margin of 0 65%

The deferred taxation asset is analysed as follows

	2012 £000	2011 £000
Tax written down value of plant and equipment in excess of the financial statements written down value	**309**	281
Other short term timing differences	**791**	720
	1,100	1,001

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

	£000
At start of year at 25%	1,001
Profit and loss account charge (note 7)	(101)
Deferred tax attributable to pension asset and liability adjustments posted to reserves	200
At end of year at 23%	**1,100**

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

	2012	2011
	£000	£000
Trade creditors	**1,819**	2,006
Amounts owed to group undertakings	**13,449**	15,925
Other creditors		
UK corporation tax and group relief	**2,609**	2,751
Other taxes and social security	**1,043**	944
Other creditors	**415**	343
Accruals and deferred income	**3,186**	2,747
	22,521	24,716

All inter-company loans are due on demand During 2012 and 2011, interest was charged at the LIBOR rate plus a margin of 0 65%

13 Called up share capital

	2012	2011
	£000	£000
Called up, allotted and fully paid		
5,580,002 ordinary shares of £1 each	**5,580**	5,580

14 Share premium account

	£000
At beginning and end of year	**103**

Goodwill previously written off through capital reconstruction against share premium is as follows	
Arising on acquisition of trade and assets	16,897

15 Profit and loss account

	£000	**£000**
At beginning of year		9,520
Profit for the financial year	7,224	
Total other recognised gains and losses relating to the year	(598)	
Total recognised gains and losses for the financial year		6,626
Dividends paid (note 8)		(6,500)
At end of year		**9,646**

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 35% *(2011 5 3%)* The profit and loss account charge in the current year amounted to £217,000 *(2011 £243,000)*

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 totalled £840,000 during 2012 and were agreed in advance with the trustees of the pension scheme

Following the triennial recalculation of the funding deficit as at 31 December 2010, a revised schedule of contributions and recovery plan was agreed with the pension scheme trustees in March 2012 Based on this schedule of contributions, which was effective from 1 January 2011, the best estimate of the employer contributions to be paid during the year commencing 1 January 2013 is £960,000 The next triennial funding valuation is due as at 31 December 2013 but, until such time as this has been agreed, the group's monthly contributions to the pension scheme will be increased to £90,000 for 2014 and then reduced to £70,000 until December 2018 or until the funding deficit has been eliminated if sooner

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

	2012	2011	2010
Rate of increase in pensionable salaries	**n/a**	n/a	n/a
Rate of increase in pensions in payment	**2.90%**	2 90%	3 30%
Discount rate applied to scheme liabilities	**4.30%**	4 80%	5 50%
Inflation assumption			
RPI	**3.00%**	3 00%	3 50%
CPI for the first 6 years	**2.00%**	2 00%	2 50%
CPI after the first 6 years	**2.00%**	2 00%	3 00%

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 has been adopted as at 31 December 2012, 2011 and 2010 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%S1NA CMI2011 *(2011 110%S1NA CMI2010, 2010 PA92YOBMC+2)* The assumed average life expectancy of a pensioner retiring at the age of 65 given by the above tables is as follows

	2012	2011	2010
Male, current age 45	**22.6 years**	22 8 years	21 3 years
Female, current age 45	**23 9 years**	23 9 years	24 1 years

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

	2012	2011	2010
	%	%	%
Long term rate of return on			
UK equities	**7.80**	7 70	7 60
Corporate bonds	**4.30**	4 80	5 00
Gilts	**2.30**	2 50	4 00
Cash	**2.30**	2 50	4 00

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

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

	2012	2011	2010
	£000	£000	£000
UK equities	**9,805**	8,784	9,473
Corporate bonds	**16,673**	14,908	14,568
Gilts	**5,921**	5,928	4,879
Cash	**86**	254	276
Total market value of assets	**32,485**	29,874	29,196
Present value of scheme liabilities calculated in accordance with stated assumptions	**(30,767)**	(28,327)	(27,306)
Surplus in the scheme calculated in accordance with stated assumptions	**1,718**	1,547	1,890
Pension surplus not recognised	***(1,718)**	*(1,547)	*(1,890)
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 £1,718,000 *(2011 £1,547,000)* 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

	2012	2011	2010
	£000	£000	£000
Market value of plan assets at start of year	**29,874**	29,196	27,489
Expected return on plan assets	**1,331**	1,472	1,469
Actuarial gains and losses recognised in the STRGL	**1,711**	173	1,243
Employer contributions			
Normal	**798**	114	114
Benefits paid	**(1,229)**	(1,081)	(1,119)
Market value of plan assets at end of year	**32,485**	29,874	29,196

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

	2012	2011	2010
	£000	£000	£000
Present value of scheme liabilities at beginning of year calculated in accordance with stated assumptions	**28,327**	27,306	27,419
Interest on scheme liabilities	**1,331**	1,472	1,558
Actuarial loss/(gain) recognised in STRGL calculated in accordance with stated assumptions	**2,338**	630	(552)
Benefits paid	**(1,229)**	(1,081)	(1,119)
Present value of scheme liabilities calculated in accordance with stated assumptions	**30,767**	28,327	27,306
Net pension asset not recognised	***1,718**	*1,547	*1,890
Present value of scheme liabilities at end of year	**32,485**	29,874	29,196

* In accordance with FRS 17, the potential asset of £1,718,000 *(2011 £1,547,000)* 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)

	2012	2011	2010
	£000	£000	£000
Expected return on pension scheme assets	**1,331**	1,472	1,469
Interest on pension scheme liabilities	**(1,331)**	(1,472)	(1,558)
	-	-	(89)

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

	2012 £000	2011 £000	2010 £000
Actual return less expected return on scheme assets	**1,711**	173	1,243
Experience gains and losses arising on scheme liabilities	**(264)**	(247)	473
Changes in assumptions underlying the present value of scheme liabilities	**(2,074)**	(383)	79
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses calculated in accordance with stated assumptions	**(627)**	(457)	1,795
Reverse provision re non-recognition of pension scheme asset	**1,547**	1,890	70
Pension surplus not recognised	**(1,718)**	(1,547)	(1,890)
Total actuarial loss recognised in statement of total recognised gains and losses	**(798)**	(114)	(25)

History of experience gains and losses

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Market value of scheme assets	**32,485**	29,874	29,196	27,489	25,118
Present value of scheme liabilities	**(32,485)**	(29,874)	(29,196)	(27,489)	(25,118)
Recognised deficit in the scheme	**-**	-	-	-	-
Experience adjustments on					
Scheme assets	**1,711**	173	1,243	942	(2,626)
Scheme liabilities	**(264)**	(247)	473	(400)	(186)

17 Lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings		**Other**	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Expiring				
Within one year	**85**	82	**143**	22
Between two and five years inclusive	**388**	240	**432**	503
In five years or more	**297**	472	**21**	-
	770	794	**596**	525

Notes *(continued)*

18 Capital commitments and contingencies

There were no outstanding capital commitments or contingencies at either 31 December 2012 or 31 December 2011

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

	2012	2011
	£	£
Purchases from London Securities plc	**16,926**	16,127
Amounts owed to London Securities plc	**3,138**	-

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 9 August 2013, 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