Andrews Sykes Hire Limited

Directors' report and financial statements

Registered number 2985657

For the year ended 31 December 2009

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

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 experienced a challenging year The major factor was the drop in construction activity across the country, with many new contracts suspended and several projects cancelled The climatic conditions throughout the year also had an adverse affect on the results, the dry weather throughout the spring and early summer reduced demand for pumping equipment and the poor summer weather did little to stimulate demand for air conditioning equipment However, despite these difficult trading conditions, the business continued to produce strong operating profits Although the results were below the previous year, which was a record performance, a satisfactory level of profit was achieved During recent years we have worked hard to reduce our reliance on the construction sector by focusing on more stable industries, this strategy certainly supported the 2009 performance and enabled the company to report results that are much better than many of our competitors in the UK hire industry

Andrews Heat for Hire

A cold period in January and February helped to produce a good start to the year, but by March the temperatures were very mild and this, coupled with the slowdown in the construction market, made trading conditions very difficult Despite these difficulties the business continued to develop less weather driven applications and invest in new hire fleet equipment The investments remain focussed on new modern designed based on reduced emissions and improved fuel efficiency

As the business entered 2010, the very cold weather conditions produced high levels of demand, which have in turn provided good trading conditions Throughout 2009 we ensured that our hire fleet was well maintained and ready for action when demand increased, we have also extended our internal sales resource These factors helped us to optimise the opportunity that the cold weather provided early in 2010 and enabled the business to produce a good start to the year

Sykes Pumps

After a good start in the first quarter, a combination of the downturn in construction and the dry weather made trading conditions difficult throughout the remainder of the year Although the overall pump hire performance for 2009 was disappointing, a number of successes can be reported which provide an optimistic outlook for future trading

During the year, a number of our major accounts extended their contracts with us, which should provide a steady stream of revenue during the next 12 months Internally, we have strengthened and improved our sales team, enabling us to provide bespoke service levels to many of our major customers, which has been well received Early in 2010 a number of these accounts are now planning increased levels of expenditure, which will provide significant increases in revenue for our pumping division New marketing initiatives, combined with expected market improvements, suggest that trading conditions for 2010 will be better and allows us to be optimistic for growth

Andrews Air Conditioning

We have continued to make progress with our specialist air conditioning products These tend to be less weather related and used for IT, communications and other equipment cooling applications Revenue from these sectors remains positive To support this market, we have designed and launched new improved products in 2009, which lead the market in many ways Coupled with our 24/7 service, we have developed a unique offering for both planned and emergency applications

Directors' report *(continued)*

Business review *(continued)*

Andrews Air Conditioning *(continued)*

Conversely, the weather driven requirements for the small portable air conditioning hire units was poor The summer was very mild and one of the worst on record for peak temperatures, it started late and finished early We expect 2010 to provide much better trading conditions for air conditioning products Our website continues to improve, with new functionality (which now includes full on line purchasing facility for our smaller units) increasing the traffic and conversion through this sales channel

During 2009 we have increased the focus on our drying and dehumidification products This includes a new section on our website, increased marketing activity, new appointments and specialist training This additional focus has already started to produce results in specialist applications, which tend to be longer term hire agreements and more attractive than the short term construction type applications

Once again, the developments that have been made internally and an expectation for an improvement in market conditions, allows us to be optimistic for progress in 2010

Andrews Chillers

The results from our chiller hire business were very similar in many ways to the air conditioning hire business The more specialist units performed well with new applications and long term hires Our sales team continued to develop and improve throughout the year, supporting our long term plans to offer highly technical solutions for temperature critical environments To support these advances further investments were made to our hire fleet

Similar to our air conditioning hire, the summer weather driven comfort cooling demand was poor, this led to low utilisation for the small chillers and disappointing levels of revenue With more investment planned for 2010 and our specialist sales team continuing to mature, we are optimistic for a good performance in 2010

Andrews Boilers

The boiler hire division produced a good result in 2009, continuing the year on year growth in recent years The applications are very wide, from domestic heating to highly technical process applications Further investments were made at both the start and the end of 2009 to grow our hire fleet and meet demand, utilisation remained high throughout the year and well into 2010 Our fleet remains the most modern in the UK and continues to develop in terms of range and design With further development and investment planned for 2010, we expect to continue with the success of this division

Quality and environmental

The company 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 within our own qualified staff in addition to external auditors

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

Health and safety

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

Directors' report *(continued)*

Business review *(continued)*

Our people

During the year the company continued with its policy of training and development for all employees By improving the skills of our staff the company aims to continue with the high level of staff retention we have currently and provide clear internal promotion opportunities This has already benefited the business with a number of internal promotions in 2009 The business now runs a regular personal development review for all members of staff, where training and development plans are made for each individual Formal two-way communication with staff has been improved during the year with further enhancements planned for 2010

Our depots

With most of the major hire companies closing depots during 2009, we are proud to report that we continue to provide our customers with a local service nationwide During the year we continued to upgrade our depot facilities with a number of major refurbishments completed

Technology

During 2009 our new wide area network and telephony system was completed with significant operational advantages and reduced running costs this investment is now having an impact on the business with desk to desk direct communications internally across all depot locations Further IT upgrades are now confirmed in 2010 that include server upgrades and call handling systems

Summary

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

Results and dividends

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

Total dividends paid during the year of £8,000,000 *(2008 £8,700,000)* have been charged against reserves

The net assets of the company have decreased by £2,949,000 to £11,074,000 *(2008 decreased by £374,000 to £14,023,000)* as shown on page 13

The directors do not recommend the payment of a final dividend *(2008 £Nil)*

Directors

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

KEJ Ford
PT Wood

Directors' report *(continued)*

Financial key performance indicators (KPIs)

The key financial performance indicators are

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

* Operating cash flow before defined benefit scheme contributions

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

Risk management

The company's principal risks are as follows

Going concern

The company is a wholly owned subsidiary of Andrews Sykes Group plc and is reliant on the continuing financial support and success of that group

The group's consolidated financial statements for the 12 months ended 31 December 2009 were approved on 5 May 2010 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 have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements" Further information explaining why the board reached this conclusion is given on page 15 of the group's 2009 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 have 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 telecommunication system was replaced during 2009 and during 2010 the main computer systems and call handling systems will be upgraded with technologically advanced products

Directors' report *(continued)*

Risk management *(continued)*

Strategic risks *(continued)*

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

Financial risks

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

The key financial risks are

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

Interest rate risk

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

As at 31 December 2009, the group's gross debt was £30 million, including bank loans of £29 million on which interest is charged based on LIBOR plus a margin of between 0 65% and 1 25% On 30 April 2010, the group repaid £9 million of the outstanding loan

To minimise the impact of any large increases in LIBOR, as at 31 December 2009, the group held three interest rate caps based on notional capital values of £10 million, £4 million and £10 million on which the interest charged is capped at 5 5%, 6 5% and 6 25% respectively The effect of these caps is to limit the group's exposure to LIBOR to a maximum of the cap rate applied to the nominal capital value or actual loan value, whichever is the lesser

Funding and liquidity

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

At 31 December 2009, the group had cash balances of £18 2 million Cash balances are pooled across all companies and are held in current accounts to fund working capital requirements Whenever surplus funds are identified, they are placed on short term deposit Therefore, the directors currently consider the company's risk to be minimal, given the group's funding facilities

Credit risk

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

Directors' report *(continued)*

Risk management *(continued)*

Pension scheme surplus

As set out in note 16 to the financial statements, as at 31 December 2009, the company's share of the pension scheme assets was £27 5 million which, after deducting the company's share of the present value of the pension scheme liabilities of £27 4 million, calculated in accordance with FRS 17, results in a small pre-tax surplus of 0 1 million This asset has not been recognised in these financial statements

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

Health, safety and the environment

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

Employment of disabled persons

The company makes every reasonable effort to give disables 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 2009 was 47 days *(2008 50 days)*

Annual general meeting

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

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information

Directors' report *(continued)*

Auditors

On 21 October 2009 the company's previous auditors, Deloitte LLP, resigned and the directors subsequently appointed KPMG Audit Plc to fill the casual vacancy Pursuant to Section 487 of the Companies Act 2006, the auditors 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

6 September 2010

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 auditors' 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 2009 set out on pages 11 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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP.

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 2009 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 auditors' report to the members of Andrews Sykes Hire Limited
(continued)

Matters on which we are required to report by exception

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

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

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

6 September 2010

Profit and loss account
for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Turnover	2	**33,731**	44,780
Cost of sales		**(12,782)**	(17,293)
Gross profit		**20,949**	27,487
Distribution costs		**(7,570)**	(8,378)
Administrative expenses		**(4,854)**	(5,558)
Operating profit	3	**8,525**	13,551
Net interest payable	4	**(232)**	(38)
Profit on ordinary activities before taxation		**8,293**	13,513
Tax on profit on ordinary activities	7	**(2,347)**	(3,956)
Profit for the financial year		**5,946**	9,557

All results are derived from continuing activities in both years

There are no recognised gains or losses other than the profit for the year and the previous year

Statement of total recognised gains and losses
for the year ended 31 December 2009

	2009 £000	2008 £000
Profit for the financial year	**5,946**	9,557
Actual return less expected return on pension scheme assets	**942**	(2,626)
Experience gains and losses arising on the pension scheme liabilities	**(400)**	(186)
Changes in assumptions underlying the present value in scheme liabilities	**(1,976)**	1,363
Net pension asset not recognised	**(70)**	(261)
Reverse provision re non-recognition of pension scheme asset	**261**	-
UK deferred tax attributable to the pension scheme assets and liability adjustments	**348**	479
Total recognised gains and losses relating to the financial year transferred to reserves (note 15)	**5,051**	8,326

Balance sheet
at 31 December 2009

	Note	2009 £000	£000	2008 £000	£000
Fixed assets					
Tangible assets	9		8,657		10,943
Current assets					
Stocks	10	2,705		3,988	
Debtors Amounts falling due within one year	11	8,016		10,881	
Cash at bank and in hand		23,998		5,663	
		34,719		20,532	
Creditors: Amounts falling due within one year	12	(32,302)		(17,452)	
Total current assets			2,417		3,080
Total assets less current liabilities being net current assets excluding pension liability			11,074		14,023
Pension liability	16		-		-
Net assets including pension liability			11,074		14,023
Capital and reserves					
Called up share capital	13		5,580		5,580
Share premium account	14		103		103
Profit and loss account	15		5,391		8,340
Shareholders' funds			11,074		14,023

These financial statements were approved by the board of directors on 6 September 2010 and were signed on its behalf by

KEJ Ford
Director

Company number 2985657

Reconciliation of movement in shareholders' funds
for the year ended 31 December 2009

	2009 £000	2008 £000
Profit for the financial year	**5,946**	9,557
Dividends paid	**(8,000)**	(8,700)
Actual return less expected return on pension scheme assets	**942**	(2,626)
Experience gains and losses arising on the pension scheme liabilities	**(400)**	(186)
Changes in assumptions underlying the present value in scheme liabilities	**(1,976)**	1,363
Net pension asset not recognised	**(70)**	(261)
Reverse provision re non-recognition of pension scheme asset	**261**	-
UK deferred tax attributable to the pension scheme assets and liability adjustments	**348**	479
Total other recognised gains and losses relating to the year (net)	**(895)**	(1,231)
Net decrease in shareholders' funds	**(2,949)**	(374)
Shareholders' funds at beginning of year	**14,023**	14,397
Shareholders' funds at end of year	**11,074**	14,023

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

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

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

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 with the United Kingdom

The company's turnover can be analysed as follows

	2009	2008
	£000	£000
Hire	**29,866**	39,840
Sales, service and installation	**3,865**	4,940
	33,731	44,780

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

	2009 £000	2008 £000
United Kingdom	**32,631**	43,049
Rest of Europe	**539**	986
The Americas	**267**	317
Rest of world	**294**	428
	33,731	44,780

3 Operating profit

	2009 £000	2008 £000
Operating profit is stated after charging/(crediting)		
Depreciation of owned tangible fixed assets		
Owned	**3,351**	3,711
Profit on sale of tangible fixed assets	**(500)**	(643)
Operating lease rentals		
Vehicles, plant and machinery	**460**	214
External property rents	**890**	866
Auditors' remuneration		
Fees payable to the company's auditors in respect of the audit of the company's financial statements	**36**	30
Fees payable to the company's auditors in respect of non-audit services	**-**	-

4 Net interest payable

	2009 £000	2008 £000
Interest receivable and similar income		
Interest receivable from other group companies	**10**	168
Bank interest	**74**	226
Other interest	**8**	-
	92	394
Interest payable and similar charges		
Interest payable to group companies	**(142)**	(273)
Net FRS 17 defined benefit pension scheme interest charge (note 16)	**(182)**	(154)
Other interest	**-**	(5)
	(324)	(432)
Net interest payable	**(232)**	(38)

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	
	2009	2008
Sales and distribution	**117**	118
Engineers	**100**	105
Managers and administration	**95**	99
	312	322

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	**8,657**	9,161
Social security costs	**884**	904
Other pension costs (see note 16)	**235**	226
	9,776	10,291

6 Directors' remuneration

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

	2009	2008
	£000	£000
Emoluments as executive of the company		
Emoluments	**94**	119
Company contributions to money purchase schemes	**11**	11
	105	130

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 *(2008 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

	2009		2008	
	£000	**£000**	£000	£000
UK corporation tax and group relief				
Current tax on income for the year	**2,067**		2,967	
Adjustments in respect of prior years	**(112)**		7	
Total current tax		**1,955**		2,974
Deferred tax				
Origination and reversal of timing differences	**327**		1,000	
Adjustments in respect of previous years	**65**		(18)	
Total deferred tax charge		**392**		982
Tax charge on profit on ordinary activities		**2,347**		3,956

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2008 lower)* than the standard rate of corporation tax in the UK of 28% *(2008 28 5%)* The differences are explained below

	2009	2008
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**8,293**	13,513
Current tax at 28% *(2008 28 5%)*	**2,322**	3,851
Effects of		
Adjustments in respect of previous years	**(112)**	7
Capital allowances less than depreciation	**294**	220
Expenses not deductible for tax purposes	**63**	135
Profit on sale of fixed assets	**(140)**	(183)
Movement on short term timing differences	**(472)**	(1,056)
Total current tax charge (see above)	**1,955**	2,974

Factors affecting future charges

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011 This will reduce the company's future current tax charge accordingly If the rate change from 28% to 27% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset recognised at that date by £28,000 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 assets accordingly

Notes *(continued)*

8 Dividends

	2009 £000	2008 £000
Interim dividends of £1 434 per share *(2008 £1 559)* declared and paid during the current year	**8,000**	8,700

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	616	28,837	6,228	35,681
External additions	-	1,216	48	1,264
External disposals	-	(1,596)	(667)	(2,263)
Inter-company additions	-	-	51	51
At end of year	616	28,457	5,660	34,733
Depreciation				
At beginning of year	357	19,578	4,803	24,738
Charge for year	18	2,744	589	3,351
External disposals	-	(1,419)	(645)	(2,064)
Inter-company additions	-	-	51	51
At end of year	375	20,903	4,798	26,076
Net book value				
At 31 December 2009	**241**	**7,554**	**862**	**8,657**
At 31 December 2008	259	9,259	1,425	10,943

The net book value of fixed assets includes £Nil *(2008 £14,000)* in respect of assets held under hire purchase and similar finance lease agreements The depreciation charged on those assets during the year amounts to £Nil *(2008 £Nil)*

10 Stocks

	2009 £000	2008 £000
Finished goods and goods for resale	**2,705**	3,988

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

	2009 £000	2008 £000
Trade debtors	**6,034**	8,601
Amounts owed by group undertakings	**369**	644
Prepayments and accrued income	**817**	801
Other debtors	**5**	-
Deferred tax asset	**791**	835
	8,016	10,881

All inter-company loans are due on demand Until 1 May 2008, interest was charged at the LIBOR rate plus a margin of 0 75% From 1 May 2008 to 31 January 2009, the margin was increased to 1 25% and on 1 February 2009, it was reduced to 0 65%

The deferred taxation asset is analysed as follows

	£000	£000
Tax written down value of plant and equipment in excess of the financial statements written down value	**216**	93
Other short term timing differences	**575**	742
	791	835

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

	£000
At start of year at 28%	835
Profit and loss account charge (note 7)	(392)
Deferred tax attributable to pension asset and liability adjustments posted to reserves	348
At end of year at 28%	**791**

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

	2009 £000	2008 £000
Finance lease obligations	-	14
Trade creditors	**1,490**	3,063
Amounts owed to group undertakings	**25,705**	7,434
Other creditors		
UK corporation tax payable	**1,833**	1,851
Other taxes and social security	**608**	961
Other creditors	**112**	95
Group relief	**334**	1,188
Accruals and deferred income	**2,220**	2,846
	32,302	17,452

All finance lease obligations are repayable within 12 months from the balance sheet date and are secured on the assets being financed

All inter-company loans are due on demand Until 1 May 2008, interest was charged at the LIBOR rate plus a margin of 0 75% From 1 May 2008 to 31 January 2009, the margin was increased to 1 25% and on 1 February 2009, it was reduced to 0 65%

13 Called up share capital

	2009 £000	2008 £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		**8,340**
Profit for the financial year	**5,946**	
Total other recognised gains and losses relating to the year	**(895)**	
		5,051
Dividends paid (note 8)		**(8,000)**
At end of year		**5,391**

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 0% The profit and loss account charge in the current year amounted to £235,000 *(2008 £226,000)*

Defined benefit pension scheme

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

The group have been making additional contributions to remove the funding deficit in the group pension scheme These contributions include both one-off and regular monthly payments, which were £125,000 per month during 2009 and are agreed with the trustees of the pension scheme The current best estimate of employer contributions to be paid by the group during the year commencing 1 January 2010 is £120,000 in accordance with the agreed schedule of contributions to cover expenses of the scheme until December 2010 when the next full actuarial funding valuation is due to be carried out

Assumptions

The last full actuarial valuation was carried out as at 31 December 2007 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

	2009	2008
Rate of increase in pensionable salaries	**n/a**	n/a
Rate of increase in pensions in payment	**3 40%**	3 00%
Discount rate applied to scheme liabilities	**5 80%**	6 00%
Inflation assumption	**3 60%**	3 00%

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

The current mortality table used is PA92YOBMC+2 *(2008 PA92YOBMC+2)* The assumed average life expectancy of a pensioner retiring at the age of 65 given by the above tables is as follows

	2009	2008
Male, current age 45	**21.3 years**	21 3 years
Female, current age 45	**24 1 years**	24 0 years

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

	2009 %	2008 %
Long term rate of return on		
UK equities	**7 50**	7 50
Corporate bonds	**5 40**	5 50
Gilts	**4.40**	3 75
Cash	**4 40**	3 75

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

Notes *(continued)*

16 Retirement benefit obligations *(continued)*

Valuations

The proportion of the fair value of the schemes assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised and the proportion of the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are inherently uncertain, attributable to the company were as stated below

	2009 £000	2008 £000
UK equities	**8,397**	6,697
Corporate bonds	**13,995**	9,520
Gilts	**4,537**	8,623
Cash	**560**	278
Total market value of assets	**27,489**	25,118
Present value of scheme liabilities calculated in accordance with stated assumptions	**(27,419)**	(24,857)
Surplus in the scheme calculated in accordance with stated assumptions	**70**	261
Pension surplus not recognised	**(70)**	(261)
Recognised deficit in the scheme at end of year	**-**	-
Related deferred tax asset	**-**	-
Net pension liability	**-**	-

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

	2009 £000	2008 £000
Market value of plan assets at start of year	**25,118**	24,617
Expected return on plan assets	**1,271**	1,331
Actuarial gains/(losses) recognised in the STRGL	**942**	(2,626)
Employer contributions		
Normal	**1,425**	1,425
Non-recurring	**-**	1,615
Benefits paid	**(1,267)**	(1,244)
Market value of plan assets at end of year	**27,489**	25,118

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 at either year end

Notes *(continued)*

16 Retirement benefit obligations *(continued)*

Valuations *(continued)*

The movement in the present value of the scheme's defined benefit liabilities during the year were as follows

	2009	2008
	£000	£000
Present value of scheme liabilities at beginning of year calculated in accordance with stated assumptions	**24,857**	25,793
Interest on scheme liabilities	**1,453**	1,485
Actuarial loss/(gain) recognised in STRGL calculated in accordance with stated assumptions	**2,376**	(1,177)
Benefits paid	**(1,267)**	(1,244)
Present value of scheme liabilities calculated in accordance with stated assumptions	**27,419**	24,857
Net pension asset not recognised	**70**	261
Present value of scheme liabilities at end of year	**27,489**	25,118

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 net interest payable (note 4)

	2009	2008
	£000	£000
Expected return on pension scheme assets	**1,271**	1,331
Interest on pension scheme liabilities	**(1,453)**	(1,485)
	(182)	(154)

Amounts recognised in statement of total recognised gains and losses

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

	2009	2008
	£000	£000
Actual return less expected return on scheme assets	**942**	(2,626)
Experience gains and losses arising on scheme liabilities	**(400)**	(186)
Changes in assumptions underlying the present value of scheme liabilities	**(1,976)**	1,363
Actuarial loss recognised in the statement of total recognised gains and losses calculated in accordance with stated assumptions	**(1,434)**	(1,449)
Reverse provision re non-recognition of pension scheme asset	**261**	-
Pension surplus not recognised	**(70)**	(261)
Total actuarial loss recognised in statement of total recognised gains and losses	**(1,243)**	(1,710)

Notes *(continued)*

16 Retirement benefit obligations *(continued)*

History of experience gains and losses

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Market value of scheme assets	**27,489**	25,118	24,617	30,770	28,264
Present value of scheme liabilities	**(27,489)**	(25,118)	(25,793)	(36,820)	(34,085)
Recognised deficit in the scheme	**-**	-	(1,176)	(6,050)	(5,821)
Experience adjustments on					
Scheme assets	**942**	(2,626)	146	516	2,492
Scheme liabilities	**(400)**	(186)	398	(303)	(4)

17 Lease commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2009 £000	Land and buildings 2008 £000	Other 2009 £000	Other 2008 £000
Expiring				
Within one year	**45**	13	**-**	15
Between two and five years inclusive	**303**	230	**476**	386
In five years or more	**522**	576	**-**	-
	870	819	**476**	401

18 Capital commitments and contingencies

There were no outstanding capital commitments or contingencies at either 31 December 2009 or 31 December 2008

19 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 6 September 2010, EOI SYKES Sarl, which is incorporated in Luxembourg, held 83 91% 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