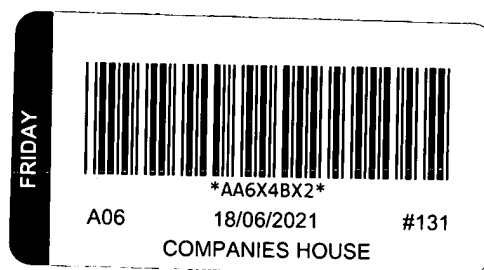


Andrews Sykes Hire Limited

**Annual report and financial
statements**

Registered number 02985657

For the year ended 31 December 2020



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Strategic report

Business review

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

Sykes Pumps has been established in the UK since 1857 and the Andrews brand marked its 50th anniversary late in 2014, having been founded by John Andrews in 1964, close to our current head office location in Wolverhampton.

We aim to use our expertise to provide the most modern, technically advanced and environmentally friendly rental equipment in the market. We offer our products and services throughout the UK via a network of locations employing over 320 members of staff. During the year we continued to develop our product range and service offering with further investment in our hire fleet, depots and infrastructure.

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

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

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

2020 operational performance

Turnover decreased from £43,000,000 last year to £39,763,000 in the current year, a decrease of £3,237,000 or 7.5% compared with last year. Operating profit decreased by £192,000, or 1.8%, from £10,899,000 in 2019 to £10,707,000 in 2020 which is after crediting furlough income of £1,337,000 received from the UK government to subsidise the cost of employing individuals whilst not in gainful employment, thereby avoiding the need to make them redundant.

The hire business experienced a 7% turnover decline when compared to last year, supported by a good overall year for our pump hire business – in-fact, ending the year 3% up on the previous year's revenue. Our core markets of heating and air conditioning (in the traditional markets of "comfort" cooling and heating) and for the traditional events market were greatly impacted by the pandemic but we did manage to see a sustainable revenue coming from our chillers and boilers which were deployed on a large scale in the Covid related work throughout 2020.

Outlook and future development of the business

Our success has been centred on providing technically advanced climate rental and pumping products to numerous geographic locations and market sectors. We plan to continue to develop new products and services within our specialist portfolio whilst continuing to expand our geographic coverage both within existing territories and new markets. During 2020, we continued to develop new products and have a number of new developments ready for launching in 2021, which will extend our product offering to both new and existing customers.

The company continues to face challenges in all of its markets but our business remains strong, cash generative and well developed, with positive net funds. The experience of our senior management team, coupled with our development plans, provides optimism for further progress in 2020. Although our business benefits from extreme climate conditions and is affected by regional economic influences, we aim to provide acceptable levels of success without relying on advantageous market conditions, whilst optimising favourable conditions when they arise. At the same time, the company continues to carefully control its cost base to ensure that satisfactory levels of profit can be achieved even during difficult market conditions. In 2020, the unprecedented impact of the COVID-19 pandemic both on the business and the market it serves was partially reflected in the year end numbers, but of equal importance is our proven ability to adapt and continue to find new Covid secure methods of operating our business as circumstances changed throughout the year. 2020, above all else, reflects this flexibility in our business and its ability to adapt to service our markets safely and securely on a sustainable basis moving forward.

Strategic report (continued)

Financial key performance indicators (KPIs)

The key financial performance indicators are:

	2020	2019
Average turnover per employee	123,488	£127,976
Operating profit as a percentage of operating assets* employed	75.8%	64.1%
Operating profit divided by net interest charge ⁺	45	54

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

⁺ Excluding net FRS 102 Pension interest credit. Not applicable if interest is a net receipt.

Non-financial KPI's monitored internally by the directors include asset utilisation and health and safety statistics. These are not disclosed as management consider that to do so would give a business advantage to our competitors.

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 2020 were approved on 4 May 2021. In those financial statements, the board of Andrews Sykes Group plc concluded that "based on the detailed forecast prepared by management taking into account the anticipated impact of the coronavirus pandemic, the Board has a reasonable expectation that the group has adequate resources to continue to trade for the foreseeable future even in the reasonable worst-case scenario identified by the group. 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 14 and 15 of the group's 2020 annual report and financial statements.

The directors of this company received a letter of support from its sole shareholder, Andrews Sykes Group plc, confirming that it will provide adequate financial support as required to this company, whilst it remains a member of the Andrews Sykes Group, to meet its liabilities as they fall due and to ensure it continues to operate as a going concern until at least 31 May 2022. 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. The impact of the COVID-19 pandemic has been discussed in the operational performance and outlook sections of this report above.

The company does not have any significant cross border trading that may potentially be adversely affected by "Brexit". In addition, the directors do not expect that the company's performance will be impacted by changes to the mobility in the labour market as a consequence of this process and the company does not have an investing relationship in the EU.

Consequently, the directors consider that there are minimal specific risks to the company as a direct consequence of "Brexit". There is a general risk that the UK economy may slow down, thereby affecting the company's future trading performance. However, although it is still early days, the UK officially left the EU at the end of last year and, so far, there is no evidence of any major problems which could be attributed to "Brexit".

Strategic report *(continued)*

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

In order to remain competitive, management recognise the need to invest in appropriate IT equipment and software. Consequently, the communication network, website and data capture systems are all being constantly reviewed and updated to ensure they remain at the forefront of industry standards. The company has recently restructured its IT department to ensure that the appropriate developments and improvements continue to be made in the area.

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.

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 2020, the group had cash balances of £24.0 million. Cash balances are pooled across all companies and are held in current accounts to fund working capital requirements. Whenever surplus funds are identified, they are placed on short term deposit. Therefore, the directors currently consider the company's risk to be minimal, given the group's funding facilities.

Credit risk

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

Strategic report *(continued)*

Pension scheme surplus

As set out in note 15 to the financial statements, as at 31 December 2020, the company's share of the pension scheme assets was £42.8 million which, after deducting the company's share of the present value of the pension scheme liabilities of £42.3 million, calculated in accordance with FRS 102, results in a pre-tax surplus of £0.5 million. This asset has been recognised in these financial statements as the directors are satisfied that it is recoverable by either reduced contributions in the future or through refunds from the Plan.

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.

Directors' duties

The directors of the company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in Section 172 of the Companies Act 2006 and are summarised as follows:

A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of the shareholders as a whole and in doing so to have regard, amongst other matters, to:

- The likely consequences of any decisions in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between shareholders of the company.

As part of their induction a director is briefed on his/her duties and he/she can access professional advice on these either from the company secretary or from an independent advisor. This support is available throughout the period a director holds office as well as on initial induction.

The following paragraphs summarise how the directors fulfil their duties:

Risk management

We aim to provide dependable high-quality services to our business partners. We often provide business critical solutions to key businesses and are instrumental in helping our customers achieve their goals. As we expand our business we face a number of challenges and risks which the directors address on a daily basis. These risks, and how they are addressed, are summarised in the principal risks and uncertainties section of this strategic report.

Our employees

The company is committed to being a responsible employer. Our behaviour is aligned with the expectations of our employees and together we provide a first-class service to our clients, 24 hours per day all year round. Further details of how we engage with our employees is given in the employee and other stakeholder engagement section of the directors' report.

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Principal activity

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

Results and dividends

The results for the year are set out in the profit and loss account and statement of comprehensive income on page 15.

Total dividends paid during the year of £8,500,000 (2019: £10,300,000) have been charged against reserves.

The net assets of the company have decreased by £1,510,000 to £15,238,000 (2019: decreased by £1,232,000 to £16,748,000) as shown on page 16.

The directors do not recommend the payment of a final dividend (2019: £Nil).

Directors

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

PT Wood (resigned 27 January 2021)
CD Webb (appointed 9 January 2020)
KD Price (appointed 27 January 2021)
AW Phillips (resigned 13 January 2020)

Health, safety and the environment

The company aims to achieve world class performance in health, safety and environmental issues by eliminating injuries, work related ill-health and minimising the effect of our activities on the environment. Health and Safety Officers are appointed at each location and receive periodic training to keep abreast of both legislative requirements and technological advances. This is further enhanced with regular internal audits by our own fully qualified health and safety managers, along with training, induction and awareness programmes for all members of staff. The company aims to continually improve its performance in order to meet changing business and regulatory requirements.

Employment of disabled persons

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

Employee and other stakeholder engagement

The company operates a training and development programme for its employees. By improving employee skill levels the company aims to encourage staff retention and provide opportunities for internal promotion. Regular personal development reviews are conducted, with training and development plans being devised for each employee. Employees also have access to third party assistance to provide them with support on personal issues.

The company recognises the need to ensure effective communications with employees to encourage involvement in the company's performance and achieve a common awareness of factors affecting that performance. Policies and procedures have been developed to suit the needs of each business sector, taking into account factors such as numbers employed and location, including newsletters and communication meetings. Team talks are held regularly with departmental heads and any issues raised are noted, followed up and action taken as appropriate.

Externally, the company has strong relationships with a number of key suppliers, many of these relationships have been in place for ten years or more. Regular meetings are held with these suppliers to ensure that relationships are optimised, with new innovation high on the agenda. We communicate with our customers in many ways and channel feedback via a line management structure which is much flatter than many companies within our sector. Customer communication ranges from social media through to high level contract reviews. Customer feedback is monitored by senior management on a regular basis. Directors communicate with shareholders directly and make themselves available for such meetings.

Directors' report (continued)

SECR disclosures

These disclosures have been prepared in accordance with the requirements of the measure-step of the CEMARS programme, which is based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2006 Specification with Guidance at the Organisation Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals. Where relevant, the disclosures are aligned with industry or sector best practice for emissions measurement and reporting.

We have chosen to include comparable 2019 data to assist the reader to understand the one-off impact from the COVID-19 pandemic.

GHG emissions and energy use for period 01 January 2019 to 31 December 2020

	01 January 2020 to 31 December 2020	01 January 2019 to 31 December 2019
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities tCO ₂ e (Scope 1)	2,123.92	2,447.82
Emissions from purchase of electricity, heat, steam and cooling purchased for own use tCO ₂ e (Scope 2, location-based)	199.60	219.35
Total gross Scope 1 & Scope 2 emissions tCO ₂ e	2,323.52	2,667.17
Energy consumption used to calculate above emissions (kWh)	8,563,412.94	10,254,746.21
Gas (kWh)	448,431.00	434,666.00
Electricity (kWh)	856,149.00	858,180.00
Transport fuels (kWh)	7,258,832.94	8,961,900.21
Other energy sources (Scope 1 & 2)	N/A	N/A
Total gross Scope 1 & Scope 2 emissions by unit turnover/revenue (tCO ₂ e/£M)	54.98	56.74
Methodology	ISO14064 Part 1 2018 and CEMARS	ISO14064 Part 1 2018 and CEMARS
Emissions from other activities tCO ₂ e (Scope 3): Electricity	17.17	18.62
Emissions from other activities tCO ₂ e (Scope 3): Waste	N/A	N/A
Emissions from other activities tCO ₂ e (Scope 3): Transport - other	.69	7.95
Total gross Scope 3 emissions tCO ₂ e	17.86	26.57
Total gross Scope 1, Scope 2 & Scope 3 emissions tCO ₂ e	2,341.38	2,693.74
Total gross GHG emissions per unit turnover/revenue (tCO ₂ e/£M)	55.40	57.31
Third Party verification	Verified to ISO14064 Part 1 2018 and CEMARS	Verified to ISO14064 Part 1 2018 and CEMARS

Directors' report *(continued)*

Energy Efficiency Action

In accordance with our efforts to mitigate and control our emissions we have the following initiatives in operation in the business.

We continue to invest in hybrid vehicles with our transport fleet where possible.

Fuel consumption is constantly monitored by our internal transport department to measure performance throughout the businesses.

Awareness training is given to all staff on driving behaviours whilst vehicles are fitted with tracking software that enables the management of vehicle routes, idling times, and efficient driving style and behaviour in order to optimise fuel consumption.

In our depots we continue to fit LED lighting with PIR sensor technology as depots are refurbished and maintained to reduce energy consumption.

In our business we have seen a reduction in travel during 2020 with the impact of the pandemic on minimising travel. This has been a feature of all businesses but we have seen an increase in meetings carried via on line conferences – thus mitigating the need for travel and reducing fuel consumption accordingly. We will look to maintain this change moving forward where practical to do so.

In our hire fleet continued investments in environmentally friendly equipment continues to be a feature of our product design and specification to drive investment in a fleet that is environmentally friendly

Identification of the information included in the strategic report (as per CA 2006 – Sch 71A)

The company's objectives and policies regarding financial risk management, information on exposure to price risk, credit risk, liquidity risk and cash flow risk, and an indication of likely future developments in the business have been included in the strategic report.

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.

Qualifying third party indemnity provisions

The company has provided qualifying indemnity provisions in respect of the board of directors which were in force during the year and at the date of this report.

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

The directors are responsible for preparing the strategic report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland') and the Companies Act 2006. 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 and 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 judgements and accounting 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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of Andrews Sykes Hire Limited (the 'company') for the year ended 31 December 2020 which comprise the Profit and loss account and statement of comprehensive income, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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

(continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

(continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting frameworks (FRS 102 and Companies Act 2006).
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We enquired of management and those charged with governance, concerning the company's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations; and
 - the detection and response to the risks of fraud.
- We enquired of management and those charged with governance, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We corroborated the results of our enquires to relevant supporting documentation.
- Audit procedures performed by the engagement team included:
 - evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
 - identifying and testing related party transactions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates;
 - understanding of the legal and regulatory requirements specific to the company including:
 - the provisions of the applicable legislation;
 - the applicable statutory provisions.
- We did not identify any matters relating to non-compliance with laws and regulation and fraud.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud *(continued)*

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the company's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the applicable statutory provisions;
 - the company's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the company's compliance with regulatory requirements.

Use of our report

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.

Grant Thornton UK LLP

Andrew Turner FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

28 May 2021

Profit and loss account and statement of comprehensive income

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	3	39,763	43,000
Cost of sales		(15,349)	(16,042)
Gross profit		24,414	26,958
Distribution costs		(9,332)	(9,151)
Administrative expenses		(5,712)	(6,908)
Other operating income		1,337	-
Operating profit	4	10,707	10,899
Net interest payable	5	(193)	(165)
Profit on ordinary activities before taxation		10,514	10,734
Tax on profit on ordinary activities	8	(2,000)	(2,096)
Profit for the financial year		8,514	8,638
Other comprehensive (charges)/income			
Remeasurement of defined benefit assets and liabilities	15	(1,881)	531
UK deferred tax attributable to the pension scheme assets and liability adjustments	12	357	(101)
Other comprehensive (charges)/income relating to the financial year net of tax		(1,524)	430
Total comprehensive income for the year		6,990	9,068

All results are derived from continuing activities in both years.

Balance sheet
At 31 December 2020

	<i>Note</i>	£000	2020 £000	2019 £000
Fixed assets				
Tangible assets	10		10,868	12,034
Retirement benefit pension surplus	15		473	1,865
			11,341	13,899
Current assets				
Stocks	11	3,283		2,603
Debtors: Amounts falling due within one year	12	12,560		14,300
Cash at bank and in hand		17,295		23,854
		33,138		40,757
Creditors: Amounts falling due within one year	13	(29,241)		(37,908)
Net current assets			3,897	2,849
Total assets less current liabilities			15,238	16,748
Net assets			15,238	16,748
Capital and reserves				
Called up share capital	14		5,580	5,580
Share premium account			103	103
Profit and loss account			9,555	11,065
Shareholders' funds			15,238	16,748

These financial statements were approved by the board of directors on 28 May 2021 and were signed on its behalf by:



CD Webb
Director

Company number: 02985657

Statement of changes in equity
For the year ended 31 December 2020

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 31 December 2018	5,580	103	12,297	17,980
Total comprehensive income for the year				
Profit for the financial year	-	-	8,638	8,638
Other comprehensive income:				
Remeasurement of defined benefit assets and liabilities	-	-	531	531
Related deferred tax	-	-	(101)	(101)
Other comprehensive income for the year	-	-	430	430
Transactions with owners recorded directly in equity				
Dividends paid	-	-	(10,300)	(10,300)
Total transactions with owners	-	-	(10,300)	(10,300)
Balance at 31 December 2019	5,580	103	11,065	16,748
Total comprehensive income for the year				
Profit for the financial year	-	-	8,514	8,514
Other comprehensive charges:				
Remeasurement of defined benefit assets and liabilities	-	-	(1,881)	(1,881)
Related deferred tax	-	-	357	357
Other comprehensive charges for the year	-	-	(1,524)	(1,524)
Transactions with owners recorded directly in equity				
Dividends paid	-	-	(8,500)	(8,500)
Total transactions with owners	-	-	(8,500)	(8,500)
Balance at 31 December 2020	5,580	103	9,555	15,238

The profit and loss account reserve represents net cumulative profits, net of dividends paid and other actuarial adjustments relating to the defined benefit pension scheme.

The share premium account contains the premium arising on the issue of equity shares, net of issue expenses, less goodwill previously written off through capital reconstruction prior to the transition to FRS 102.

Notes

(forming part of the financial statements)

1 Accounting policies

Andrews Sykes Hire Limited (“the company”) is a company limited by shares and incorporated and domiciled in the UK.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (“FRS 102”) as issued in December 2017. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The company’s immediate parent undertaking, Andrews Sykes Group plc, includes the company in its consolidated financial statements. The consolidated financial statements of Andrews Sykes Group plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the company’s registered address. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of Andrews Sykes Group plc include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Change in accounting policy/prior period adjustments

There are no changes in accounting policy or prior year adjustments in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company’s financial statements:

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 based on the assessment made by the directors in the strategic report; see going concern commentary on page 2 in the strategic report.

Related party transactions

The company has taken advantage of the exemption available in FRS 102 not to disclose transactions between the company and its parent and 100% owned subsidiaries within the Andrews Sykes Group.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation and any provision for impairment. The company assesses at each reporting date whether tangible fixed assets are impaired. 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%

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

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.

Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Other financial instruments

Financial instruments not considered to be basic financial instruments (Other financial instruments)

The company does not currently hold any financial instruments that do not fall within the definition of basic financial instruments.

Leased assets

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Finance leases

Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease.

Notes (continued)

1 Accounting policies (continued)

Leased assets (continued)

Finance leases (continued)

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The company did not hold any assets that fall within the definition of finance leases during either the current or previous financial years.

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives in respect of leases entered into after the date of transition are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Notes (continued)

1 Accounting policies (continued)

Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets (continued)

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit scheme

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of the defined benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the company's obligations. A valuation is performed at least triennially and is updated at each balance sheet date by the directors based on advice received from/a qualified actuary using the projected unit credit method. The company recognises net defined benefit plan deficits in full and surpluses to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from the Scheme's administration expenses, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the year are recognised in profit and loss account.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Group defined benefit scheme

As disclosed in note 15, 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.

Certain of the company's employees are deferred members of the above defined benefit scheme. The company is participating member of the scheme and is therefore one of the entities legally responsible for the group wide scheme. The net defined benefit cost of the plan is charged to participating member entities based upon the number of deferred members employed and pensioners previously employed by each participating member.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes (continued)

1 Accounting policies (continued)

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 and volume rebates. Turnover is recognised on despatch for the sale of goods and, for hire items, over the period of hire which have a duration of less than 12 months from the balance sheet date..

Operating profit

Operating profit is defined as the profit for the period from continuing operations after all operating costs and income but before interest receivable and payable and taxation. Operating profit is disclosed as a separate line on the face of the income statement.

Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Interest receivable and interest payable

Interest payable and similar charges include interest payable and finance related net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and finance related net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

Government grants

Income related government grants, for example those related to the furlough scheme, are recognised in the income statement on an accruals basis. They are disclosed separately on the face of the income statement as part of other operating income and / or in the notes to the accounts where that degree of prominence is deemed necessary.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to short term timing differences to the extent that it is probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

When preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Pension scheme assumptions and mortality tables

As set out in note 15, the carrying value of the defined benefit pension scheme is calculated using actuarial valuations. These valuations are based on assumptions including the selection of the most appropriate mortality table for the profile of the members in the scheme and the financial assumptions concerning discount rates and inflation. All these are estimates of future events and are therefore uncertain. The choices are based on advice received from the scheme actuaries that are checked from time to time with benchmark surveys. Sensitivity analysis regarding assumptions concerning longevity, discount rates and inflation is provided in note 15.

When assessing the appropriateness of the recognition of a surplus, the directors have considered the guidance in FRS 102 and have concluded that it is appropriate to recognise the asset in the financial statements as the directors are satisfied that the surplus can be recovered through reduced contributions or refunds from the plan in the future.

Useful economic life of hire fleet assets included within property, plant and equipment

Management reviews its estimate of the useful lives of equipment for hire assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates include those relating to technological obsolescence that may change the utility of certain equipment. Information on the estimated useful lives of equipment for hire is included in the accounting policies. If the economic life was one year less than estimated, the depreciation charge would be increased by approximately £0.8 million. If the economic life was one year more than estimated, the depreciation charge would be reduced by approximately £0.5 million..

3 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:

	2020 £000	2019 £000
Hire	36,646	39,277
Sales, service and installation	3,117	3,723
	<u>39,763</u>	<u>43,000</u>

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

The geographical analysis of turnover by destination is as follows:

	2020 £000	2019 £000
United Kingdom	38,032	41,145
Rest of Europe	963	1,329
Rest of world	768	526
	<u>39,763</u>	<u>43,000</u>

Notes (continued)

4 Operating profit

	2020 £000	2019 £000
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation of tangible fixed assets:		
Owned	3,679	3,624
Leased	-	5
Profit on sale of tangible fixed assets	(394)	(433)
Operating lease rentals	2,509	2,307
Defined benefit pension scheme past service cost – GMP equalisation (note 15)	95	-
Other operating income – government grants related to the COVID-19 pandemic:		
Furlough employment support receipts (note 6)	(1,337)	-
	<hr/>	<hr/>
<i>Auditor's remuneration:</i>		
Fees payable to the company's auditor in respect of the audit of the company's financial statements	45	40
	<hr/>	<hr/>

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent company.

5 Net interest payable

	2020 £000	2019 £000
<i>Interest receivable and similar income</i>		
Interest receivable from other group companies	46	54
Bank interest	68	106
Net defined benefit pension scheme interest (note 15)	43	36
	<hr/>	<hr/>
	157	196
	<hr/>	<hr/>
<i>Interest payable and similar charges</i>		
Interest payable to group companies	(350)	(361)
	<hr/>	<hr/>
	(350)	(361)
	<hr/>	<hr/>
Net interest payable	(193)	(165)
	<hr/>	<hr/>

6 Staff numbers and costs

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

	Number of employees	
	2020	2019
Sales and distribution	126	133
Engineers	104	104
Managers and administration	92	99
	<hr/>	<hr/>
	322	336
	<hr/>	<hr/>

Notes (continued)

6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	11,752	12,171
Social security costs	1,177	1,253
Other pension costs (see note 15)	416	434
Gross employment costs	13,345	13,858
Government grants – furlough employment support	(1,337)	-
Employment costs net of government grants	12,008	13,858

The above furlough receipts relate to support received from the government to support businesses and protect employment during the COVID-19 pandemic.

7 Directors' remuneration

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

	2020 £000	2019 £000
Emoluments as executive of the company:		
Emoluments	228	122
Company contributions to money purchase schemes	17	18
	245	140

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. The emoluments of the highest paid director were £197,000 and company contributions to money purchase schemes were £15,000.

Pension retirement benefits accrued to 2 directors during the financial year (2019: 1) in respect of qualifying services in the Andrews Sykes Group plc defined benefit pension scheme.

8 Taxation

Analysis of charge for the year

	2020 £000	£000	2019 £000	£000
<i>UK corporation tax and group relief</i>				
Current tax on income for the year	2,096		1,910	
Adjustments in respect of prior years	(23)		(172)	
Total current tax charge		2,073		1,738
<i>Deferred tax</i>				
Origination and reversal of timing differences	(44)		215	
Adjustments in respect of previous years	(29)		143	
Total deferred tax (credit)/charge (note 12)		(73)		358
Tax charge on profit on ordinary activities		2,000		2,096

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year differs from that resulting by applying the effective standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
<i>Total tax reconciliation</i>		
Profit on ordinary activities before tax	10,514	10,734
Tax at 19% (2019: 19%)	1,998	2,039
<i>Effects of:</i>		
Expenses not deductible for tax purposes	54	86
Adjustment to corporation tax and group relief in respect of previous years	(23)	(172)
Adjustment to deferred tax in respect of previous years	(29)	143
Total tax charge (see above)	2,000	2,096

Factors that may affect future tax charges

In the UK budget on 15 March 2021, the Chancellor announced that the rate of corporation tax would increase from its current level of 19% to 25% with effect from 1 April 2023. The rate will remain at 19% until that date. If this amendment is enacted by parliament and receives Royal Assent, it will increase the amount of corporation tax payable.

9 Dividends

	2020 £000	2019 £000
Interim dividends of £1.5233. per share (2019: £1.84588) declared and paid during the current year	8,500	10,300

Notes (continued)

10 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	434	39,934	4,729	45,097
Additions	-	2,473	188	2,661
Disposals	-	(1,956)	(77)	(2,033)
	<u>434</u>	<u>40,451</u>	<u>4,840</u>	<u>45,725</u>
Depreciation				
At beginning of year	373	29,351	3,339	33,063
Charge for year	18	3,265	396	3,679
Disposals	-	(1,808)	(77)	(1,885)
	<u>391</u>	<u>30,808</u>	<u>3,658</u>	<u>34,857</u>
Net book value				
At 31 December 2020	<u>43</u>	<u>9,643</u>	<u>1,182</u>	<u>10,868</u>
At 31 December 2019	<u>61</u>	<u>10,583</u>	<u>1,390</u>	<u>12,034</u>

The net book value of tangible fixed assets includes an amount of £Nil (2019: £Nil,) in respect of assets held under finance lease and hire purchase contracts. The related depreciation charged on these assets during the year was £Nil (2019: £5,000).

11 Stocks

	2020 £000	2019 £000
Finished goods and goods for resale	<u>3,283</u>	<u>2,603</u>

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

12 Debtors: Amounts falling due within one year

	2020 £000	2019 £000
Trade debtors	6,335	8,299
Amounts owed by group undertakings	3,917	4,075
Prepayments and accrued income	1,218	1,154
Deferred tax asset	777	347
Other debtors	313	425
	<u>12,560</u>	<u>14,300</u>

All inter-company loans are due on demand. Interest is charged on all inter-company loans at commercial rates of interest.

Notes (continued)

12 Debtors: Amounts falling due within one year (continued)

The deferred taxation asset is analysed as follows:

	2020 £000	2019 £000
Tax written down value of plant and equipment in excess of the financial statements written down value	124	176
Other short term timing differences	743	525
Pension scheme surplus	(90)	(354)
	<u>777</u>	<u>347</u>

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

	£000
At start of year at 19%	347
Profit and loss account credit (note 8)	73
Deferred tax attributable to pension asset and liability adjustments posted to other comprehensive income	357
	<u>777</u>
At end of year 19%	<u>777</u>

A deferred tax asset has been recognised as the directors consider that there will be sufficient taxable profits generated by the company in the next 12 months to ensure its recovery. It has been calculated using the rates expected to apply when the timing differences reverse in accordance with FRS 102.

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

13 Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	1,537	2,932
Amounts owed to group undertakings	19,138	28,372
Other creditors:		
UK corporation tax and group relief	2,220	2,034
Other taxes and social security	1,917	1,216
Other creditors	863	111
Accruals and deferred income	3,566	3,243
	<u>29,241</u>	<u>37,908</u>

All inter-company loans are due on demand. Interest is charged on all inter-company loans at commercial rates of interest.

Notes (continued)

14 Called up share capital

	2020 £000	2019 £000
<i>Called up, allotted and fully paid:</i>		
5,580,002 ordinary shares of £1 each	5,580	5,580

15 Retirement benefit obligations

Defined contribution scheme

The company operates the Andrews Sykes Stakeholder Pension Plan, to which the majority of UK employees are eligible. Both the employer and employee contributions vary, generally based upon the individual's length of service with the company.

The company has adopted the requirements of auto enrolment for all eligible UK employees. Until 1 October 2017, employee and employer contributions were made at the rate of 1% each of pensionable salary which were then increased to 3% for employees and 2% for employers. On 6 April 2019 these rates were further increased to 5% and 3% respectively and these remain current.

Contributions for both existing members and members that have been auto enrolled are made to the same scheme. The employer's contribution rates vary from 1% to 10%, the current average being 3.65% (2019: 4.6%). The current period charge in the income statement amounted to £416,000 (2019: £434,000).

Defined benefit pension scheme

The company is a participating member of the group defined benefit (DB) scheme. The DB Scheme is established under trust law and complies with the Pension Scheme Act 1993, Pensions Act 1995, Pensions Act 2004, Pensions Act 2014 and all other relevant UK legislation. Pension assets are held in separate trustee administered funds which have equal pension rights with respect to members of either sex in so far as this is required by current legislation.

The DB Scheme was closed to new members on 29 December 2002 and over recent years the group has taken steps to manage the ongoing risks associated with its defined benefit liabilities.

As at 31 December 2020, the group had a net defined benefit pension scheme surplus, calculated in accordance with FRS 102 using the assumptions as set out below, of £498,000 (2019: £1,963,000). A qualified actuary has split this surplus between participating members based on the average number of deferred members employed and pensioners previously employed by each participating member. The company's share of this surplus on this basis is £473,000 (2019: £1,865,000) and this asset has been recognised in these financial statements as the directors are satisfied that it is recoverable through either reduced future contributions or refunds from the plan.

The last formal triennial funding valuation was as at 31 December 2019. A draft funding valuation was presented to the Board of directors in early summer 2020, and the group made a one-off contribution of £600,000 in late May 2020 to largely eliminate the funding deficit as at 31 December 2019 as indicated by that draft valuation. In addition, in accordance with the previous schedule of contributions and recovery plan, the group has continued to make regular contributions of £10,000 per month during 2020 and therefore total contributions made by the group to the pension scheme during 2020 were £720,000 (2019: £120,000).

The formal 2019 funding valuation, including a revised schedule of contributions and funding plan, was agreed between the pension scheme trustees and the Board of directors in March 2021 and was effective from 1 January 2021. In accordance with this schedule of contributions and recovery plan, the group will be making regular contributions of £110,000 per month for the period 1 January 2021 to 31 December 2022, and £10,000 per month for the period 1 January 2023 to 31 December 2025 or until a revised schedule of contributions is agreed, if earlier. Consequently, the group expects to make total contributions to the pension scheme of £1,320,000 during 2021.

Notes (continued)

15 Retirement benefit obligations (continued)

Principal risks

The following table summarises the principal risks associated with the group's DB Scheme:

Investment risk	The present value of defined benefit liabilities is calculated using a discount rate set by reference to high-quality corporate bond yields. If scheme assets underperform corporate bonds, this will create a deficit.
Interest rate risk	A fall in bond yields would increase the value of the liabilities. This would only be partially offset by an increase in the value of the bond investments held.
Inflation risk	An increase in inflation would increase the value of pension liabilities. The assets would be expected to also increase, to the extent they are linked to inflation, but this would not be expected to fully match the increase in liabilities.
Longevity risk	The present value of the defined benefit liabilities is calculated having regards to a best estimate of the mortality of scheme members. If members live longer than this mortality assumption, this will increase the liabilities.

Assumptions

The last full actuarial valuation was carried out as at 31 December 2019 (2019: 31 December 2016). 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:

	2020	2019
Rate of increase in pensionable salaries	n/a	n/a
Rate of increase in pensions in payment	2.9%	3.0%
Discount rate applied to scheme liabilities	1.3%	2.0%
Inflation assumption:		
RPI	2.9%	3.0%
CPI for the first 6 years	2.3%	2.0%
CPI after the first 6 years	2.3%	2.0%
Percentage of deferred members taking maximum tax free lump sum on retirement	75%	75%

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics. The current mortality table used is 110% S3PA CMI_2018 (2019: 110% S2NA CMI_2018), heavy tables for males and middle for females, with a 1.25% per annum long-term improvement rate for both males and females (2019: 1.25% for both males and females).

The assumed average life expectancy of a pensioner retiring at the age of 65 given by the above tables is as follows:

	2020	2019
	Years	Years
Male, current age 45	21.0	22.8
Female, current age 45	25.0	25.2
Male, current age 65	19.6	21.5
Female, current age 65	23.5	23.7

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. The expected return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation.

Notes (continued)

15 Retirement benefit obligations (continued)

Valuations

The proportion of the fair value of the scheme's 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:

	2020 £000	2019 £000
UK equities	14,889	15,320
Corporate bonds	17,061	16,681
Gilts	10,217	9,394
Cash	600	400
	<hr/>	<hr/>
Total market value of assets	42,767	41,795
Present value of scheme liabilities calculated in accordance with stated assumptions	(42,294)	(39,930)
	<hr/>	<hr/>
Surplus in the scheme calculated in accordance with stated assumptions	473	1,865
	<hr/>	<hr/>

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

	2020 £000	2019 £000
Market value of plan assets at start of year	41,795	38,984
Administration expenses charged in the profit and loss account	(143)	(105)
Expected return on plan assets (interest income)	822	1,063
Actuarial gains recognised in other comprehensive income	1,545	3,729
Employer contributions:		
Normal	684	115
Benefits paid	(1,936)	(1,991)
	<hr/>	<hr/>
Market value of plan assets at end of year	42,767	41,795
	<hr/>	<hr/>

The above pension scheme assets do not include any investments in the parent company's own shares or property occupied by the company or its subsidiaries.

The movement in the company's proportion of the present value of the scheme's defined benefit liabilities during the year is as follows:

	2020 £000	2019 £000
Present value of scheme liabilities at beginning of year	39,930	37,696
Past service cost – GMP equalisation	95	-
Interest on scheme liabilities	779	1,027
Actuarial loss recognised in other comprehensive income	3,426	3,198
Benefits paid	(1,936)	(1,991)
	<hr/>	<hr/>
Present value of scheme liabilities at end of year	42,294	39,930
	<hr/>	<hr/>

Notes (continued)

15 Retirement benefit obligations (continued)

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 the profit and loss account:

	2020 £000	2019 £000
Expected return on pension scheme assets (interest income)	822	1,063
Interest on pension scheme liabilities	(779)	(1,027)
Net pension scheme interest income (note 5)	43	36
Administrative expenses:		
Past service cost – GMP equalisation	(95)	-
Pension scheme administration expenses	(143)	(105)
	(195)	(69)

Although the DB scheme was closed to new members on 29 December 2002, and future benefits ceased to accrue to existing members on that date, a Guaranteed Minimum Pensions (GMP) equalisation charge of £95,000 has been recognised in the current year within past service costs. This follows a second High Court judgement in the case of Lloyds Banking Group in November 2020 when it was further clarified that, in addition to pension payments, pension transfer out values paid by UK defined benefit pension schemes also need to be equalised for previously unequal GMP. This charge has been recognised in the income statement as the ruling is considered to have created a new obligation which was not previously incorporated into the calculation of the liabilities. Any changes in the assumptions adopted will be recognised in other comprehensive income as a re-measurement item.

Amounts recognised in other comprehensive income

The amounts included in other comprehensive income were:

	2020 £000	2019 £000
Actual return less expected return (interest income) on scheme assets	1,545	3,729
Experience gains and losses arising on scheme liabilities	393	200
Changes in assumptions underlying the present value of scheme liabilities	(3,819)	(3,398)
Actuarial (loss)/gain recognised in other comprehensive income	(1,881)	531

On 26 October 2018, a High Court judgement in the case of Lloyds Banking Group clarified that pension benefits paid by UK defined benefit pension schemes do need to be equalised for previously unequal GMP. A charge was recognised in the profit and loss account in 2018 as the ruling was considered to have created a new obligation, which was not previously incorporated into the calculation of the liabilities. As part of the work on the 2019 formal triennial funding valuation, further and better information is now available, which has resulted in an additional charge of which this company's share is £542,000, which has been included within changes in assumptions underlying the present value of scheme liabilities in the table above.

Notes (continued)

15 Retirement benefit obligations (continued)

Key assumptions — sensitivity analysis

The key assumptions used to calculate the scheme's liabilities are longevity, discount rate and the inflation assumptions (RPI and CPI).

If the average actual longevity from the age of 65 years is one year greater than that assumed, the company's share of the total pension scheme liabilities would increase by approximately £2,242,000 (2019: £1,837,000). If the actual longevity is one year less than that assumed, the pension scheme liabilities would reduce by a similar amount.

A 0.1% increase in the discount rate applied to the scheme liabilities and a 0.1% increase in the inflation assumptions would reduce/increase the present value of the company's share of the defined benefit obligation by approximately £687,000 (2019: £541,000) and £556,000 (2019: £427,000) respectively. A 0.1% decrease in these assumptions would increase/reduce the present value of the defined benefit obligation by a similar amount.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. No allowance has been made for any change in assets that might arise under any of the scenarios set out above. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised within the balance sheet.

The sensitivities shown are just one possible outcome and should not be taken as an indication of the likelihood of a change occurring in the future. Economic markets are volatile and market metrics used to derive the discount rate and price inflation assumptions could increase or decrease in the future, by more or less than the change set out.

This methodology is unchanged from last year's disclosures.

16 Operating leases

Commitments under non-cancellable operating lease agreements are payable as follows:

	2020 £000	2019 £000
Less than one year	2,164	1,986
Between two and five years	4,898	4,148
More than five years	3,336	2,939
	<u>10,398</u>	<u>9,073</u>

17 Capital commitments and contingencies

There were no outstanding capital commitments or contingencies at either 31 December 2020 or 31 December 2019.

18 Related party transactions

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

	2020 £	2019 £
Purchases from London Securities plc	29,087	15,901
Amounts owed to London Securities plc	2,322	1,575

The company transacted in the normal course of business with Sweepax Pumps Limited, a company 50% owned by Andrews Sykes Group plc:

	2020 £	2019 £
Dividends paid on behalf of Sweepax Pumps Limited	-	-
Amounts owed by the company to Sweepax Pumps Limited	-	27,362

Notes (continued)

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 registered office is:

St David's Court
Union Street
Wolverhampton
WV1 3JE

The consolidated financial statements for this group are available to the public and may be obtained from the aforementioned address

As at 28 May 2021, EOI SYKES Sarl, which is incorporated in Luxembourg, held 86.25% of the ordinary share capital of Andrews Sykes Group plc and is therefore that company's immediate parent company. The intermediate holding company is SK Participation Sarl, a company incorporated in Luxembourg, and 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 controlled by the trustees of these trusts through a Trustees' Committee. The directors therefore consider that the trustees of the Ariane and Eden Trusts are the ultimate controlling parties of the company.

The lowest level at which consolidated accounts are prepared is Andrews Sykes Group plc and the highest level is SK Participation Sarl.