ANDREWS SYKES GROUP PLC

Andrews Sykes Group plc

Annual Report and Financial Statements 2014

SYKES PUMPS | ANDREWS AIR CONDITIONING | ANDREWS HEAT FOR HIRE | ANDREWS DEHUMIDIFICATION | ANDREWS CHILLERS | ANDREWS BOILERS | ANDREWS VENTILATION

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Summary of Results

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Revenue from continuing operations	**56,400**	61,072
EBITDA* from continuing operations	**15,569**	18,592
Operating profit	**11,311**	14,683
Profit after tax for the financial period	**9,311**	11,518
Basic earnings per share from total operations (pence)	**22.03p**	27.25p
Interim and final dividends paid per equity share (pence)	**23.80p**	17.80p
Proposed final dividend per equity share (pence)	**11.90p**	11.90p
Net cash inflow from operating activities	**10,621**	14,216
Total interim and final dividends paid	**10,058**	7,523
Net funds	**16,846**	19,113

* Earnings Before Interest, Taxation, Depreciation, profit on sale of property, plant and equipment, Amortisation and non-recurring items as reconciled on the consolidated income statement.

Chairman's Statement
Overview and financial highlights

The group's revenue for the year ended 31 December 2014 was £56.4 million, a decrease of £4.7 million, or 7.6%, compared with the same period last year. This decrease had an adverse impact on operating profit which fell by £3.4 million from £14.7 million last year to £11.3 million in the year under review. This decrease is primarily due to two factors: the under-performance of our operations in the Benelux region and our heating business in the UK: both of which mainly impacted the group's performance in the first half of the year and had been largely addressed by the end of the fourth quarter.

As a consequence of the above, our basic earnings per share decreased from 27.25p last year to 22.03p in the current period. Although lower than in the previous year, the basic earnings per share is still considered to be a positive factor reflecting once again the strong trading performance of the majority of the group's businesses.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £10.6 million compared with £14.2 million last year. Net funds only decreased by £2.3 million from £19.1 million last year to £16.8 million at 31 December 2014 despite shareholder related cash outflows of £10.1 million *(2013: £7.5 million)* on equity dividends. Therefore, over the last two financial years, the group has returned £17.6 million in cash to shareholders. At the same time the level of external bank borrowings reduced from £8 million as at the end of last year to £7 million as at 31 December 2014. The Board is now proposing a further final dividend totalling £5.0 million payable in June 2015.

Cost control, cash and working capital management continue to be priorities for the group. Capital expenditure is concentrated on assets that give a good return and in total £4.4 million was invested in the hire fleet this year, a level very similar to last year's expenditure of £4.6 million. In addition, the group invested a further £0.5 million on property, plant and equipment. These actions will ensure that the group's infrastructure and revenue generating assets are sufficient to support future growth and profitability. Hire fleet utilisation, condition and availability continue to be the subjects of management focus.

Operating performance

The following table splits the results between the first and second half years:

	Turnover £'000	Operating profit £'000
1st half 2014	**26,759**	**4,349**
1st half 2013	29,774	6,427
2nd half 2014	**29,641**	**6,962**
2nd half 2013	31,298	8,256
Total 2014	**56,400**	**11,311**
Total 2013	61,072	14,683

The above table demonstrates that the majority of the trading shortfall compared with last year occurred in the first half of the year. Turnover in that period was 10.1% lower than in the same period in 2013 resulting in a reduction in operating profit of 32.3%. However, the group's trading results improved in the second half of the year. Whilst still behind last year's levels, the percentage shortfall in turnover and operating profit compared to 2013 both significantly reduced, to 5.3% and 15.6% respectively, compared with the first half year. The majority of the shortfall in the second half occurred in the third quarter; by the end of the fourth quarter trading had nearly recovered to the previous year's levels.

Once again our main hire and sales business sector in the UK and Europe faced challenging trading conditions throughout the year. Our UK pump business performed well and made a significant contribution to the group's operating profit. Similarly our specialist chiller and boiler hire divisions both traded ahead of last year as did our air conditioning and ventilation business. However, overall, the operating profit of this business segment fell from £13.5 million last year to £10.5 million in 2014 which is the main reason for the decline in the group's overall performance this year.

The fall in profitability of this business sector was mainly due to two factors: a sharp decline in trading in the Benelux region and a disappointing performance from our UK heating business. The poor trading performance in the Benelux region was due to a combination of two factors: a decline in the construction sector in the Netherlands and a mild winter throughout the region which failed to stimulate demand for our heating products. This also had an adverse impact on our heating business in the UK which was responsible for the majority of the shortfall in turnover of our main UK trading subsidiary, Andrews Sykes Hire Limited. Nevertheless, by the end of 2014, economic trading conditions throughout Europe had improved significantly and weather conditions had returned to seasonal normality. Consequently, we are now able to look forward to 2015 with a more optimistic outlook.

Despite the above adverse trading conditions, the group's diverse product range is able to return a robust performance during any weather conditions. This is supported by the continuing development of non-weather dependent niche markets which continue to benefit the performance of our specialist hire divisions. We will continue to invest in and develop these businesses as well as our traditional core products and services.

Our hire and sales business in the Middle East had a successful year. Nevertheless, the operating profit for this business segment fell from £1.8 million in 2013 when trading was particularly good to £1.5 million in 2014. Our climate rental division which was formed in 2012 continues to expand and returned a positive contribution to the business results.

Turnover of our fixed installation business sector in the UK was £0.1 million ahead of 2013 at £4.0 million but due to price competition and a change in mix in this fragmented market, operating margins were reduced. Consequently operating profit for this business sector fell from £0.4 million in 2013 to just over £0.2 million in the current year.

Careful cost control resulted in a £0.1 million reduction in central overheads from £1.0 million in 2013 to £0.9 million in the current year.

Profit for the financial year

Profit before tax was £11.8 million this year compared with £15.0 million last year. This is mainly attributable to the above £3.4 million reduction in operating profit which has been slightly offset by an increase in dividends received from Oasis Sykes, our trade investment in Saudi Arabia. Net finance costs increased by £0.1 million compared with 2013.

Tax charges reduced from £3.5 million to £2.5 million in 2014 due to a combination of the decrease in profits before tax and a fall in the overall effective tax rate from 23.0% in 2013 to 20.8% in 2014. Profit for the financial year was £9.3 million compared with £11.5 million last year.

Equity dividends

The company paid two dividends during the year. On 19 June 2014 a final dividend for the year ended 31 December 2013 of 11.9 pence per ordinary share was paid and this was followed on 2 December 2014 by the payment of an interim dividend for 2014 also of 11.9 pence per share. Therefore, during 2014, a total of £10.1 million in cash dividends has been returned to our ordinary shareholders.

I am pleased to announce that, in view of the group's ongoing profitability and its significant cash resources, the board has proposed a final dividend for 2014 of 11.9 pence per ordinary share. If approved at the forthcoming Annual General Meeting this dividend, which in total amounts to £5.0 million, will be paid on 19 June 2015 to shareholders on the register on 29 May 2015.

Net funds

At 31 December 2014 the group had net funds of £16.8 million compared with £19.1 million last year, a decrease of only £2.3 million despite the payment of the above equity dividends totalling £10.1 million during the year.

Share buybacks

During the current year the company did not purchase any ordinary shares for cancellation. However, in prior periods such purchases were made and these enhanced earnings per share and were for the benefit of all shareholders.

The board believes that it is in the best interest of shareholders if it has this authority in order that market purchases may be made in the right circumstances if the necessary funds are available. Accordingly, at the next Annual General Meeting, shareholders will be asked to vote in favour of a resolution to renew the general authority to make market purchases of up to 12.5% of the ordinary share capital in issue.

Outlook

The group's policy to increase investments in new technologically advanced and environmentally friendly non-seasonal products will be continued into 2015. Investments will also continue in our traditional businesses to ensure we are ready to support our customers in times of extreme weather conditions.

The group continues to face challenges in all of its geographical markets but our business remains strong, cash generative and well developed, with positive net funds. Improvements have already been seen in the Benelux region and we anticipate improved performances from our newly established, but currently small, businesses in France, Switzerland and Luxembourg. The board is therefore cautiously optimistic for further success in 2015 always being mindful of the favourable or adverse impact that the weather can have on our business.

JG Murray
Chairman
5 May 2015

Strategic Report

Operational performance

Principal Objectives and Strategy

The Andrews Sykes Group 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.

We aim to provide the most modern, technically advanced and environmentally friendly rental equipment in the market. We offer our products and services throughout the UK, Europe and the Middle East via a network of depots which are supported by regional agents. Having been established in the UK since 1857 we now have over 40 locations and employ around 500 staff worldwide. Our operations in mainland Europe began over 40 years ago in Rotterdam and now extend to depots located throughout Holland, Belgium, Luxembourg, France, Italy and Switzerland. In the Middle East we have been operating from Dubai since the 1970s and now have locations in Abu Dhabi and Sharjah, with agents and partners based in Saudi Arabia, Oman, Qatar, Kuwait and Bahrain. We also have long-established partners in Ireland and North America.

In addition to renting our products, we provide our equipment for sale along with a full service and repair backup. In the UK we have a specialist Air Conditioning installation, service and maintenance subsidiary which covers the whole of the UK from a base in Manchester.

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 and geographic locations. Our reputation for providing high levels of training to our staff whilst maintaining a strict health and safety workplace, within an environmentally conscious culture, makes us an employer of choice for our Industry.

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

Future Development of the Business

Our success has been centred on providing technically advanced climate rental products to numerous geographic locations and market sectors. We plan to continue to develop new products and services within our specialist product line whilst continuing to expand our geographic coverage both within existing territories and new markets. For 2015 we have several new products ready for launching which extend our product offering to both new and existing customers. During 2015 we have opened a new operation in Lyon expanding our coverage in France, along with further development in the Middle East. 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.

2014 Operational Performance

The group reported a drop in profits from last year of £3.4 million, a large percentage of this shortfall was due to a sharp decline in trading from our Benelux operations where both the weather and economy within the construction sector made the market particularly challenging. The UK hire business also had a reduction in business levels although over 90% of the shortfall in the UK was due to heater hire revenue. The early months of 2014 were unusually mild throughout Europe and this did little to stimulate any requirement for our heating related offerings. Conversely the very wet weather, which the UK experienced early in 2014, provided good market conditions for our pumping equipment which performed well.

After the difficult start, trading improved significantly during the year with the final quarter result within 0.5% of last year's result. This provided a strong base to start 2015 and gave cause for optimism for the year. As 2014 came to an end, weather conditions were closer to the seasonal norm and improving economic conditions throughout Europe allowed us to end the year with a positive outlook.

Trading in the Middle East also improved during the final quarter of 2014, with new opportunities opening up for the group in addition to a general improvement in local market conditions. This increase in activity will continue well into 2015.

The overall group operating profit of £11.3 million is a decrease of £3.4 million when compared to the 2013 results. As a result of careful cash management net funds only decreased by £2.3 million from £19.1 million to £16.8 million despite total dividend payments to shareholders of £10.1 million in the year.

During the year we opened a new subsidiary business in Luxembourg. This operation will work closely with our Belgian business to provide an improved level of service to our customers based in the Grand Duchy of Luxembourg. This business was opened in May 2014 and started trading in June of the same year.

Hire and Sales Europe

Summary

Turnover of the European hire and sales business sector decreased from £48.7 million last year to £45.1 million in the current year, a decrease of £3.6 million or 7.4% compared with last year. Operating profit decreased by £3.0 million, or 22.2%, from £13.5 million in 2013 to £10.5 million in 2014.

A reconciliation of the result of this and other business sectors to the consolidated results for the year is given in note 5 to the financial statements.

Andrews Sykes Hire Limited

Our main UK trading subsidiary, Andrews Sykes Hire, has 28 locations covering the UK and employs over 300 members of staff. During the year we continued to develop our product range and service offering with further investment in our hire fleet, depots and infrastructure. The profit result was adversely affected by a significant shortfall in heating hire revenue, particularly during the early part of the year. The specialist hire division which provides chiller and boiler hire services, produced a performance which was ahead of the previous year. Sykes Pumps, our specialist pump hire division produced a strong performance for the year which was further enhanced by the wet weather that hit the UK during the first quarter. Dehumidification and Ventilation hire continued to grow during the period following the focus which was applied during the previous year. The Andrews brand marked its 50th anniversary late in 2014, having been founded by John Andrews in 1964, close to our current head office location in Wolverhampton. We have arranged a number of special activities to mark the event which will run throughout the 50th year.

Andrews Sykes BV

Andrews Sykes BV is our long-established Hire business based in the Netherlands. With over 40 years of experience in the Dutch market, we now have four depots strategically located to offer full coverage of the country as well as providing access into the German market. This subsidiary continues to operate in close co-operation with our UK business and prospers from this strong alliance. The hire fleet equipment is almost identical throughout our European businesses, which enables us to stretch our resource and cover peak demands. Our Dutch business also provides backup support to our newer operations in Belgium and Luxembourg. This subsidiary experienced a significant downturn during 2014. Some of this was due to unfavourable weather conditions but was also partly due to the reduction in construction work throughout the Netherlands. Despite these difficult trading conditions, this subsidiary continues to provide strong levels of profitability.

Andrews Sykes BVBA

Our Belgian subsidiary is based in Brussels and provides the full range of Andrews Sykes climate rental products throughout Belgium. Trading in both French and Flemish languages, the business has dual language branding, literature and website for the Belgian market. Similar to the Dutch business, our Belgian subsidiary also experienced a reduction in profit during 2014. We have continued to invest in this operation with further investment planned for the near future as market conditions improve.

Strategic Report
Operational performance (continued)

Nolo Climat SRL
Nolo Climat is our Italian subsidiary which opened in 2011. Our business is strategically located close to the centre of Milan where it has good access to the International Exhibition Centre and is in close proximity to Malpensa Airport. Following the strong growth of recent years this business provided a similar level of revenue in 2014, which in turn provided another profitable result, at a similar level to the previous year. This subsidiary has now provided a strong base upon which we can plan further growth throughout Italy in the near future.

Andrews Sykes Climat Location SAS
Our French subsidiary was established in 2012. From our first depot in Lille, we have successfully developed this relatively new operation within the French market whilst retaining close ties with our Belgian depot which is based in Brussels within 100 km. The close proximity to the border also allows this depot to support the southern part of Belgium. During the year the revenue for this new business grew by almost 300% when compared to previous years. In June we opened a second depot, located close to Paris, and this has already provided additional opportunities and success within the French capital. We are now preparing to extend our coverage into the South East of France, with a third depot located in Lyon opening in April 2015.

Climat Location SA
Climat Location SA is our Swiss subsidiary which opened in 2013. Based close to Lausanne, this new operation was established to cover the French cantons. During the first period of development we found it difficult to penetrate this notoriously hard to enter market. Low levels of revenue and a high cost base meant that the business made a loss in 2014 and caused the group to rethink its strategy for this region. Towards to the end of the year we decided to reduce our cost base whilst maintaining the level of service within this market. The reduced overheads coupled with an increase in revenue during the winter period will enable this operation to become profitable during the early part of 2015 as we continue to evaluate this market.

New businesses
During 2014 we opened a new operation in Luxembourg. We are located within easy reach of the capital which enables us to provide the full range of our climate rental products throughout the country. The business commenced trading in June 2014 and is now ready to develop further within the local marketplace during 2015. Although the territory is much smaller in comparison with other target markets, this new operation can provide additional support to our Belgian based customers which operate within Luxembourg.

UK Installation Business
Andrews Air Conditioning & Refrigeration Limited
Andrews Air Conditioning & Refrigeration (AAC&R) is our UK based fixed air conditioning, service, maintenance and installation business. This subsidiary provides a specialist service to customers who have, or require, permanently installed air conditioning systems. The total revenue for this business is split evenly between the sale of new systems and the service and maintenance of existing systems; however, the maintenance part of the business provides a larger profit contribution. When compared to 2013 the business produced a small increase in revenue, but a change in the mix of business and some lower margins meant that the level of profit was below the previous year.

Hire and Sales Middle East

Khansaheb Sykes LLC

Khansaheb Sykes is our long-established dewatering and pump hire business, which is based in the UAE with locations in Sharjah, Dubai and Abu Dhabi. These centres also provide a base from which we cover other parts of the Middle East for both pump sales and hire. We have agents based in Oman, Kuwait, Bahrain and Qatar, allowing us to provide our products and services in these local markets. Following a successful year in 2013 the business experienced a downturn, with total revenue falling below the previous year by £1.1 million, however; this was generally in line with the 2012 performance. Consequently, the profit performance of £1.5 million was below that of the previous year by £0.3 million.

Having started a climate rental division in 2012, this activity has grown steadily and is now making a positive contribution to our overall performance. This division shares the same properties and back office support with the pump part of our business; it focuses on Chiller and Air Conditioning rental throughout the UAE, covering markets such as event hire, oil industry, retail, hotels and construction. Although the business is still in its infancy we are pleased with the progress made to date and remain optimistic for this new division.

Group summary

The overall group result for 2014 shows a reduction in operating profit of £3.4 million, or 23.0%, when compared to the previous year, which was ahead of 2012 by 3.2%. The vast majority of this reduction was due to the lack of heater hire revenue in the UK and the decline in profits from our Benelux based operations, otherwise revenues and profitability remained strong throughout the group. Our new operations located in Switzerland, France and Luxembourg continue to report losses during their opening years, which we had expected, although we now expect that these subsidiaries will move towards a profitable result.

It should be noted that the 2013 result was boosted by a very warm summer and that the 2012 result included non-recurring levels of profit that were related to the London Olympic Games. Market conditions were not particularly favourable during the year although the UK economic recovery has provided some degree of optimism.

The Andrews Sykes business remains strong: the experience of our senior management team, coupled with our development plans, provide optimism for further progress in 2015. The group continues to develop new sales channels and propositions which will enable the business to take advantage of favourable market conditions and opportunities as they arise. At the same time the company continues to carefully control its cost base and ensure that satisfactory levels of profit can be achieved even during difficult market conditions.

Strategic Report

Review of risks, uncertainties and financial performance

Key Performance Indicators (KPIs)

The group's principal KPIs are as follows:

	12 months ended 31 December 2014	12 months ended 31 December 2013
Average revenue per employee	**£111,000**	£124,000
Operating cash flow(1) as a percentage of operating assets(1) employed	**57.5%**	78.0%
Net funds to equity percentage	**40.0%**	43.6%
Basic EPS from continuing operations (pence)	**22.03p**	27.25p

(1) Cash generated from operations before defined benefit pension scheme contributions. Operating assets are net assets employed excluding pension assets and liabilities, loans, deferred and corporation tax balances, bank deposit accounts and cash.

Non-financial KPIs monitored by the board include asset utilisation and health and safety statistics.

The average revenue per employee and the operating cash flow as a percentage of operating assets employed are indicative ratios used to monitor the revenue generation of the group relative to its fixed resources. Although lower than in previous years, the average revenue per employee remains relatively high and indicates a strong underlying operating performance and high staff utilisation levels. Operating cash flow as a percentage of operating assets continues to be strong demonstrating both strong working capital management and high levels of asset utilisation.

Management continues to monitor the net interest charge which is £72,000 this year compared with a credit of £87,000 last year primarily due to foreign exchange losses this year. This, together with strong operating profit, clearly demonstrates that the group is well able to service its external debt which is crucial in the current economic environment.

The net funds to equity percentage is indicative of the group's strength and capacity for taking on additional finance as and when the need arises. A reconciliation of the movement in net funds during the year is provided on page 11.

The basic earnings per share (EPS) is the traditional ratio used by the group to monitor its performance relative to its equity base. This, in the long term, ultimately drives the share price and gives a good indication of how well the directors and staff are delivering the success of the company for the benefit of the members as a whole. Whilst the EPS decreased by 19.2% from 27.25p in 2013 to 22.03p in 2014, it is still a healthy ratio and demonstrates the underlying strength of the business performance in 2014.

Operating profit

The consolidated operating profit was £11.3 million for the year under review, a decrease of £3.4 million, or 23.0%, compared with last year's operating profit of £14.7 million. Note 5 to the financial statements analyses these results by business segment and this can be summarised as follows:

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Hire and sales Europe	**10,511**	13,515
Hire and sales Middle East	**1,484**	1,773
UK Installation Business	**237**	370
Subtotal	**12,232**	15,658
Unallocated costs and eliminations	**(921)**	(975)
Consolidated operating profit	**11,311**	14,683

A review of the performance of each business sector is given in the operational performance section of this strategic report.

Income from trade investments

During December 2014 the group received a dividend in respect of the 2013 financial year from Oasis Sykes, our trade investment in Saudi Arabia. This amounted to £517,000 less withholding tax of £47,000. Last year a final dividend in respect of the 2012 financial year was received of £194,000 less withholding tax of £39,000. Dividend income continues to be accounted for on cash received basis as the group is unable to exercise significant influence over Oasis Sykes.

Net interest charge

The net interest charge for the current year is £72,000 compared with a credit of £87,000 in 2013. This can be analysed as follows:

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Interest charge on bank loans and overdrafts	**162**	156
Finance lease interest charge	**30**	37
Interest receivable	**(269)**	(275)
Foreign exchange losses on inter-company loans	**222**	93
Net IAS 19 pension interest credit	**(73)**	(98)
Total net interest charge/(credit)	**72**	(87)

The interest charge on bank loans and overdrafts and interest receivable remain at similar levels to last year.

The weighted average interest rate charged on the bank loans increased slightly from 1.65% last year to 1.83% in 2014, the effect of which was offset by a reduction in the weighted average capital amount of the gross outstanding loans from £8 million last year to £7.3 million in 2014.

The average rate of interest receivable on short term bank deposits improved slightly from just over 1% last year to 1.1% in 2014. This improvement was offset by a fall in the average cash on deposit this year to approximately £24.3 million compared with £25.6 million last year. These two factors explain the slight decrease in interest receivable in 2014 compared with 2013.

There was a relatively modest foreign exchange loss on inter-company loans again this year, mainly due to the strengthening of Sterling relative to the Euro. The group's policy continues to be to not hedge its international assets with respect to foreign currency balance sheet translation exposure.

The net IAS 19 pension interest credit has been calculated by the group's actuary based on the assumptions as set out in note 18 to the financial statements. In accordance with IAS 19 (2011) the expected percentage return on assets has been limited to an equivalent rate used to discount the scheme's liabilities. A net credit arises in both periods as the scheme has a surplus calculated in accordance with IAS 19 (2011) at the end of both the current and previous financial years.

Review of risks, uncertainties and financial performance (continued)

Tax on profit on ordinary activities

The group's tax charge on ordinary activities was £2,445,000 *(2013: £3,446,000)* resulting in an overall effective tax rate of 20.8% *(2013: 23.0%)*, slightly below the standard effective tax rate in the UK for the current year of 21.5% *(2013: 23.25%)*. A summary of the factors giving rise to this decrease is given in the table below:

	£'000
Profit before taxation	**11,756**
Theoretical tax charge at the UK effective tax rate of 21.5%	**2,528**
Effects of different tax rates of subsidiaries operating abroad	**(232)**
Non-taxable income from trade investments	**(111)**
Increase in overseas trading losses not recognised in deferred tax	**207**
Non-tax deductible expenses, withholding tax and other factors	**125**
Effect of change of rate of tax in the UK and adjustments to prior periods	**(72)**
Total tax charge for the financial year	**2,445**

A detailed reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by 21.5% and the actual tax charge is given in note 11 to the consolidated financial statements.

The 2013 Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 1 April 2015. Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. This will further reduce the group's current tax charge accordingly.

The deferred tax balances at 31 December 2014 and 31 December 2013 have been calculated based on the rate of 20% which was substantively enacted at the balance sheet dates.

Profit for the financial year

Profit after tax for the financial year was £9,311,000 compared with £11,518,000 last year.

Basic earnings per share (EPS)

The basic earnings per share decreased by 5.22 pence, or 19.2%, from 27.25 pence last year to 22.03 pence in 2014. There were no dilutive instruments outstanding in either 2014 or 2013 and therefore there is no difference between the basic and diluted earnings per share figures.

Based on a year-end mid-market share price of 307.5 pence, the basic EPS gives a price to earnings ratio of 13.96.

Cash flow from operating activities

The table below summarises the group's cash flow from operating activities compared with the previous year:

	12 months ended 31 December 2014 £m	12 months ended 31 December 2013 £m
Operating profit	**11.3**	14.7
Depreciation and profit on the sale of plant and equipment	**4.3**	3.9
EBITDA*	**15.6**	18.6
Defined benefit pension scheme contributions in excess of pension scheme administration costs	**(0.8)**	(0.8)
Interest paid	**(0.2)**	(0.3)
Tax paid	**(2.4)**	(3.2)
Net working capital movements	**(1.6)**	(0.1)
Net cash inflow from operating activities	**10.6**	14.2

* Earnings Before Interest, Taxation, Depreciation, profit on sale of property, plant and equipment, Amortisation and non-recurring items as reconciled on the consolidated income statement.

As demonstrated by the table above, the group continues to generate strong operating cash flows.

As well as cost control, management of working capital continues to be a priority. Collecting cash from our customers continues to receive management focus, particularly in the Middle East, due to the economic recession where it is generally acknowledged that cash collection is a major problem.

Across the group generally, attention continues to be made to reduce the level of old debt. Average debtor days for current unimpaired debts decreased from 38 days in 2013 to 35 days this year.

In 2014 debts written off against the bad debt provision were £561,000 compared with £557,000 last year and there was a net charge of £88,000 *(2013: £703,000)* to the income statement from the bad debt provision, which was calculated on a consistent basis each year. This reflects the collection of some old debts, albeit at a discount which has been expensed against the bad debt provision, in the Middle East. Total debtors accounted for a working capital release of £0.3 million in 2014 compared with £0.6 million last year.

After adjusting for items capitalised out of opening stock, stock movements absorbed £2.5 million *(2013: £1.0 million)* of working capital. Creditor movements accounted for a working capital inflow of £0.6 million (*2013: £0.3 million*).

Following the agreement of the triennial recalculation of the pension scheme funding deficit as at 31 December 2013 in June 2014, a revised schedule of contributions and recovery plan has been agreed with the pension scheme trustees. In accordance with this agreement employer contributions of £905,000 have been made by the group to the pension scheme in 2014. Pension scheme administration costs charged to the income statement in accordance with IAS 19 (2011) amounted to £127,000 *(2013: £139,000)*. These items are discussed in more detail on page 14.

Net funds

Despite shareholder related cash outflows of £10.1 million on ordinary dividends, net funds only decreased by £2.3 million from £19.1 million at 31 December 2013 to £16.8 million at 31 December 2014. The movement can be reconciled as follows:

	£m
Opening net funds	**19.1**
Significant inflows:	
Cash inflow from operating activities	**10.6**
Dividends received from trade investments	**0.5**
Sale of plant and equipment	**0.5**
Interest received	**0.3**
Significant outflows:	
Capital expenditure – plant and equipment	**(3.7)**
Equity dividends paid	**(10.1)**
Effect of changes in foreign exchange rates	**(0.4)**
Closing net funds	**16.8**
Comprises:	
Bank loans net of loan finance costs	**(7.0)**
Finance lease obligations	**(0.3)**
Cash at bank	**24.1**
Total net funds	**16.8**

The bank loan repayment profile is set out in note 24 to the financial statements. Interest is charged based on LIBOR plus a margin of 1.2% and mandatory costs. Costs of raising loan finance are being amortised to the income statement over the period of the loan.

Management has been careful to ensure that the hire fleet is up to date and well maintained in order to meet customer demand. Total cash spent on plant and equipment amounted to £3.7 million *(2013: £4.4 million)*. In addition, £1.2 million of items held in stock at December 2013 have also been capitalised this year *(2013: £1.0 million)*. Capital expenditure has been concentrated on hire fleet assets with high levels of utilisation and good rates of return as well as business development opportunities. Savings continue to be made in non-essential areas and hire fleet maintenance and utilisation have been prioritised.

Strategic Report
Review of risks, uncertainties and financial performance (continued)

Bank loan facilities

The group continues to operate within the bank covenants and accordingly the bank loan has been analysed between current and long term obligations in accordance with the agreed repayment profile. In April 2013 a bank loan of £8 million was taken out with the group's bankers, Royal Bank of Scotland, and, in accordance with the agreed repayment profile, £1 million was repaid in April 2014. Further annual repayments of £1.0 million are due on 30 April 2015 and 30 April 2016 with a final balloon payment of £5.0 million due on 30 April 2017. Interest is being charged at LIBOR plus 1.2% plus mandatory costs.

Risk management

The group's principal risks are as follows:

Going concern

The board remains satisfied with the group's funding and liquidity position. The group has operated throughout the 2014 financial year and until the date of signing these accounts within its financial covenants as contained in the bank agreement. Consequently, the loans have been analysed between current and non-current liabilities in accordance with the agreed repayment profile.

Both loan capital and interest payments have been made in accordance with the bank agreement. On 30 April 2014 the first capital repayment of £1 million was made and this was followed by a further capital repayment, also of £1 million on 30 April 2015. Interest is paid bi-annually at the end of October and April. The group's profit and cash flow projections indicate that the financial covenants included within the new bank loan agreement will be met for the foreseeable future.

The group continues to have substantial cash resources which at 31 December 2014 amounted to £24.1 million compared with £27.4 million as at 31 December 2013. Profit and cash flow projections for 2015 and 2016, which have been prepared on a conservative basis taking into account reasonably possible changes in trading performance, indicate that the group will be profitable and generate positive cash flows after loan repayments. These forecasts and projections indicate that the group should be able to operate within the current bank facility agreement and that all associated covenants will be met.

The board considers that the group has considerable financial resources and a wide operational base. As a consequence, the board believes that the group is well placed to manage its business risks successfully, as demonstrated by the current year's result, despite some uncertain external influences.

After making enquiries, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the board continues to adopt the going concern basis when preparing this Annual Report and Financial Statements.

Strategic risks

In common with all entities operating in a dynamic marketplace, the group faces a number of strategic risks. Management has developed long term business plans to manage the impact of these risks to ensure that the group continues to deliver 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 technologically 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 recognises the need to invest in appropriate IT equipment and software. Consequently, the communication network, website and data capture systems are all being constantly reviewed and updated to ensure they remain at the forefront of industry standards.

The potential impact of the weather has been reduced over the past few years by the expansion of our non-weather related business. The group also has a diverse product range of pumps, heaters and air conditioning and environmental control equipment which enables it to take maximum advantage of the opportunities presented by 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 group 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 group or the group's management of those risks.

The key risks, which are discussed in more detail in note 32 to the consolidated financial statements, are:

- Interest rate risk
- Market risk
- Credit risk
- Funding and liquidity

Pension scheme surplus

As set out in note 18 to the consolidated financial statements, as at 31 December 2014 the pension scheme assets were £38.9 million which, after deducting the present value of the pension scheme liabilities of £37.6 million, calculated in accordance with IAS 19, results in a pre-tax surplus of £1.3 million. When assessing the appropriateness of the recognition of this surplus, the directors have considered the guidance in IAS 19 — IFRIC 14 and have concluded that because of the rights upon wind-up it is appropriate to recognise this asset in the 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 to the group. The net surplus or deficit is sensitive to changes in assumptions, which are at least in part influenced by changes in external market conditions, and therefore this area continues to be subject to management focus.

Strategic Report
Review of risks, uncertainties and financial performance (continued)

Andrews Sykes Group Pension Schemes
Defined benefit pension scheme

The group had for many years operated a defined benefit pension scheme for the benefit of the majority of its UK employees. This scheme provided a pension based on the employee's final salary and length of service.

The board reviewed the appropriateness of the scheme taking into account the interests of both the employees and the shareholders. Accordingly, to minimise the impact on the group's results in the future and with the agreement of the trustees, the scheme was closed to new entrants on 31 December 2002. Existing members are no longer eligible to make contributions to the scheme and no further pension liabilities accrue as a result of any future service.

The group has adopted the requirements of IAS 19 (2011) — Employee Benefits and the scheme surplus/deficit has been calculated in accordance with the rules set out in the standard by an independent qualified actuary. The results were based on the last full actuarial valuation as at 31 December 2013 and have been rolled forward by an independent qualified actuary to 31 December 2014. The net surplus, before deferred tax, at the year end amounted to £1.3 million *(2013: £1.2 million)* and this has been recognised as a separate item, within non-current assets, on the face of the consolidated balance sheet.

A reconciliation of the surplus at the beginning of the year of £1.2 million to the surplus as at 31 December 2014 of £1.3 million is as follows:

	£m
Opening IAS 19 surplus recognised in the financial statements	**1.2**
Contributions paid by the group into the scheme	**0.9**
Actual return less expected return on scheme assets	**2.3**
Actuarial loss on scheme liabilities	**(3.1)**
Administration expenses	**(0.1)**
Net finance income	**0.1**
Closing IAS 19 surplus recognised in the financial statements	**1.3**

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

Other assumptions adopted by the directors, including mortality assumptions and discount rates, used to arrive at the above surplus are set out in note 18 to the financial statements.

Following the triennial recalculation of the funding deficit as at 31 December 2013 a revised schedule of contributions and recovery plan was agreed with the pension scheme trustees in June 2014. Based on this schedule of contributions, which is effective from 1 January 2014, the group made additional contributions totalling £905,000 *(2013: £960,000)* to remove the funding deficit in the group scheme calculated as at 31 December 2013 and this has now been eliminated. Accordingly, until the next funding valuation is agreed with the pension scheme trustees, which is currently scheduled to be as at 31 December 2016, the group does not expect to make any further contributions to the pension scheme, other than a contribution towards expenses that has been capped at £120,000 per annum. Therefore, the best estimate of employer contributions to be paid during the year commencing 1 January 2015 is currently £120,000.

Adoption of IAS 19 (2011): Employee Benefits

The group adopted the amendments to IAS 19 (2011): Employee Benefits that were mandatory for all accounting periods commencing on or after 1 January 2013 for the first time last year. The main changes of the revised standard that had an impact on the group's results were as follows:

- Pension scheme administration costs and the costs of managing the plan assets are now reported as operating expenses and not as a deduction from the expected return on assets within finance income.
- Interest income included within finance income is no longer calculated based on the expected rate of return from the pension scheme's assets but is restricted to a rate equivalent to the discount rate as used to discount the pension scheme's liabilities.

This year, for the first time, pension scheme interest income has been included in the Consolidated Income Statement and in note 6 to the Consolidated Financial Statements on a net rather than a gross basis. This is in accordance with IAS 19 (2011) and the comparative figures for 2013 have been restated accordingly.

Defined contribution pension scheme and auto enrolment

A new pension scheme was introduced on 1 January 2003, the Andrews Sykes Stakeholder Pension Plan, for 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 contributions vary, generally based upon the individual's length of service with the company.

During the current year the group adopted the requirements of auto enrolment for all eligible UK employees who were not members of the above pension plan. The staging date was 1 February 2014 and, as permitted by the legislation, commencement was postponed until 1 May 2014 when employee and employer contributions, at the rate of 1% of pensionable salary each, commenced.

Contributions for both existing members and members that have been auto enrolled are made to the same scheme managed on behalf of the group by Legal & General. The employers' contribution rates vary from 1% to 15%, the current average being 3.70% (*2013: 5.60%*). The current period charge in the income statement amounted to £285,000 *(2013: £246,000)*. Employee contribution rates normally vary between 1% and 5% with the employees having the option of increasing their contributions after five years of membership. The contributions are used to purchase a specific fund for the individual employee with both gains and losses from changes in the fund's market value accruing to that employee.

Reconciliation of movement in group shareholders' funds

Group shareholders' funds have decreased from £43.8 million at the beginning of the year to £42.1 million at 31 December 2014. The movement can be reconciled as follows:

	£m
Opening shareholders' funds	**43.8**
Profit for the financial period	**9.3**
IAS 19 actuarial losses net of deferred tax	**(0.6)**
Dividends declared and paid during the year	**(10.1)**
Currency translation differences on foreign currency net investments	**(0.3)**
Closing shareholders' funds	**42.1**

The company paid two dividends during the year. On 19 June 2014 a final dividend for the year ended 31 December 2013 of 11.9 pence per ordinary share was paid and this was followed on 2 December 2014 by the payment of an interim dividend for 2014 also of 11.9 pence per share. Therefore, during 2014, a total of £10.1 million in cash dividends has been returned to ordinary shareholders.

An analysis of the net IAS 19 actuarial losses of £0.8 million, before an attributable deferred tax credit of £0.2 million, is given in note 18 to the consolidated financial statements.

Strategic Report
Review of risks, uncertainties and financial performance (continued)

Share buybacks

During the current year the company did not purchase any ordinary shares for cancellation. However, in prior periods such purchases were made and these enhanced earnings per share and were for the benefit of all shareholders. So far the company has not purchased any of its own shares for cancellation during 2015.

At the next Annual General Meeting shareholders will be asked to vote in favour of a resolution to renew the general authority to make market purchases of up to 12.5% of the ordinary share capital in issue. Any purchases will only be made on the London Stock Exchange and they will only be bought back for cancellation provided they enhance earnings per share. If this resolution is passed it should not be taken to imply that shares will be purchased but the board believes that it is in the best interest of shareholders if they have this authority in order that market purchases may be made in the right circumstances if the necessary funds are available.

Signed on behalf of the board.

PT Wood	Premier House
Director	Darlington Street
	Wolverhampton
5 May 2015	WV1 4JJ

Directors' Report

Principal activity

The principal activity of the group continues to be the hire, sale and installation of a range of equipment, including pumping, portable heating, air conditioning, drying and ventilation equipment. A review of the group's activities and an indication of likely future developments are set out in the Chairman's Statement and the Strategic Report on pages 2 to 16.

Results and dividends

The results for the financial year are set out in the consolidated income statement on page 23.

The company paid two dividends during the year. On 19 June 2014 a final dividend for the year ended 31 December 2013 of 11.9 pence per share was paid to shareholders on the register on 30 May 2014. This was followed by an interim dividend for 2014, also of 11.9 pence per share, which was paid on 2 December 2014 to shareholders on the register on 7 November 2014. Total dividend payments made during the year amounted to £10,058,376 *(2013: £7,522,650)*.

The directors propose a final dividend of 11.9 pence *(2013: 11.9 pence)* per ordinary share. If approved at the forthcoming Annual General Meeting this dividend, which in total amounts to £5,029,188 *(2013: £5,029,188)*, will be paid on 19 June 2015 to shareholders on the register on 29 May 2015.

Directors

The directors in office at 5 May 2015 are shown on page 20. No director was appointed or resigned during the year or subsequently.

In accordance with the Articles of Association, Messrs JG Murray and JP Murray retire by rotation and being eligible will offer themselves for re-election at the forthcoming Annual General Meeting.

Directors' interests

Other than the beneficial interests disclosed below, no director in office at 31 December 2014 had any disclosable interests in share capital of the company or any subsidiary undertaking.

	Ordinary one pence shares	
	At 31 December 2014	At 31 December 2013
JG Murray	**298,749**	298,749
JP Murray	**1,251,786**	1,251,786
JJ Murray	**410,845**	410,845
PT Wood	**7,945**	7,945

There were no changes to the above shareholdings between 31 December 2014 and 5 May 2015.

Directors' Report

Substantial shareholdings

At 5 May 2015 the company had been notified of the following interest of 3% or more in the company's issued ordinary share capital:

	Number	Percentage
EOI Sykes Sarl	**36,377,213**	**86.08%**

Directors' share options

None of the directors in office at 31 December 2014 held any options to subscribe for ordinary shares at either 31 December 2014 or 31 December 2013. There have been no changes in the directors' share options during the period from 31 December 2014 to 5 May 2015.

The mid-market price of the company's ordinary shares on 31 December 2014 was £3.07. The highest and lowest mid-market prices during the year ended 31 December 2014 were £3.77 and £2.87 respectively.

Health, safety and the environment

Andrews Sykes Group plc aims to achieve world class performance in health and safety by providing our staff with a safe environment in which to work thereby helping to eliminate injuries and work related ill health. 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 our staff.

The group aims to continually improve its performance in order to meet changing business and regulatory requirements and to minimise the effect of our activities on the environment.

Employment of disabled persons

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

Employee development and involvement

The group operates a training and development programme for its employees. By improving employee skill levels the group 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.

The group recognises the need to ensure effective communications with employees to encourage involvement in the group's performance and achieve a common awareness of factors affecting that performance. Policies and procedures have been developed to suit the needs of each subsidiary undertaking, taking into account factors such as numbers employed and location, including newsletters and communication meetings.

Special business

Three resolutions are to be proposed at the Annual General Meeting as special business: resolutions 6 and 7 as ordinary resolutions and resolution 8 as a special resolution.

Two resolutions, numbered 6 and 8, will be proposed at the Annual General Meeting, the combined effect of which will be to confer powers on the directors to allot or grant options over ordinary shares up to a maximum nominal value of £63,393 as they see fit. If the resolutions are approved at the Annual General Meeting the directors will then be able to allot or grant options as aforesaid, otherwise than pro rata to existing shareholders, to motivate key employees and to reinforce the link between their personal interest and those of the shareholders.

Resolution number 7 would, if approved at the Annual General Meeting, renew the powers of the directors to make market purchases of the company's own shares of up to a maximum of 5,282,760 ordinary shares of one pence each representing 12.5% of the current ordinary issued share capital. This authority would then enable the directors to carry out the strategy of making own market purchases to increase shareholder value as set out in the Chairman's Statement and the Strategic Report on page 16.

Purchase of own shares

The company did not purchase any of its own shares for cancellation during the period from 1 January 2014 to 5 May 2015. Accordingly, as at 5 May 2015, there remained an outstanding general authority for the directors to purchase 5,282,760 ordinary one pence shares that were granted at the Annual General Meeting held on 17 June 2014. The directors are seeking to renew the general authority in respect of 5,282,760 ordinary one pence shares as set out in resolution number 7.

Financial Calendar

The current financial year will end on 31 December 2015.

Auditor

Our previous auditor, KPMG Audit Plc, instigated an orderly wind-down of business and resigned as the company's auditor on 27 October 2014. The directors appointed KPMG LLP to fill the casual vacancy. KPMG LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

In the case of each of the persons who are directors of the company at the date when this report was approved:

- So far as each director is aware, there is no relevant audit information (that is, information needed by KPMG LLP in connection with preparing their audit report) of which the company's auditor, KPMG LLP, is unaware.
- Each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that KPMG LLP is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Signed on behalf of the board.

M Gailer	Premier House
Director	Darlington Street
	Wolverhampton
5 May 2015	WV1 4JJ

Directors and Advisors

Chairman

JG Murray
Age 95. Chairman of London Security plc, Nu Swift Limited and Ansul S.A. Mr Murray has a long successful history in the industrial services sector.

Executive director

PT Wood Managing Director
Age 52. Industry specialist, having joined the group in August 1978. Appointed Director of Operations on 1 March 2006 and Group Managing Director on 5 December 2006.

Non-executive directors

JJ Murray MBA
Age 48. Non-executive Vice-Chairman, Chairman of the Remuneration Committee. Executive Vice-Chairman of London Security plc, Nu Swift Limited and Ansul S.A.

M Gailer BSc
Age 79. Senior Independent Non-executive, Chairman of the Audit Committee. Non-executive director of London Security plc.

MC Leon BS
Age 51. Non-executive director of London Security plc.

X Mignolet (HEC-Economics)
Age 50. Director of London Security plc, Ansul S.A. and Importe S.A.

JP Murray
Age 46. Non-executive director of London Security plc.

EDOA Sebag MBA
Age 47. Director of London Security plc and Nu Swift Limited.

Company Secretary

MJ Calderbank ACA
Appointed Company Secretary on 13 October 1999. Formerly a senior manager at KPMG.

Registered Office and Company Number
Premier House
Darlington Street
Wolverhampton
West Midlands
WV1 4JJ
Company number 00175912

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Nominated Advisor
Altium Capital Limited
5th Floor, Belvedere, Booth Street
Manchester
M2 4AW

Stockbroker
Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Auditor
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Bankers
Royal Bank of Scotland plc
National Westminster Bank plc

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Andrews Sykes Group plc

We have audited the financial statements of Andrews Sykes Group plc for the year ended 31 December 2014 set out on pages 23 to 71. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Simon Purkess, Senior Statutory Auditor, for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

5 May 2015

Consolidated Income Statement

For the 12 months ended 31 December 2014

	Note	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Continuing operations			
Revenue	4	**56,400**	61,072
Cost of sales		**(24,101)**	(25,318)
Gross profit		**32,299**	35,754
Distribution costs		**(10,410)**	(10,994)
Administrative expenses		**(10,578)**	(10,077)
Operating profit		**11,311**	14,683
EBITDA*		**15,569**	18,592
Depreciation and impairment losses		**(4,563)**	(4,459)
Profit on the sale of plant and equipment		**305**	550
Operating profit		**11,311**	14,683
Income from trade investments	16	**517**	194
Finance income†	6	**342**	373
Finance costs†	7	**(414)**	(286)
Profit before taxation	8	**11,756**	14,964
Taxation	11	**(2,445)**	(3,446)
Profit for the financial period attributable to equity holders of the parent		**9,311**	11,518

There were no discontinued operations in either of the above periods.

	Note	2014	2013
Earnings per share from continuing and total operations			
Basic (pence)	12	**22.03p**	27.25p
Diluted (pence)	12	**22.03p**	27.25p
Interim and final dividends paid per equity share (pence)	35	**23.80p**	17.80p
Proposed final dividend per equity share (pence)	35	**11.90p**	11.90p

* Earnings Before Interest, Taxation, Depreciation, profit on the sale of property, plant and equipment, Amortisation and non-recurring items.

† Restated in accordance with IAS 19 (2011), see note 18.

Consolidated Statement of Comprehensive Total Income

For the 12 months ended 31 December 2014

	Note	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Profit for the financial period		**9,311**	11,518
Other comprehensive charges			
Items that may be reclassified to profit and loss:			
Currency translation differences on foreign currency net investments		**(312)**	137
Items that will never be reclassified to profit and loss:			
Remeasurement of defined benefit assets and liabilities	18	**(802)**	(1,524)
Related deferred tax	11	**160**	388
Other comprehensive charges for the period net of tax		**(954)**	(999)
Total comprehensive income for the period		**8,357**	10,519

Consolidated Balance Sheet

As at 31 December 2014

	Note	31 December 2014 £'000	31 December 2014 £'000	31 December 2013 £'000	31 December 2013 £'000
Non-current assets					
Property, plant and equipment	13		**16,388**		16,432
Lease prepayments	14		**51**		53
Trade investments	16		**164**		164
Deferred tax asset	17		**626**		618
Retirement benefit pension surplus	18		**1,253**		1,204
			18,482		18,471
Current assets					
Stocks	19	**4,618**		3,231	
Trade and other receivables	20	**14,348**		14,631	
Overseas tax (denominated in Euros)		**133**		280	
Cash and cash equivalents	21	**24,077**		27,417	
		43,176		45,559	
Current liabilities					
Trade and other payables	22	**(10,963)**		(10,271)	
Current tax liabilities	23	**(1,321)**		(1,599)	
Bank loans	24	**(980)**		(980)	
Obligations under finance leases	25	**(114)**		(114)	
Provisions	26	**(9)**		(13)	
		(13,387)		(12,977)	
Net current assets			**29,789**		32,582
Total assets less current liabilities			**48,271**		51,053
Non-current liabilities					
Bank loans	24	**(5,975)**		(6,955)	
Obligations under finance leases	25	**(162)**		(255)	
Provisions	26	**–**		(8)	
			(6,137)		(7,218)
Net assets			**42,134**		43,835
Equity					
Called-up share capital	28		**423**		423
Share premium	29		**13**		13
Retained earnings	29		**39,295**		40,684
Translation reserve	29		**2,148**		2,460
Other reserves	29		**245**		245
Surplus attributable to equity holders of the parent			**42,124**		43,825
Minority interest			**10**		10
Total equity			**42,134**		43,835

These consolidated financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the board of directors on 5 May 2015 and were signed on its behalf by:

JJ Murray
Vice-Chairman

Consolidated Cash Flow Statement

For the 12 months ended 31 December 2014

	Note	**12 months ended 31 December 2014 £'000**	12 months ended 31 December 2013 £'000
Cash flows from operating activities			
Cash generated from operations	30	**13,222**	17,689
Interest paid		**(166)**	(243)
Net UK corporation tax paid		**(2,268)**	(2,340)
Withholding tax paid		**(47)**	(39)
Overseas tax paid		**(120)**	(851)
Net cash flow from operating activities		**10,621**	14,216
Investing activities			
Dividends received from trade investments		**517**	194
Sale of property, plant and equipment		**511**	706
Purchase of property, plant and equipment		**(3,727)**	(4,392)
Interest received		**270**	281
Net cash flow from investing activities		**(2,429)**	(3,211)
Financing activities			
Loan repayments		**(1,000)**	(8,000)
New loans raised		**–**	8,000
Finance lease capital repayments		**(93)**	(97)
Equity dividends paid		**(10,058)**	(7,523)
Net cash flow from financing activities		**(11,151)**	(7,620)
Net (decrease)/increase in cash and cash equivalents		**(2,959)**	3,385
Cash and cash equivalents at the beginning of the period	21	**27,417**	24,108
Effect of foreign exchange rate changes		**(381)**	(76)
Cash and cash equivalents at end of the period	21	**24,077**	27,417

Reconciliation of net cash flow to movement in net funds in the period			
Net (decrease)/increase in cash and cash equivalents		**(2,959)**	3,385
Cash outflow from the decrease in debt		**1,093**	8,097
Cash inflow from the increase in loans		**–**	(8,000)
Non-cash movements in respect of costs of raising loan finance		**(20)**	65
Movement in net funds during the period		**(1,886)**	3,547
Opening net funds at the beginning of the period		**19,113**	15,642
Effect of foreign exchange rate changes		**(381)**	(76)
Closing net funds at the end of the period	31	**16,846**	19,113

Consolidated Statement of Changes in Equity

For the 12 months ended 31 December 2014

		Attributable to equity holders of the parent company									
	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Translation reserve £'000	Capital redemption reserve £'000	UAE legal reserve £'000	Netherlands capital reserve £'000	Total £'000	Minority interest £'000	Total equity £'000
At 31 December 2012		423	13	37,825	2,323	157	79	9	40,829	10	40,839
Profit for the financial period		–	–	11,518	–	–	–	–	11,518	–	11,518
Other comprehensive charges											
Items that may be reclassified to profit and loss:											
Currency translation differences on foreign currency net investments		–	–	–	137	–	–	–	137	–	137
Items that will never be reclassified to profit and loss:											
Remeasurement of defined benefit assets and liabilities		–	–	(1,524)	–	–	–	–	(1,524)	–	(1,524)
Related deferred tax		–	–	388	–	–	–	–	388	–	388
Total other comprehensive charges		–	–	(1,136)	137	–	–	–	(999)	–	(999)
Transactions with owners recorded directly in equity:											
Dividends paid	35	–	–	(7,523)	–	–	–	–	(7,523)	–	(7,523)
Total transactions with owners		–	–	(7,523)	–	–	–	–	(7,523)	–	(7,523)
At 31 December 2013		423	13	40,684	2,460	157	79	9	43,825	10	43,835
Profit for the financial period		**–**	**–**	**9,311**	**–**	**–**	**–**	**–**	**9,311**	**–**	**9,311**
Other comprehensive charges											
Items that may be reclassified to profit and loss:											
Currency translation differences on foreign currency net investments		**–**	**–**	**–**	**(312)**	**–**	**–**	**–**	**(312)**	**–**	**(312)**
Items that will never be reclassified to profit and loss:											
Remeasurement of defined benefit assets and liabilities		**–**	**–**	**(802)**	**–**	**–**	**–**	**–**	**(802)**	**–**	**(802)**
Related deferred tax		**–**	**–**	**160**	**–**	**–**	**–**	**–**	**160**	**–**	**160**
Total other comprehensive charges		**–**	**–**	**(642)**	**(312)**	**–**	**–**	**–**	**(954)**	**–**	**(954)**
Transactions with owners recorded directly in equity:											
Dividends paid	35	**–**	**–**	**(10,058)**	**–**	**–**	**–**	**–**	**(10,058)**	**–**	**(10,058)**
Total transactions with owners		**–**	**–**	**(10,058)**	**–**	**–**	**–**	**–**	**(10,058)**	**–**	**(10,058)**
At 31 December 2014		**423**	**13**	**39,295**	**2,148**	**157**	**79**	**9**	**42,124**	**10**	**42,134**

Group Accounting Policies

For the 12 months ended 31 December 2014

1 General information

Legal status and country of incorporation

Andrews Sykes Group plc, company number 00175912, is incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 20. The nature of the group's operations and its principal activities are set out in note 5 and in the strategic report and directors' report on pages 4 to 19.

Basis of preparation

These financial statements have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards as adopted by the European Union (IFRS) and with the Companies Act 2006. Therefore, the group financial statements comply with the AIM rules.

The accounts are presented on the historical cost basis of accounting except for:

(a) Properties held at the date of transition to IFRS which are stated at deemed cost;

(b) Assets held for sale which are stated at the lower of (i) fair value less anticipated disposal costs and (ii) carrying value;

(c) Derivative financial instruments (including embedded derivatives) which are valued at fair value; and

(d) Pension scheme assets and liabilities calculated at fair value in accordance with IAS 19.

Going concern

The directors have prepared these financial statements on the fundamental assumption that the group is a going concern and will continue to trade for at least 12 months following the date of approval of the financial statements.

Further information explaining why the directors believe that the group is a going concern is given in the strategic report on page 12.

Accounting period

The current period is for the 12 months ended 31 December 2014 and the comparative period is for the 12 months ended 31 December 2013.

Functional and presentational currency

The financial statements are presented in pounds Sterling because that is the functional currency of the primary economic environment in which the group's primary trading subsidiaries operate. Foreign operations are included in accordance with the accounting policy as set out in note 2.

Initial adoption of international financial reporting standards

These are the group's eighth consolidated financial statements that have been prepared in accordance with IFRS, the group's transition date for adoption of IFRS being 1 January 2006. The group has taken advantage of the following exemptions on transition to IFRS as permitted by IFRS 1:

- The requirements of IFRS 3 – Business Combinations have not been applied to business combinations that occurred before the date of transition to IFRS.
- The carrying values of freehold and leasehold properties are based on previously adopted UK GAAP valuations and these were taken as deemed cost on transition to IFRS.

IFRS has only been applied to the group's consolidated financial statements. Accordingly, the parent company's financial statements, which are set out on pages 65 to 71, together with those of the UK subsidiary undertakings have been prepared in accordance with UK GAAP.

International Financial Reporting Standards (IFRS) adopted for the first time in 2014

Where relevant, the group has applied the following IFRS statements as adopted by the European Union for the first time this year:

- Amendments to IFRS 10 for consolidated financial statements. Effective for accounting periods commencing on or after 1 January 2014.
- Amendments to IAS 32 for offsetting financial assets and liabilities. Effective for accounting periods commencing on or after 1 January 2014.

1 General information (continued)

- Amendments to IAS 36 for recoverable amount disclosures for non-financial assets. Effective for accounting periods commencing on or after 1 January 2014.
- Amendments to IAS 39 for continuing hedge accounting after derivative novations. Effective for accounting periods commencing on or after 1 January 2014.
- Annual improvements to IFRSs effective for accounting periods commencing on or after 1 January 2014.

There was no material impact on the financial statements of the group as a result of adopting these standards.

Whilst there are further new or amended standards to those above, these have not had a material impact on the group and are therefore not disclosed.

Future adoption of international financial reporting standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015 but have not yet been endorsed by the EU and therefore have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group.

2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December 2014. Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns though its power over the investee.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Group Accounting Policies

For the 12 months ended 31 December 2014

2 Significant accounting policies (continued)

Business combinations and goodwill

The acquisition of subsidiaries is accounted for using the acquisition method. The assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at their acquisition date except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 which are recognised and measured at fair value less costs to sell. Any excess of the cost over the asset valuation as calculated above is recognised as goodwill.

In accordance with the options that were available under IFRS 1 on transition to IFRS, the group elected not to apply IFRS 3 retrospectively to past business combinations that occurred before 1 January 2006, the date of transition to IFRS. Accordingly, goodwill amounting to £37,206,000 that had previously been offset against reserves under UK GAAP was not recognised in the opening IFRS balance sheet.

The interest of any minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates and trade investments

An associate is an entity over which the group is in a position to exercise significant influence, but not control, over its financial and operating policy decisions. Significant influence is defined as the power, whether or not it is exercised, to be able to participate in the financial and operating decisions of the investee.

The results and assets and liabilities of associates are incorporated into these financial statements using the equity method of accounting except when they are classified as held for sale, see below.

The results of entities over which the group is not in a position to be able to exercise significant influence despite holding a significant shareholding are not accounted for as associates and therefore are not equity accounted. These companies are classified as trade investments and are carried as available for sale financial assets which are measured at cost, as the directors consider that fair value cannot be reliably measured for the reasons set out in note 16, and changes therein, other than impairment losses, are recognised in other comprehensive income. Dividend income is recognised in the income statement on a receipts basis.

Property, plant and equipment

Property is carried at deemed cost at the date of transition to IFRS based on the previous UK GAAP valuations adopted in 1998. Plant and equipment held at the date of transition and subsequent additions to property, plant and equipment are stated at purchase cost including directly attributable costs. The group does not have a revaluation policy.

Freehold land is not depreciated. Depreciation of other property, plant and equipment is provided on a straight-line basis using rates calculated to write down the cost of each asset to its estimated residual value over its estimated useful life as follows:

Property:	
Freehold and long leasehold buildings	2%
Short leasehold buildings	Period of the lease
Equipment for hire:	
Heating, air conditioning and other environmental control equipment	20%
Pumping equipment	10% to 33%
Accessories	33%
Motor vehicles	20% to 25%
Plant and machinery	7.5% to 33%
Fixtures and fittings	20%

Annual reviews are made of estimated useful lives and material residual values.

Profit on the sale of plant and equipment is credited within operating profit.

2 Significant accounting policies (continued)

Leased assets

Lessor accounting

The group does not hold any assets for hire under finance leases.

Assets held for use under operating leases are recorded as hire fleet assets within property, plant and equipment and are depreciated over their useful lives to their estimated residual value. The group does not have any material non-cancellable operating leases.

Lessee accounting

Initial rental payments in respect of operating leases are included in current and non-current assets as appropriate and amortised to the income statement over the period of the lease. Ongoing rental payments are charged as an expense in the income statement on a straight-line basis until the date of the next rent review. Finance leases are capitalised and depreciated in accordance with the accounting policy for property, plant and equipment.

As permitted by IFRS 1 at the date of transition to IFRS, the carrying value of long leasehold properties is based on the previous UK GAAP valuations adopted in 1998 and this has been taken as deemed cost.

Immaterial peppercorn rentals and ground rents in respect of all properties are expensed to the income statement on an accruals basis.

Plant and equipment held under finance leases is recognised as an asset at fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to give a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Non-current assets held for sale

Non-current assets and disposal groups are reclassified as assets held for sale if they are immediately available for sale in their current condition and their carrying value will be recovered through a sale transaction which is highly probable to be completed within 12 months of the initial classification. Assets held for sale are valued at the lower of carrying amount at the date of initial classification and fair value less costs to sell.

Impairment of non-financial assets

Property, plant and equipment are reviewed for indications of impairment when events or changes in circumstances indicate that the carrying amount may not be recovered. If there are indications then a test is performed on the asset affected to assess its recoverable amount against carrying value.

An impaired asset is written down to the higher of value in use and its fair value less costs to sell.

Deferred and current taxation

The charge for taxation is based on the taxable profit or loss for the period and takes into account taxation deferred because of differences between the treatment of certain items for taxation and for accounting purposes. Full provision is made for the tax effects of these differences. Deferred tax is measured at the rates expected to apply when the timing differences reverse applying tax rates that have been enacted, or substantively enacted, by the balance sheet date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities. Deferred tax assets and liabilities are not discounted.

The carrying amount of deferred tax assets is reviewed at each balance sheet date to ensure that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Assets and liabilities, in respect of both deferred and current tax, are only offset when there is a legally enforceable right to offset and the assets and liabilities relate to taxes levied by the same taxation authority.

Deferred and current tax are charged or credited in the income statement except when they relate to items charged directly to equity in which case the associated tax is also dealt with in equity.

2 Significant accounting policies (continued)

Stocks

Stocks are valued at the lower of cost of purchase and net realisable value. Cost comprises actual purchase price and where applicable associated direct costs incurred bringing the stock to its present location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

Recognition criteria, classification and initial carrying value

Financial assets and financial liabilities are recognised on the consolidated balance sheet when the group becomes a party to the contractual provisions of the instrument.

Financial assets are recognised and derecognised on a trade date where the purchase or sale of an asset is under a contract whose terms require delivery of the investment within the time frame established by the market concerned. Financial assets are classified as "loans and receivables", "held to maturity" investments, "available for sale" investments or "assets at fair value through the profit and loss" depending upon the nature and purpose of the financial asset. The classification is determined at the time of the initial recognition.

Financial assets are normally classified as "loans and receivables" and are initially measured at fair value including transaction costs incurred. No financial assets are currently classified as "held to maturity" or as "assets at fair value through profit or loss". The categories of financial assets are trade investments, trade receivables, other receivables and cash.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Financial liabilities are normally classified as "other financial liabilities" and are initially measured at fair value, normally cost, net of transaction costs. There are currently no financial liabilities held at "fair value through profit or loss".

Loans and receivables

Trade receivables, loans and other receivables (including cash held on ring-fenced deposit accounts) are measured on initial recognition at fair value and, except for short term receivables where the recognition of interest would be immaterial, are subsequently remeasured at amortised cost using the effective interest rate method. Allowances for irrecoverable amounts, which are dealt with in the income statement, are calculated based on the difference between the asset's carrying amount and the present value of estimated future cash flows, calculated based on past default experience, discounted at the effective interest rate computed at initial recognition where material.

Derivative financial instruments and hedge accounting

In previous years the group used financial derivatives to cap exposure to LIBOR (interest rate caps) on certain bank loans. These loans were repaid on 30 April 2013 and the group does not hold any interest rate caps; interest on the group's bank loans is currently based on LIBOR plus a margin of 1.20% plus mandatory costs.

The group's policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure, nor against foreign currency transactions. Generally the group does not enter into any forward exchange contracts and it does not use financial instruments for speculative purposes.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts.

Derivative financial instruments are initially measured at cost and are remeasured at fair value at the balance sheet date. Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

2 Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, cash at bank and short term highly liquid investments that are readily convertible into known amounts of cash within three months from the date of initial acquisition with an insignificant risk of a change in value. Cash held in ring-fenced bank deposit accounts to which the group does not have access within three months from the date of initial acquisition is classified within other financial assets.

Impairment of financial assets

Financial assets, other than those designated as "assets at fair value through the profit and loss" are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis. Objective evidence for impairment could include the group's past history of collecting payments, an increase in the number of days taken by customers to make payment as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of all financial assets, except trade receivables, is reduced by the impairment loss directly. The carrying amount of trade receivables is reduced through the use of a bad debt provision account. If a trade receivable is considered uncollectable it is written off against the bad debt provision account. Subsequent recoveries of amounts written off are credited to the provision account. Changes to the carrying amount of the bad debt provision account are recognised in the income statement.

Other financial liabilities

Other financial liabilities, including trade payables, are measured on initial recognition at fair value and, except for short term payables where the recognition of interest would be immaterial, are subsequently remeasured at amortised cost using the effective interest rate method.

Bank loans

Interest bearing bank loans are recorded at the proceeds received less capital repayments made. Initial costs incurred entering into the bank loans are carried as an asset, presented as a deduction from the carrying value of the loans, which is amortised to the income statement over the period of the loans. Ongoing finance charges are accounted for on an accruals basis in the income statement using the effective interest rate method. They are included within accruals to the extent that they are not settled in the period in which they arise.

Provisions

Provisions are created where the group has a present obligation (legal or constructive) as a result of a past event where it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are only discounted to present value where the effect is material.

Retirement benefit costs

Defined benefit scheme

As disclosed in note 18 the group previously operated a defined benefit pension scheme for the majority of its employees. This scheme was closed to new entrants and all existing members became deferred members on 31 December 2002.

The net expected return on pension assets less interest on pension scheme liabilities is shown within finance income. The rate used to calculate the expected return on pension assets is capped at a rate equivalent to the rate used to discount the scheme's liabilities. Settlement gains and losses and pension scheme administration expenses are also included within the income statement, either within administration expenses or as part of a separate disclosure where material. Remeasurements including actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Total Income (CSOCTI).

The defined benefit scheme is funded with the assets of the scheme held separately in 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. Full actuarial valuations are obtained triennially and are updated at each balance sheet date in accordance with IAS 19 (2011).

2 Significant accounting policies (continued)

Net defined benefit pension scheme surpluses and deficits are presented separately on the balance sheet within non-current assets and liabilities respectively before tax relief. The attributable deferred tax liability/asset is included within deferred tax and is subject to the recognition criteria as set out in the accounting policy on deferred and current taxation. Net defined benefit pension scheme surpluses are only recognised to the extent of any future refunds or reductions in future contributions to the scheme.

Defined contribution schemes

Employer's contributions are charged to the income statement on an accruals basis.

Net funds

Net funds is defined as including cash and cash equivalents, ring-fenced deposit accounts, bank and other loans, finance lease obligations and derivative financial instruments stated at current fair value.

Revenue recognition

Revenue

Revenue represents the fair value of the consideration received and receivable for the hire, sale and installation of environmental control products after deducting trade discounts and volume rebates. Revenue is recognised for sales on despatch of goods and for short term hire items on a straight-line basis over the period of the hire. Compensation receipts revenue is recognised on an accruals basis and is credited within cost of sales. Installation revenue is recognised as the contract progresses on the basis of work completed. Revenue excludes Value Added Tax.

Investment and interest income

Dividend income is recognised in the income statement when the group's right to receive payment has been established.

Interest income from bank deposit accounts is accrued on an accruals basis calculated by reference to the principal on deposit and the effective interest rate applicable.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into pounds Sterling at the financial year end rates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The results of overseas subsidiary undertakings, associates and trade investments are translated into pounds Sterling at average rates for the period unless exchange rates fluctuate significantly during that period in which case exchange rates at the date of transactions are used. The closing balance sheets are translated at the year-end rates and the exchange differences arising are transferred to the group's translation reserve as a separate component of equity and are reported within the CSOCTI. All other exchange differences are included within the Consolidated Income Statement for the year.

In accordance with IFRS 1, the translation reserve was set to zero at 1 January 2006, the date of transition to IFRS. Cumulative translation differences that are included within the translation reserve at the date of disposal of the relevant overseas company are recognised as a transfer to retained earnings at that time.

Operating profit

Operating profit is defined as the profit for the period from continuing operations after all operating costs and income but before investment income, income from other participating interests, finance income, finance costs, other gains and losses and taxation. Operating profit is disclosed as a separate line on the face of the income statement.

Normalised operating profit is the same as the above but excludes non-recurring items, for example profit on the sale of property. When applicable, normalised operating profit is reconciled to operating profit on the face of the income statement.

Other gains and losses

Other gains and losses are material items that arise from unusual non-recurring events. They are disclosed separately, in aggregate, on the face of the income statement after operating profit where in the opinion of the directors such disclosure is necessary in order to fairly present the results for the financial period.

Finance costs

Finance costs are recognised in the income statement on an accruals basis in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the 12 months ended 31 December 2014

3 Use of critical accounting assumptions and estimates

Estimates and judgements are continually evaluated and assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable given the circumstances prevailing when the accounts are approved.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are discussed below.

Pension scheme assumptions and mortality tables

As set out in note 18, 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 18 on page 50.

When assessing the appropriateness of the recognition of a surplus, the directors have considered the guidance in IAS 19 – IFRIC 14 and have concluded that because of the rights upon wind-up it is appropriate to recognise the asset in the consolidated financial statements.

4 Revenue

An analysis of the group's revenue by income stream is as follows:

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Continuing operations		
Hire	**45,688**	50,175
Sales	**6,764**	7,035
Installations	**3,948**	3,862
Group consolidated revenue from the sale of goods and provision of services	**56,400**	61,072

5 Business and geographical segmental analysis

Explanation

The group operates in the United Kingdom, Europe (The Netherlands, Belgium, Italy, France and Switzerland) and the United Arab Emirates providing the hire and sale of a range of environmental control equipment. It also installs fixed air conditioning equipment within the United Kingdom. A small subsidiary, Andrews Sykes Luxembourg SARL, has been registered and commenced trading in Luxembourg in June 2014.

The group operates through statutory entities that are based in each of the above locations. In the case of the main UK operation there are separate statutory entities for hire and sales (Andrews Sykes Hire Limited) and installation (Andrews Air Conditioning & Refrigeration Limited) as well as a separate property holding company. Each operating company has its own Divisional Director who is responsible to the board for that company's operating result.

All the group's external loans are held in the parent company, Andrews Sykes Group plc. No attempt is made in the internal management accounts to allocate the interest charge to either individual entities or activities. Similarly the internal management accounts provided to the board do not include a balance sheet; cash flow information is provided only on an entity and consolidated basis. Capital expenditure and working capital movements are reviewed on an entity basis.

The directors therefore consider that the group's revenue generating operating segments that are reviewed on a regular basis by the board (who are collectively the Chief Operating Decision Maker) and for which discrete financial information is available are:

Activity	Entity	Location
Hire and sales	Andrews Sykes Hire Limited	United Kingdom
	Andrews Sykes BV	The Netherlands
	Andrews Sykes BVBA	Belgium
	Nolo Climat S.R.L.	Italy
	Climat Location SAS	France
	Climat Location SA	Switzerland
	Khansaheb Sykes LLC	United Arab Emirates
	Andrews Sykes Luxembourg SARL	Luxembourg
Installation	Andrews Air Conditioning & Refrigeration Limited	United Kingdom

The directors consider that the long term economic characteristics of the hire and sales operations based in the United Kingdom, The Netherlands, Belgium, Italy, France, Luxembourg and Switzerland are similar. These entities have similar products and services, operate in the same manner providing services to a similar customer base and incur similar risks and rewards. However the operation based in the United Arab Emirates, whilst similar in many ways, faces significantly different risks due to the local environment in which it operates. The installation business operates in a different manner and regulatory environment to the rest of the group.

The reportable segments are therefore:

Segment	Incorporating the following operating entities	Location
Hire and sales Europe	Andrews Sykes Hire Limited	United Kingdom
	Andrews Sykes Properties Limited	United Kingdom
	Andrews Sykes BV	The Netherlands
	Andrews Sykes BVBA	Belgium
	Nolo Climat S.R.L.	Italy
	Climat Location SAS	France
	Climat Location SA	Switzerland
	Andrews Sykes Luxembourg SARL	Luxembourg
Hire and sales Middle East	Khansaheb Sykes LLC	United Arab Emirates
Installation	Andrews Air Conditioning & Refrigeration Limited	United Kingdom

5 Business and geographical segmental analysis (continued)

The property holding company, Andrews Sykes Properties Limited, has been included within the Hire and Sales Europe segment as it holds properties mainly for the use of Andrews Sykes Hire Limited.

Transactions between the above reportable segments are made on an arm's length basis after taking into account the reduced levels of risks incurred.

The above segments exclude the results of non-revenue earning holding companies including Andrews Sykes Group plc. These entities' results have been included as unallocated items (overheads and expenses, corporate assets and corporate liabilities as appropriate) in the tables below.

The group has a diverse customer base with no single customer accounting for 10% or more of the group's revenue in either the current or previous financial period.

Business segments

Income statement analysis

12 months ended 31 December 2014

	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Revenue						
External sales	44,986	7,466	3,948	56,400	–	56,400
Inter-segment sales	80	–	15	95	(95)	–
Total revenue	45,066	7,466	3,963	56,495	(95)	56,400
Segment result	10,511	1,484	237	12,232	(14)	12,218
Unallocated overheads and expenses						(907)
Operating profit						11,311
Income from trade investments						517
Finance income						342
Finance costs						(414)
Profit before taxation						11,756
Taxation						(2,445)
Profit for the period from continuing and total operations						9,311

Balance sheet information

As at 31 December 2014

	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Segment assets	50,073	7,924	3,272	61,269	(2,414)	58,855
Trade investments						164
Deferred tax asset						626
Retirement benefit pension surplus						1,253
Overseas tax (denominated in Euros)						133
Unallocated corporate assets						627
Consolidated total assets						61,658
Segment liabilities	(10,406)	(2,121)	(485)	(13,012)	2,414	(10,598)
Current tax liabilities						(1,321)
Bank loans						(6,955)
Obligations under finance leases						(276)
Unallocated corporate liabilities						(374)
Consolidated total liabilities						(19,524)

5 Business and geographical segmental analysis (continued)

Other information

12 months ended 31 December 2014

	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Capital additions	**4,048**	**817**	**2**	**4,867**	**–**	**4,867**
Depreciation	**3,812**	**742**	**9**	**4,563**	**–**	**4,563**

Income statement analysis

12 months ended 31 December 2013

	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Revenue						
External sales	48,602	8,608	3,862	61,072	–	61,072
Inter-segment sales	90	–	34	124	(124)	–
Total revenue	48,692	8,608	3,896	61,196	(124)	61,072
Segment result	13,515	1,773	370	15,658	(19)	15,639
Unallocated overheads and expenses						(956)
Operating profit						14,683
Income from trade investments						194
Finance income†						373
Finance costs†						(286)
Profit before taxation						14,964
Taxation						(3,446)
Profit for the period from continuing and total operations						11,518

† Restated in accordance with IAS 19 (2011), see note 18.

Balance sheet information

As at 31 December 2013

	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Segment assets	53,950	6,996	2,797	63,743	(2,159)	61,584
Trade investments						164
Deferred tax asset						618
Retirement benefit pension surplus						1,204
Overseas tax (denominated in Euros)						280
Unallocated corporate assets						180
Consolidated total assets						64,030
Segment liabilities	(9,977)	(1,571)	(537)	(12,085)	2,159	(9,926)
Current tax liabilities						(1,599)
Bank loans						(7,935)
Obligations under finance leases						(369)
Unallocated corporate liabilities						(366)
Consolidated total liabilities						(20,195)

5 Business and geographical segmental analysis (continued)

Other information

12 months ended 31 December 2013

	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Capital additions	4,384	1,004	31	5,419	–	5,419
Depreciation	3,755	695	9	4,459	–	4,459

Geographical segments

The geographical analysis of the group's revenue is as follows:

	By origin		By destination	
	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000	**12 months ended 31 December 2014 £'000**	12 months ended 31 December 2013 £'000
United Kingdom	**40,987**	42,032	**40,475**	41,408
Rest of Europe	**7,947**	10,431	**8,194**	10,753
Middle East and Africa	**7,466**	8,609	**7,537**	8,677
Rest of the World	**–**	–	**194**	234
	56,400	61,072	**56,400**	61,072

The carrying amounts of segment assets and non-current assets (excluding trade investments and deferred tax) analysed by the entity's country of origin are as set out below. There is no significant difference between the analysis by origin and that by physical location of the assets.

	Segment assets		Non-current assets	
	31 December 2014 £'000	31 December 2013 £'000	**31 December 2014 £'000**	31 December 2013 £'000
United Kingdom	**37,763**	40,946	**11,074**	11,157
Rest of Europe	**13,168**	13,642	**3,544**	3,645
Middle East and Africa	**7,924**	6,996	**1,821**	1,683
	58,855	61,584	**16,439**	16,485

6 Finance income

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013† £'000
Net pension scheme interest income on pension scheme surplus (note 18)	**73**	98
Interest receivable on bank deposit accounts	**269**	275
	342	373

† Restated in accordance with IAS 19 (2011), see note 18.

Notes to the Consolidated Financial Statements

For the 12 months ended 31 December 2014

7 Finance costs

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013† £'000
Interest charge on bank loans and overdrafts	**162**	156
Finance lease interest charge	**30**	37
Inter-company foreign exchange losses	**222**	93
	414	286

† Restated in accordance with IAS 19 (2011), see note 18.

8 Profit before taxation

The following have been charged/(credited) in arriving at the profit before taxation:

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Net foreign exchange trading gains and losses	**(8)**	23
Bank charges	**74**	79
Depreciation of property, plant and equipment	**4,563**	4,459
Net foreign exchange gains and losses on inter-company financing (note 7)	**222**	93
Profit on the sale of plant and equipment	**(305)**	(550)
Compensation receipts from third parties for lost or damaged plant and equipment	**(1,427)**	(1,597)
Operating lease rental payments:		
Property	**1,340**	1,324
Plant, machinery and motor vehicles	**1,593**	1,349
Auditor's remuneration (see note 9)	**201**	215
Staff costs (see note 10)	**16,392**	16,186

9 Auditor's remuneration

A more detailed analysis of the auditor's remuneration on a worldwide basis is as follows:

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Fees payable to the company's auditor in respect of audit services:		
The audit of the consolidated accounts	**22**	21
The audit of the group's subsidiaries pursuant to legislation	**121**	130
Total audit fees	**143**	151
Fees payable to the company's auditor in respect of non-audit services:		
Other assurance services – legal	**–**	7
Other services pursuant to legislation	**17**	–
Tax compliance and advisory services	**41**	57
Total non-audit fees	**58**	64
	201	215

Fees payable to the auditor and associates for non-audit services to the company are not disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

10 Employee information

Staff costs charged in the income statement

The average number of employees employed during the year was:

	12 months ended 31 December 2014 Number	12 months ended 31 December 2013 Number
Sales and distribution	**179**	171
Engineers	**207**	210
Managers and administration	**123**	113
	509	494

Staff costs, including directors' remuneration, amounted to:

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Wages and salaries	**14,292**	14,210
Redundancy	**25**	35
Social security costs	**1,650**	1,535
Other pension costs	**425**	406
	16,392	16,186

10 Employee information (continued)

Key management compensation

Amounts paid to individuals, including directors, having authority and responsibility for planning, directing and controlling the group's activities were as follows:

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Short term employee benefits	**1,889**	2,021
Post employment benefits – Pensions	**162**	149
	2,051	2,170

Directors' emoluments

Directors' emoluments for the current and prior financial periods were as follows:

	12 months ended 31 December 2014			12 months ended 31 December 2013		
Director	**Emoluments £'000**	**Pension scheme £'000**	**Total contributions £'000**	Emoluments £'000	Pension scheme £'000	Total contributions £'000
M Gailer	**29**	**–**	**29**	29	–	29
MC Leon	**20**	**–**	**20**	20	–	20
JJ Murray	**44**	**–**	**44**	38	–	38
JP Murray	**20**	**–**	**20**	20	–	20
PT Wood (highest paid director)	**342**	**35**	**377**	365	34	399
	455	**35**	**490**	472	34	506

No directors were granted or exercised share options during either the current or previous financial periods.

The number of directors in office at the year end to whom retirement benefits are accruing are as follows:

	12 months ended 31 December 2014 Number	12 months ended 31 December 2013 Number
Defined contribution	**1**	1
Defined benefit	**1**	1

The highest paid director had an accrued annual pension under the defined benefit pension scheme of £20,403 *(2013: £19,838)*; no contributions were paid during the current or previous financial years.

11 Taxation

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Current tax		
UK corporation tax at 21.5% *(2013: 23.25%)*		
based on the taxable profit for the year	**2,111**	2,567
Adjustments to corporation tax in respect of prior periods	**(119)**	(109)
	1,992	2,458
Overseas tax based on the taxable profit for the year	**261**	592
Adjustments to overseas tax in respect of prior periods	**(7)**	(22)
Withholding tax	**47**	39
Total current tax charge	**2,293**	3,067
Deferred tax		
Deferred tax on the origination and reversal of temporary differences	**91**	329
Adjustments to deferred tax in respect of prior periods	**61**	50
Total deferred tax charge (note 17)	**152**	379
Total tax charge for the financial period attributable to continuing operations	**2,445**	3,446

The tax charge for the financial year can be reconciled to the profit before tax per the income statement multiplied by the standard effective corporation tax rate in the UK of 21.5% *(2013: 23.25%)* as follows:

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Profit before taxation from continuing and total operations	**11,756**	14,964
Tax at the UK effective corporation tax rate of 21.5% *(2013: 23.25%)*	**2,528**	3,479
Effects of:		
Expenses not deductible for tax purposes	**78**	119
Effects of different tax rates of subsidiaries operating abroad	**(232)**	(339)
Movement in overseas trading losses	**207**	146
Non-taxable income from trade investments	**(111)**	(45)
Withholding tax	**47**	39
Effect of change in tax rate to 20%	**(7)**	128
Adjustments to tax charge in respect of previous periods	**(65)**	(81)
Total tax charge for the financial period	**2,445**	3,446

11 Taxation (continued)

Deferred tax recognised in other comprehensive income

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Deferred tax credit on remeasurement of defined benefit liabilities and assets	**(160)**	(388)

Matters affecting future tax charges

The 2013 Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 1 April 2015. Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. This will further reduce the group's current tax charge accordingly.

The deferred tax balances at 31 December 2014 and 31 December 2013 have been calculated based on the rate of 20% which was substantively enacted at the balance sheet dates.

12 Earnings per share

Basic earnings per share

The basic figures have been calculated by reference to the weighted average number of ordinary shares in issue and the post-tax earnings as set out below. There were no discontinued operations in either period.

	12 months ended 31 December 2014	
	Total earnings £'000	**Number of shares**
Basic earnings/weighted average number of shares	**9,311**	**42,262,082**
Basic earnings per ordinary share (pence)	**22.03p**	

	12 months ended 31 December 2013	
	Total earnings £'000	Number of shares
Basic earnings/weighted average number of shares	11,518	42,262,082
Basic earnings per ordinary share (pence)	27.25p	

Diluted earnings per share

There were no dilutive instruments outstanding during either the current or previous financial years. Consequently, the diluted earnings per share is the same as the basic earnings per share for both years.

13 Property, plant and equipment

	Property £'000	Equipment for hire £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
Cost					
As at 31 December 2012	6,819	39,916	1,954	4,622	53,311
Exchange differences	6	116	11	7	140
Additions	1	4,647	315	456	5,419
Disposals	(170)	(2,194)	(521)	(22)	(2,907)
As at 31 December 2013	6,656	42,485	1,759	5,063	55,963
Exchange differences	**(15)**	**(333)**	**(34)**	**(16)**	**(398)**
Additions	**12**	**4,401**	**99**	**355**	**4,867**
Disposals	**(18)**	**(1,879)**	**(309)**	**(367)**	**(2,573)**
As at 31 December 2014	**6,635**	**44,674**	**1,515**	**5,035**	**57,859**
Accumulated depreciation					
As at 31 December 2012	2,188	30,280	1,489	3,832	37,789
Exchange differences	5	22	5	1	33
Charge for the period	150	3,708	179	422	4,459
Disposals	(170)	(2,054)	(504)	(22)	(2,750)
As at 31 December 2013	2,173	31,956	1,169	4,233	39,531
Exchange differences	**(14)**	**(214)**	**(17)**	**(11)**	**(256)**
Charge for the period	**140**	**3,823**	**196**	**404**	**4,563**
Disposals	**(18)**	**(1,675)**	**(309)**	**(365)**	**(2,367)**
As at 31 December 2014	**2,281**	**33,890**	**1,039**	**4,261**	**41,471**
Carrying value					
At 31 December 2014	**4,354**	**10,784**	**476**	**774**	**16,388**
At 31 December 2013	4,483	10,529	590	830	16,432

At 31 December 2014 and 31 December 2013 the group did not have any non-cancellable contractual commitments for the acquisition of property, plant and equipment.

The carrying value of the group's property is as follows:

	31 December 2014 £'000	31 December 2013 £'000
Freehold land and buildings	**3,976**	4,042
Long leasehold buildings	**53**	55
Short leasehold buildings	**325**	386
	4,354	4,483

As disclosed in note 24, the group's bank loans are secured by fixed and floating charges over the group's assets including property, plant and equipment.

14 Lease prepayments

	31 December 2014 £'000	31 December 2013 £'000
Long leasehold land prepayments:		
Total	**53**	55
Split:		
Non-current assets	**51**	53
Current assets	**2**	2
	53	55

The current element of long leasehold land premiums is included within trade and other receivables in note 20.

15 Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in note 3 to the company's separate financial statements prepared under UK GAAP.

With the exception of Khansaheb Sykes LLC, the group holds 100% of the issued share capital of its subsidiaries. Whilst the group only holds 49% of the issued share capital of Khansaheb Sykes LLC, this shareholding entitles the group to 90% of the profits for the year and control of the company. The 51% shareholder has waived his right to receive the 10% profit share and therefore the group has consolidated 100% of the company's results for the year.

16 Trade investments

	31 December 2014 £'000	31 December 2013 £'000
Cost and carrying amount	**164**	164

Cost and carrying amount

The above investment represents a 40% interest in the ordinary share capital of Oasis Sykes Limited, a company incorporated in Saudi Arabia and having an issued share capital of £410,000. The investment is not accounted for as an associate as the group does not and is unable to exercise significant influence, including decisions concerning the declaration and payments of dividends.

The investment is stated at cost as the shares do not have a quoted market price in an active market and the directors consider that the fair value cannot be reliably measured.

Dividends are accounted for on a receipts basis and the following amounts have been included in the income statement:

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Income from trade investments	**517**	194

17 Deferred tax asset

The deferred tax assets and liabilities recognised by the group and the movements thereon during the current and prior years are as follows:

	Capital allowances in excess of depreciation £'000	Pension surplus £'000	Provisions and other short term timing differences £'000	Total £'000
Asset/(liability) at 31 December 2012 at 23%	320	(416)	705	609
Charged to income statement	21	(24)	(376)	(379)
Credited to equity	–	388	–	388
Effect of pension payments in excess of service and administration expenses	–	(189)	189	–
Asset/(liability) at 31 December 2013 at 20% (see note below)	341	(241)	518	618
Charged to income statement	**45**	**(14)**	**(183)**	**(152)**
Credited to equity	**–**	**160**	**–**	**160**
Effect of pension payments in excess of service and administration expenses	**–**	**(156)**	**156**	**–**
Asset/(liability) at 31 December 2014 at 20% (see note below)	**386**	**(251)**	**491**	**626**

Deferred tax has been calculated using the substantively enacted tax rate that is expected to apply when the temporary timing differences reverse. Consequently, a deferred tax rate of 20% *(2013: 20%)* has been used.

The group does not have any unused capital losses or any unrecognised deferred tax assets or liabilities at either the current or previous year end.

The deferred tax asset as at 31 December 2014, excluding the liability on the pension surplus, is £877,000 *(2013: £859,000)*. Of this amount, approximately £430,000 *(2013: £400,000)* is expected to be recovered after more than 12 months.

Deferred tax assets have not been recognised in respect of overseas tax losses because it is uncertain that future taxable profits will be available, against which the group can utilise them.

18 Retirement benefit pension schemes

Defined benefit pension scheme

The group closed the UK group defined benefit pension scheme to future accrual as at 29 December 2002. The assets of the defined benefit pension scheme continue to be held in a separate trustee administered fund.

As at 31 December 2014 the group had a net defined benefit pension scheme surplus, calculated in accordance with IAS 19 (2011) using the assumptions as set out below, of £1,253,000 *(2013: £1,204,000)*. This asset has been recognised in these financial statements as the directors are satisfied that it is recoverable in accordance with IFRIC 14.

Following the triennial recalculation of the funding deficit as at 31 December 2013 a revised schedule of contributions and recovery plan was agreed with the pension scheme trustees in June 2014. In accordance with this schedule, which is effective from 1 January 2014, the group made additional contributions totalling £905,000 *(2013: £960,000)* to remove the funding deficit in the group scheme calculated as at 31 December 2013 and this has now been eliminated.

Accordingly, until the next funding valuation is agreed with the pension scheme trustees, which is currently scheduled to be as at 31 December 2016, the group does not expect to make any further contributions to the pension scheme, other than a contribution towards expenses that has been capped at £120,000 per annum. Therefore, the best estimate of employer contributions to be paid during the year commencing 1 January 2015 is currently £120,000.

18 Retirement benefit pension schemes (continued)

Adoption of IAS 19 (2011): Employee Benefits

The group adopted the amendments to IAS 19 (2011): Employee Benefits that were mandatory for all accounting periods commencing on or after 1 January 2013 for the first time last year. The main changes of the revised standard that had an impact on the group's results were as follows:

- Pension scheme administration costs and the costs of managing the plan assets are now reported as operating expenses and not as a deduction from the expected return on assets within finance income.
- Interest income within finance income is no longer calculated based on the expected return from the pension scheme's assets but is restricted to a rate equivalent to the discount rate as used to discount the pension scheme's liabilities.

This year, for the first time, pension scheme interest income has been included in the Consolidated Income Statement and in note 6 to the Consolidated Financial Statements on a net rather than a gross basis. This is in accordance with IAS 19 (2011) and the comparative figures for 2013 have been restated accordingly.

Assumptions

The last full actuarial valuation was carried out as at 31 December 2013. A qualified independent actuary has updated the results of this valuation to calculate the surplus as disclosed below.

The major assumptions used in this valuation to determine the present value of the scheme's defined benefit obligation were as follows:

	31 December 2014	31 December 2013
Rate of increase in pensionable salaries	**N/A**	N/A
Rate of increase in pensions in payment	**3.00%**	3.40%
Discount rate applied to scheme liabilities	**3.40%**	4.40%
Inflation assumption – RPI	**3.10%**	3.50%
Inflation assumption – CPI for the first six years	**2.10%**	2.50%
Inflation assumption – CPI after the first six years	**2.10%**	2.50%
Percentage of deferred members taking maximum tax free lump sum on retirement	**90%**	100%

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

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics. The current mortality table used is 110% S1NA CMI_2014 *(2013: 110% S1NA CMI_2013)* with a 1% per annum long term improvement rate for both males and females *(2013: 1% males, 0.5% females)*.

18 Retirement benefit pension schemes (continued)

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

	31 December 2014	31 December 2013
Male, current age 45	**22.5 years**	22.7 years
Female, current age 45	**25.2 years**	24.0 years

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

	31 December 2014	31 December 2013
Long term rate of return on:		
Equities	**7.70%**	8.00%
Corporate bonds	**3.40%**	4.40%
Gilts	**2.20%**	3.50%
Cash	**2.20%**	3.50%

The above expected rates of return have been restricted to a rate equivalent to the discount rate applied to the scheme's liabilities.

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.

Valuations

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 present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are inherently uncertain, were as follows:

	31 December 2014 £'000	31 December 2013 £'000
UK equities	**12,482**	12,281
Corporate bonds	**18,163**	16,880
Gilts	**7,457**	6,196
Cash	**762**	350
Total fair value of plan assets	**38,864**	35,707
Present value of defined benefit obligation	**(37,611)**	(34,503)
Pension scheme surplus recognised on the balance sheet	**1,253**	1,204

18 Retirement benefit pension schemes (continued)

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

	31 December 2014 £'000	31 December 2013 £'000
Fair value of plan assets at the start of the period	**35,707**	34,195
Expected return on pension scheme assets	**1,559**	1,455
Actual return less expected return on pension scheme assets	**2,275**	908
Administration expenses charged in the income statement	**(127)**	(139)
Employer contributions – normal	**905**	960
Benefits paid	**(1,455)**	(1,672)
Fair value of plan assets at the end of the period	**38,864**	35,707

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 period end.

The movement in the present value of the defined benefit obligation during the period was as follows:

	31 December 2014 £'000	31 December 2013 £'000
Present value of defined benefit funded obligation at the beginning of the period	**(34,503)**	(32,386)
Interest on defined benefit obligation	**(1,486)**	(1,357)
Actuarial (loss)/gain recognised in the CSOCTI* arising from:		
– Demographic assumptions	**(259)**	(1,176)
– Financial assumptions	**(3,201)**	(1,184)
– Experience adjustments	**383**	(72)
Benefits paid	**1,455**	1,672
Present value of defined benefit funded obligation at the end of the period	**(37,611)**	(34,503)

* Consolidated Statement of Comprehensive Total Income.

Key assumptions – sensitivity analysis

The key assumptions used to calculate the scheme's liabilites 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 pension scheme liabilities would increase by approximately £1.6 million *(2013: £1.5 million)*. 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 defined benefit obligation by approximately £0.6 million *(2013: £0.5 million)* and £0.4 million *(2013: £0.3 million)* respectively. A 0.1% decrease in these assumptions would increase/reduce the present value of the defined benefit obligation by a similar amount.

18 Retirement benefit pension schemes (continued)

Amounts recognised in the income statement

	31 December 2014 £'000	31 December 2013 £'000
The amounts credited/(charged) in the income statement were:		
Expected return on pension scheme assets	**1,559**	1,455
Interest expense on pension scheme liabilities	**(1,486)**	(1,357)
Net pension scheme interest income on pension scheme surplus (note 6)	**73**	98
Administration expenses	**(127)**	(139)
Net pension charge	**(54)**	(41)

Actuarial gains and losses recognised in the consolidated statement of comprehensive total income (CSOCTI*)

	31 December 2014 £'000	31 December 2013 £'000
The amounts credited/(charged) in the CSOCTI* were:		
Actual return less expected return on pension scheme assets	**2,275**	908
Experience gains and losses arising on plan obligation	**383**	(72)
Changes in demographic and financial assumptions underlying the present value of plan obligations	**(3,460)**	(2,360)
Net actuarial loss recognised in the CSOCTI*	**(802)**	(1,524)
Cumulative actuarial loss recognised in the CSOCTI*	**(6,038)**	(5,236)

* Consolidated Statement of Comprehensive Total Income.

The actual return on plan assets can therefore be summarised as follows:

	31 December 2014 £'000	31 December 2013 £'000
Expected return on pension scheme assets	**1,559**	1,455
Actuarial gain recognised in the CSOCTI* representing the difference between expected and actual return on assets	**2,275**	908
Actual return on plan assets	**3,834**	2,363

* Consolidated Statement of Comprehensive Total Income.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy as restricted, to a rate equal to the assumed discount rate applied to the scheme's liabilities. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long term real rates of return experienced in the respective markets.

18 Retirement benefit pension schemes (continued)

Defined contribution pension scheme and auto enrolment

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 contributions vary, generally based upon the individual's length of service with the company.

During the current year the group adopted the requirements of auto enrolment for all eligible UK employees who were not members of the above pension plan. The staging date was 1 February 2014 and, as permitted by the legislation, commencement was postponed until 1 May 2014 when employee and employer contributions, at the rate of 1% of pensionable salary each, commenced.

Contributions for both existing members and members that have been auto enrolled are made to the same scheme managed on behalf of the group by Legal & General. The employer's contribution rates vary from 1% to 15%, the current average being 3.7% *(2013: 5.60%)*. The current period charge in the income statement amounted to £285,000 *(2013: £246,000)*.

Overseas defined contribution pension scheme arrangements

Overseas companies make their own pension arrangements, the charge for the period being £140,000 *(2013: £160,000)*.

No additional disclosure is given on the basis of materiality.

19 Stocks

	31 December 2014 £'000	31 December 2013 £'000
Raw material and consumables	**129**	71
Work in progress	**15**	20
Finished goods	**4,474**	3,140
	4,618	3,231

As disclosed in note 24, the group's bank loans are secured by fixed and floating charges over the group's assets including stocks.

The cost of stock recognised as an expense in the year was £12,580,000 *(2013: £15,989,000)* and the net charge in the income statement for net realisable value provisions was £76,000 *(2013: £54,000)*.

20 Trade and other receivables

	31 December 2014 £'000	31 December 2013 £'000
Trade debtors:		
Current unimpaired debtors	**6,531**	6,671
Overdue impaired debtors:		
Gross	**8,253**	8,882
Less allowance for doubtful debts	**(2,285)**	(2,660)
Net overdue trade debtors	**5,968**	6,222
Net trade debtors	**12,499**	12,893
Amounts due from related parties	**45**	25
Lease prepayments – long leasehold land premiums	**2**	2
Prepayments and accrued income	**1,643**	1,524
Other debtors	**159**	187
	14,348	14,631

No collateral is held in respect of overdue trade debtors.

Current unimpaired trade debtors represents amounts due from customers that are not overdue in accordance with the specific credit terms agreed with those customers. The average outstanding debtor days for current unimpaired trade debtors at 31 December 2014 is 35 days *(2013: 38 days)*.

The age profile of the trade debtors that are past due but not impaired is as follows:

	31 December 2014 £'000	31 December 2013 £'000
Not more than 3 months overdue	**4,283**	4,557
More than 3 months and not more than 6 months overdue	**651**	868
More than 6 months and not more than 12 months overdue	**408**	668
More than 12 months overdue	**626**	129
Net overdue trade debtors	**5,968**	6,222

The allowance for doubtful debts is based on past default experience. Debts with customers in liquidation or receivership are fully provided against. The movement in the provision during the period is as follows:

	31 December 2014 £'000	31 December 2013 £'000
Balance at the beginning of the period	**2,660**	2,543
Foreign exchange difference	**98**	(29)
Net amounts written off during the period	**(561)**	(557)
Income statement charge	**88**	703
Balance at the end of the period	**2,285**	2,660

The directors consider that the carrying value of trade debtors approximates to fair value and that no impairment provisions are required against other receivables.

Information concerning credit, liquidity and market risks together with an analysis of monetary assets held in currencies other than pounds Sterling is given in note 32.

21 Cash and cash equivalents

	31 December 2014 £'000	31 December 2013 £'000
Cash at bank	**3,519**	2,179
Deposit accounts	**20,558**	25,238
	24,077	27,417

Cash at bank comprises cash held by the group in interest free bank current accounts.

Deposit accounts comprise instant access interest bearing accounts and other short term bank deposits with an original maturity of three months or less. Interest was received at an average floating rate of approximately 1.10% *(2013: 1.03%)*.

The carrying value of cash and cash equivalents approximates to their fair value.

Total cash balances and other monetary assets and liabilities denominated in foreign currencies are disclosed in note 32.

22 Trade and other payables

	31 December 2014 £'000	31 December 2013 £'000
Trade creditors	**4,063**	3,336
Amounts due to related parties	**46**	45
Other tax and social security	**1,417**	1,414
Accruals and deferred income	**4,979**	4,957
Other creditors	**458**	519
	10,963	10,271

Trade creditors, accruals and other creditors mainly comprise amounts outstanding from trade purchases and other normal business related costs. The average credit period taken for trade purchases is 45 days *(2013: 39 days)*.

Information concerning credit, liquidity and market risks together with an analysis of monetary liabilities held in currencies other than pounds Sterling is given in note 32.

The carrying value of trade and other payables approximates to their fair value.

23 Current tax liabilities

	31 December 2014 £'000	31 December 2013 £'000
UK corporation tax	**1,321**	1,599

24 Bank loans

	31 December 2014 £'000	31 December 2013 £'000
The borrowings are repayable as follows:		
On demand or within one year	**980**	980
In the second year	**980**	980
In the third to fifth years inclusive	**4,995**	5,975
Total	**6,955**	7,935
Disclosed:		
Within current liabilities (on demand or within one year)	**980**	980
Within non-current liabilities	**5,975**	6,955
Total	**6,955**	7,935
Total bank loans may be further analysed as follows:		
Gross bank loans	**7,000**	8,000
Unamortised costs of raising loan finance	**(45)**	(65)
Net carrying value of bank loans	**6,955**	7,935

The group's Sterling denominated bank loans are secured by fixed and floating charges over the assets of the group and by cross guarantees between group undertakings.

Last year, on 30 April 2013 and in accordance with the bank loan agreement, the outstanding bank loan of £8,000,000 was repaid. On the same day the group entered into a new loan agreement also for £8,000,000 which was drawn down immediately in full. Costs of raising loan finance amounting to £80,000 were incurred and these are being amortised over the period of the loan. The new loan is for a fixed four year term with three annual repayments of £1 million, the first of which was paid on 30 April 2014, followed by a final balloon payment of £5 million on 30 April 2017.

Until April 2013 interest was charged on the group's borrowings based on LIBOR plus a margin of between 0.65% and 1.25% From 1 May 2013 the margin added to the LIBOR was fixed at 1.20%, plus mandatory costs. The weighted average interest rate paid during the year was 1.83% *(2013: 1.65%)*.

The directors consider that the fair value of the floating rate bank loans are not materially different from their book values. There are no fixed rate liabilities or undrawn borrowing facilities outstanding at either year end.

25 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2014 £'000	31 December 2013 £'000	**31 December 2014 £'000**	31 December 2013 £'000
Amounts payable under finance leases:				
Within one year	**123**	123	**114**	114
In the second to fifth years inclusive	**197**	319	**162**	255
	320	442	**276**	369
Less future finance charges	**(44)**	(73)		
Present value of lease obligations	**276**	369		
Disclosed:				
Within current liabilities (payable within one year)			**114**	114
Within non-current liabilities			**162**	255
Total			**276**	369

As set out in the accounting policies, it is the group's policy to lease certain properties. The average remaining lease term is 1.5 years *(2013: 2.5 years)*; the present value of the minimum leased payments has been calculated based on the group's historic weighted average cost of capital at the date of initial capitalisation as the interest rates implicit in the lease are not known. All of the above relate to property leases in both periods.

All lease obligations are denominated in Sterling and the fair value of the group's lease obligations is approximately equal to their carrying value.

The group's obligations under finance leases are secured over the short leasehold assets being leased, the carrying values of which are set out in note 13.

26 Provisions

	Onerous leases £'000
At 31 December 2013	21
Release of provision in the year	**(12)**
At 31 December 2014	**9**

Disclosed:

	31 December 2014 £'000	31 December 2013 £'000
Within current liabilities (payable within one year)	**9**	13
Within non-current liabilities	**–**	8
Total	**9**	21

An onerous lease provision was created in previous years in respect of a vacant property no longer used for the purposes of the group's trade. The property has been sub-let and a provision is held to cover the potential rent due until the lease expires in August 2015 in the event that the sub-tenant defaults on the rental payments. The provision is released to the income statement as the maximum exposure reduces. The provision has not been discounted on the grounds of materiality.

27 Derivative financial instruments – liabilities

During the period from 1 January to 30 April 2013 interest was charged on the group's borrowings based on LIBOR plus a margin of between 0.65% and 1.25%. The group held the following interest rate cap to limit its exposure to increases in LIBOR:

	12 months ended 31 December 2013			
	Maturity date	LIBOR Cap	Principal £'000	Liability £'000
	30/4/2013	6.25%	10,000	–
			10,000	–

There were no outstanding interest cap agreements as at 31 December 2013 and no such agreements were held at any time during 2014.

Notes to the Consolidated Financial Statements

For the 12 months ended 31 December 2014

28 Called-up share capital

	31 December 2014 £'000	31 December 2013 £'000
Issued and fully paid:		
42,262,082 ordinary shares of one pence each *(2013: 42,262,082 ordinary shares of one pence each)*	**423**	423

During both the current and prior year, the company did not purchase any 1p ordinary shares for cancellation.

The company has one class of ordinary shares which carries no right to fixed income.

No share options were exercised, granted, forfeited or expired during either the current or previous financial years. There were no outstanding share options at the end of either the current or previous financial year.

29 Share capital and reserves

	Share capital £'000	Share premium £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000
At 31 December 2012	423	13	37,825	2,323	245	40,829
Total comprehensive income for the period	–	–	10,382	137	–	10,519
Dividends paid	–	–	(7,523)	–	–	(7,523)
At 31 December 2013	423	13	40,684	2,460	245	43,825
Total comprehensive income for the period	**–**	**–**	**8,669**	**(312)**	**–**	**8,357**
Dividends paid	**–**	**–**	**(10,058)**	**–**	**–**	**(10,058)**
At 31 December 2014	**423**	**13**	**39,295**	**2,148**	**245**	**42,124**

The translation reserve represents the cumulative translation differences on the foreign currency net investments held at the year end since the date of transition to IFRS.

Other reserves comprise:

	31 December 2014 £'000	31 December 2013 £'000
Capital redemption reserve	**157**	157
UAE legal reserve	**79**	79
Netherlands capital reserve	**9**	9
	245	245

Local legislation in the United Arab Emirates requires Khansaheb Sykes LLC to maintain a non-distributable reserve equal to 50% of its share capital.

There were no movements on any of the other reserves during either the current or previous financial year.

30 Cash generated from operations

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Profit for the period attributable to equity shareholders	**9,311**	11,518
Adjustments for:		
Taxation charge	**2,445**	3,446
Finance costs	**414**	1,643
Finance income	**(342)**	(1,730)
Income from trade investments	**(517)**	(194)
Profit on the sale of property, plant and equipment	**(305)**	(550)
Depreciation	**4,563**	4,459
Excess of normal pension contributions compared with service and administration expenses	**(778)**	(821)
Cash generated from operations before movements in working capital	**14,791**	17,771
Movement in stocks	**(2,527)**	(1,059)
Movement in trade and other receivables	**284**	613
Movement in trade and other payables	**686**	377
Movement in provisions	**(12)**	(13)
Cash generated from operations	**13,222**	17,689

31 Analysis of net funds

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Cash and cash equivalents per consolidated cash flow statement and note 21	**24,077**	27,417
Gross funds	**24,077**	27,417
Bank loans per note 24	**(6,955)**	(7,935)
Obligations under finance leases per note 25	**(276)**	(369)
Gross debt	**(7,231)**	(8,304)
Net funds	**16,846**	19,113

32 Financial instruments

Capital risk management

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the group consists of net funds, which are analysed in note 31, and equity comprising issued share capital, reserves and retained earnings as disclosed in note 29. The net funds to equity percentage is:

	31 December 2014 £'000	31 December 2013 £'000
Net funds per note 31	**16,846**	19,113
Equity attributable to equity holders of the parent company as per note 29	**42,124**	43,825
Net funds to equity percentage	**40.0%**	43.6%

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and liability, are disclosed in note 2 to the financial statements.

Categories of financial instruments

The carrying values of each category of financial instrument are as follows:

	31 December 2014 £'000	31 December 2013 £'000
Financial assets		
Available for sale assets – trade investments	**164**	164
Loans and receivables (including cash and cash equivalents):		
Trade debtors and amounts due by related parties	**12,544**	12,918
Other debtors	**159**	187
Cash and cash equivalents	**24,077**	27,417
	36,780	40,522
	36,944	40,686
Financial liabilities		
Amortised cost:		
Trade creditors and amounts due to related parties	**4,109**	3,381
Accruals and other creditors	**8,175**	8,489
Loans	**6,955**	7,935
Finance lease obligations	**276**	369
	19,515	20,174
	19,515	20,174

Financial risk management

The key risks that potentially impact on the group's results are market risk, credit risk and liquidity and interest rate risks. The group's exposure to each of these risks and the management of that exposure is discussed below. There has been no change in the period, or since the period end, to the type of financial risks faced by the group or to the management of those risks.

32 Financial instruments (continued)

Market risk

The group's activities expose it primarily to the financial risks of changes in interest rates. When appropriate, the group enters into derivative financial instruments to manage its exposure to interest rate risk including interest rate caps that limit the group's exposure to fluctuations in LIBOR on its bank loans.

As explained in note 24, the previous bank loan agreement expired on 30 April 2013 and the outstanding loan of £8 million was repaid in full on that date. The group held an interest rate cap to limit the group's exposure to fluctuations in LIBOR and this cap also expired when the bank loan was repaid. A new bank loan was drawn down on 30 April 2013 but due to the current low interest rates and the indications that these will not increase substantially in the immediate future, the directors do not consider that interest rate caps are currently cost-effective. Accordingly, the group does not hold any interest rate caps as at 31 December 2014 *(2013: £Nil)* although this position is constantly under review.

A 1% increase in the average bank loan agreement rate for the period would increase the net bank loan interest charge by £70,000 *(2013: £90,000)*; a 1% decrease would decrease it by a similar amount.

The group's policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure, nor against foreign currency transactions. The group generally does not enter into forward exchange contracts and it does not use financial instruments for speculative purposes.

The carrying amounts of the group's foreign currency denominated financial assets and liabilities at the end of the financial period are as follows:

	31 December 2014 £'000	31 December 2013 £'000
Financial assets (excluding cash) denominated in:		
Euros	**1,945**	2,158
UAE Dirhams	**3,400**	3,182
Cash denominated in:		
Euros	**6,476**	6,803
UAE Dirhams	**1,490**	1,383
Liabilities denominated in:		
Euros	**1,351**	1,261
UAE Dirhams	**2,121**	1,571

A 10% increase in the Euro:Sterling exchange rate would reduce the consolidated operating profit by £190,000 *(2013: £350,000)*. A 10% decrease would increase the consolidated operating profit by a similar amount.

A 10% increase in the Dirham:Sterling exchange rate would reduce the consolidated operating profit by £150,000 *(2013: £160,000)*. A 10% decrease would increase the consolidated operating profit by a similar amount.

Monetary assets and liabilities denominated in currencies other than Sterling, the Euro and UAE Dirhams were not significant at either period end.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Creditworthiness is verified by independent rating agencies when available. The group's exposure to and credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by senior management on a regular basis.

32 Financial instruments (continued)

Trade receivables consist of a large number of customers spread across diverse industries and geographical locations. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The group does not have any significant credit risk exposure to any single counterparty or connected counterparties at the reporting date where "significant" is defined as 5% of gross financial assets. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk.

Liquidity risk management

The group manages liquidity risk by maintaining adequate cash reserves, which at 31 December 2014 amounted to £24,077,000 *(2013: £27,417,000)*, by operating within its agreed banking facilities, by continuously monitoring forecast and actual cash flows, by matching the maturity profiles of monetary assets and liabilities and by monitoring and discussing its covenants with the bank.

In view of the significant levels of net funds available to the group of £16,846,000 *(2013: £19,113,000)* the directors believe that additional unutilised borrowing facilities are not required.

Liquidity and interest risk tables

The following table details the group's remaining contractual maturity for its non-derivative financial liabilities. The table has been prepared based on the undiscounted contractual maturities of the financial instruments. The future finance charges represents the charges that will be charged to the income statement in future periods based on the current weighted average interest rates and have not been included within the carrying amount of the financial liability:

31 December 2014

	Weighted average interest rate	**Due within 3 months £'000**	**Due 3 months to 1 year £'000**	**Due over 1 year and less than 5 years £'000**	**Due after 5 years £'000**	**Future finance charges £'000**	**Total £'000**
Non-interest bearing	**N/A**	**8,351**	**3,933**	**–**	**–**	**–**	**12,284**
Gross variable interest bank loans	**1.83%**	**–**	**1,088**	**6,133**	**–**	**(221)**	**7,000**
Fixed interest finance leases	**8.00%**	**31**	**92**	**197**	**–**	**(44)**	**276**
Total		**8,382**	**5,113**	**6,330**	**–**	**(265)**	**19,560**

31 December 2013

	Weighted average interest rate	Due within 3 months £'000	Due 3 months to 1 year £'000	Due over 1 year and less than 5 years £'000	Due after 5 years £'000	Future finance charges £'000	Total £'000
Non-interest bearing	N/A	7,855	4,015	–	–	–	11,870
Gross variable interest bank loans	1.65%	–	1,102	7,239	–	(341)	8,000
Fixed interest finance leases	8.00%	31	92	319	–	(73)	369
Total		7,886	5,209	7,558	–	(414)	20,239

33 Operating lease arrangements

At the balance sheet date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Property		Plant, machinery and equipment	
	31 December 2014 £'000	31 December 2013 £'000	**31 December 2014 £'000**	31 December 2013 £'000
Amounts payable under operating leases:				
Within one year	**1,001**	1,035	**1,506**	1,158
In the second to fifth years inclusive	**2,133**	2,499	**2,929**	2,966
After five years	**1,630**	1,455	**104**	111
	4,764	4,989	**4,539**	4,235

Property lease payments represent rentals payable by the group for certain of its operating locations and offices. Leases are negotiated over various terms to suit the particular requirements at that time. Break clauses are included wherever appropriate and the above liability has been calculated from the balance sheet date to either the end of the lease or the first break clause, whichever is the earlier.

Plant, machinery and equipment leases represent short term leases for motor vehicles, office and general equipment.

34 Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Trading transactions

During the year, the group entered into the following transactions in the normal course of business with associated companies on an arm's length basis:

	31 December 2014 £'000	31 December 2013 £'000
Sale of goods and services to associates within the London Security plc group	**–**	68
Sale of goods and services to Oasis Sykes	**130**	–
Purchase of goods and services from associates within the London Security plc group	**234**	237
Purchase of goods and services from other associates	**2**	7
Amounts owed to the group by associates	**45**	25
Amount owed by the group to associates	**46**	45

The group did not hold any security and there were no impairment charges in respect of any of the above transactions.

Transactions with key management personnel

In addition to the management remuneration, which is disclosed in note 10 above, a company controlled by a member of the key management team provided consultancy services to the group totalling £257,587 *(2013: £22,857)*. As at 31 December 2014 £114,075 was owed by the group in respect of these services *(2013: £10,496)*.

Notes to the Consolidated Financial Statements

For the 12 months ended 31 December 2014

35 Dividend payments

The directors declared and paid the following dividends during the year ended 31 December 2014:

	12 months ended 31 December 2014		12 months ended 31 December 2013	
	Pence per share	**Total dividend paid £'000**	Pence per share	Total dividend paid £'000
Final dividend for the year ended 31 December 2013 paid to members on the register on 30 May 2014 on 19 June 2014	**11.90**	**5,029**	–	–
First interim dividend declared on 25 September 2014 *(2013: 18 June 2013)* and paid to shareholders on the register as at 7 November 2014 *(2013: 28 June 2013)* on 2 December 2014 *(2013: 24 July 2013)*	**11.90**	**5,029**	8.90	3,761
Second interim dividend for 2013 declared on 28 October 2013 and paid to shareholders on the register as at 8 November 2013 on 3 December 2013	**–**	**–**	8.90	3,762
	23.80	**10,058**	17.80	7,523

The above dividends were charged against reserves as shown in the consolidated statement of changes in equity and in note 29 to these financial statements.

The directors recommend the payment of a final dividend of 11.90 pence *(2013: 11.90 pence)* per ordinary share. If approved at the forthcoming Annual General Meeting this dividend, which in total amounts to £5,029,000 *(2013: £5,029,000)*, will be paid on 19 June 2015 to shareholders on the register on 29 May 2015.

36 Ultimate parent company

As at 5 May 2015 EOI Sykes Sarl, which is incorporated in Luxembourg, held 86.08% of the share capital of Andrews Sykes Group plc and is therefore the 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 Andrews Sykes Group plc.

Company Balance Sheet

As at 31 December 2014

	Note	31 December 2014 £'000	31 December 2014 £'000	31 December 2013 £'000	31 December 2013 £'000
Fixed assets					
Investments	3		**32,063**		32,051
Current assets					
Debtors	4	**23,897**		24,461	
Cash at bank and in hand	5	**6**		10	
		23,903		24,471	
Creditors: Amounts falling due within one year	6	**(7,275)**		(6,780)	
Net current assets			**16,628**		17,691
Total assets less current liabilities			**48,691**		49,742
Creditors: Amounts falling due after more than one year	6		**(5,975)**		(6,955)
Net assets			**42,716**		42,787
Capital and reserves					
Called-up share capital	8		**423**		423
Share premium	9		**13**		13
Profit and loss account	9		**39,912**		39,983
Other reserves	9		**2,368**		2,368
Shareholders' funds	10		**42,716**		42,787

These financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the board of directors on 5 May 2015 and were signed on its behalf by:

JJ Murray
Vice-Chairman

Notes to the Company Financial Statements

For the 12 months ended 31 December 2014

1 Significant accounting policies

Basis of preparation

These separate financial statements of Andrews Sykes Group plc (the company) have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. The principal accounting policies, which have all been applied consistently throughout the current and preceding accounting periods, are summarised below.

Going concern

These financial statements have been prepared on the fundamental 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.

Further information explaining why the directors believe that the group as a whole is a going concern is given in the strategic report on page 12.

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment. Cost is defined as the aggregate of:

(a) the cash consideration;
(b) the nominal value of shares issued as consideration where Section 612 of the Companies Act 2006 applies;
(c) the market value of the company's shares on the date they were issued where Section 612 does not apply;
(d) the fair value of any other consideration; and
(e) costs of acquisition.

Deferred tax

Deferred tax is provided in full on timing differences that result in an obligation 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 law enacted or substantively enacted. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on unremitted earnings where there is no binding commitment to remit these earnings. 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.

Current tax

Current tax payable and recoverable is based on the taxable profit or loss for the year using tax rates enacted or substantively enacted at the reporting date. Taxable profit differs from the profit as reported in the profit and loss account as it is adjusted for both items that will never be taxable or deductible and temporary timing differences.

Borrowing costs

All borrowing costs are recognised in the company's profit and loss account on an accruals basis.

Cash flow statement

Under the provisions of FRS 1: Cash flow statements, the company has not presented a cash flow statement because the consolidated financial statements contain a cash flow statement which includes the results of the company.

Related party transactions

Under the provisions of FRS 8: Related Party Disclosures, the company has not disclosed details of intra-group transactions with wholly owned subsidiaries because consolidated financial statements have been prepared.

2 Profit for the financial period

As permitted by Section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the period. The profit for the financial period dealt with in the profit and loss account of the company was £9,987,000 *(2013: £10,618,000)*.

3 Fixed asset investments

	Subsidiary undertakings shares £'000
Cost	
At the beginning and end of the period	**40,748**
Provisions	
At the beginning of the period	8,697
Release for the period	**(12)**
At the end of the period	**8,685**
Net book value	
At 31 December 2014	**32,063**
At 31 December 2013	32,051

The company's principal subsidiary undertakings (* denotes directly owned by Andrews Sykes Group plc) as at 31 December 2014 were as follows:

Andrews Sykes Hire Limited *
Andrews Air Conditioning & Refrigeration Limited *
Sykes Pumps International Limited (Overseas sales of specialist environmental control products)
Andrews Sykes Investments Limited * (Intermediate holding company)
A.S. Group Management Limited * (Intermediate holding company)
Andrews Sykes International Limited * (Intermediate holding company)
Andrews Sykes Properties Limited * (Property holding company)
AS Holding B.V. (Netherlands, Intermediate holding company)
Khansaheb Sykes LLC (49%, United Arab Emirates)
Andrews Sykes B.V. (Netherlands)
Andrews Sykes BVBA (Belgium)
Nolo Climat S.R.L. (Italy)
Andrews Sykes Climat Location SAS (France)
Andrews Sykes Climat Location SA (Switzerland)
Andrews Sykes Luxembourg SARL (Luxembourg)

Unless otherwise indicated, all are incorporated in England and Wales and undertake hire, sales, service and/or installation of specialist environmental control products, mainly in the country of incorporation. The group holds 100% of the ordinary share capital of all of the above, unless otherwise stated. 100% of the profits of Khansaheb Sykes LLC accrue to the group. A full listing of the company's subsidiary undertakings will be included with the next Annual Return.

The movement in provisions relates to adjustments to the net carrying value of investments in non-trading subsidiaries to underlying net asset value.

Notes to the Company Financial Statements

For the 12 months ended 31 December 2014

4 Debtors

	31 December 2014 £'000	31 December 2013 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	**22,476**	22,799
Corporation tax and group relief	**1,273**	1,497
Other debtors	**143**	159
Prepayments and accrued income	**5**	6
	23,897	24,461

There was no provided or unprovided deferred tax assets or liabilities at the end of either period.

5 Cash at bank and in hand

	31 December 2014 £'000	31 December 2013 £'000
Cash at bank and in hand	**6**	10

6 Creditors

	31 December 2014 £'000	31 December 2013 £'000
Amounts falling due within one year:		
Bank loans and overdrafts	**980**	980
Amounts owed to group undertakings	**6,268**	5,758
Accruals and deferred income	**27**	42
	7,275	6,780

	31 December 2014 £'000	31 December 2013 £'000
Amounts falling due after more than one year:		
Bank loans repayable between one and two years	**980**	980
Bank loans repayable between two and five years	**4,995**	5,975
	5,975	6,955

	31 December 2014 £'000	31 December 2013 £'000
Total bank loans may be further analysed as follows:		
Gross bank loans	**7,000**	8,000
Unamortised costs of raising loan finance	**(45)**	(65)
Net carrying value of bank loans	**6,955**	7,935

Total company bank loans and overdrafts of £7,000,000 *(2013: £8,000,000)* are secured by fixed and floating charges on the assets of the group and by cross guarantees between group undertakings. There are no unsecured bank loans at either year end.

Last year, on 30 April 2013, in accordance with the bank loan agreement the bank loan of £8,000,000 was repaid and on the same day a new loan agreement was entered into for £8,000,000 repayable in full by April 2017. Further details of the bank loan facilities are given in the financial review within the strategic review on page 12 and in note 24 to the consolidated financial statements.

All inter-company loans are repayable on demand and accordingly have been classified within current liabilities.

The company did not have any undrawn committed borrowing facilities at either period end.

7 Financial instruments

The group's policies, objectives and exposure in respect of capital and financial (encompassing market, credit and liquidity) risk management are set out in note 32 to the consolidated financial statements and these are also applicable to the company. The fair values of interest rate caps held by the company at the balance sheet date are disclosed in note 27 to the consolidated financial statements.

Notes to the Company Financial Statements

For the 12 months ended 31 December 2014

8 Called-up share capital

	31 December 2014 £'000	31 December 2013 £'000
Issued and fully paid:		
42,262,082 ordinary shares of one pence each *(2013: 42,262,082 ordinary shares of one pence each)*	**423**	423

During both the current and prior year, the company did not purchase any 1p ordinary shares for cancellation.

The company has one class of ordinary shares which carries no right to fixed income.

No share options were exercised, granted, forfeited or expired during either the current or previous financial year. There were no outstanding share options at the end of either the current or previous financial year.

9 Reserves

	Share premium £'000	**Profit and loss account £'000**	**Other reserves £'000**	**Total £'000**
At the beginning of the period	13	39,983	2,368	42,364
Profit for the period	–	**9,987**	–	**9,987**
Dividends declared and paid	–	**(10,058)**	–	**(10,058)**
At the end of the period	**13**	**39,912**	**2,368**	**42,293**

Other reserves comprise:

	31 December 2014 £'000
Capital redemption reserve	**157**
Non-distributable dividends received from subsidiaries	**2,211**
	2,368

There were no movements on any of the other reserves during either the current or previous financial year.

Details of divdends declared and paid are given in note 35 to the consolidated financial statements.

10 Reconciliation of movements in shareholders' funds

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Profit for the financial period	**9,987**	10,618
Dividends declared and paid	**(10,058)**	(7,523)
Net (decrease)/increase in shareholders' funds	**(71)**	3,095
Shareholders' funds at the beginning of the period	**42,787**	39,692
Shareholders' funds at the end of the period	**42,716**	42,787

11 Capital commitments and guarantees

The company has guaranteed certain property leases of subsidiary undertakings occupied for the purposes of the group's trade. At 31 December 2014 the annual commitment under such leases totalled £92,350 *(2013: £102,350)*, all of which expires between one and five years from the balance sheet date.

12 Ultimate parent company

As at 5 May 2015 EOI Sykes Sarl, which is incorporated in Luxembourg, held 86.08% of the share capital of Andrews Sykes Group plc and is therefore the 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 Andrews Sykes Group plc.

Notice of Annual General Meeting

Notice is hereby given that the ninety-second Annual General Meeting of Andrews Sykes Group plc will be held at Floor 5, 10 Bruton Street, London, W1J 6PX on 16 June 2015 at 10.30 a.m. for the following purposes:

AS ORDINARY BUSINESS:

Ordinary resolutions

1. That the financial statements for the 12 months ended 31 December 2014, together with the strategic report, directors' report and auditor's report be and they are hereby received and adopted.
2. That Mr JG Murray, who retires by rotation and offers himself for re-election, be and is hereby re-elected.
3. That Mr JP Murray, who retires by rotation and offers himself for re-election, be and is hereby re-elected.
   Details of directors are set out on page 20 of the financial statements.
4. That a final dividend of 11.9 pence per share be paid to shareholders on the register on 29 May 2015 on 19 June 2015.
5. That KPMG LLP be and are hereby reappointed as auditor of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which the accounts are laid before the company at a remuneration to be fixed by the directors

AS SPECIAL BUSINESS:

Ordinary resolutions

6. That the directors, in substitution for all authorities previously conferred upon them (save to the extent that such authorities shall have been exercised), be and they are hereby authorised generally and unconditionally for the purposes of Section 551 of the Companies Act 2006 to allot or grant options over relevant securities (as therein defined) up to a maximum aggregate nominal amount of £63,393 such authority to expire at the end of the next Annual General Meeting of the company save where the directors exercise such authority pursuant to an offer or agreement made prior to the date of such meeting.
7. That the general authority given by the company to make market purchases (as defined by Section 693(4) of the Companies Act 2006 (previously Section 163(3) of the Companies Act 1985)) of ordinary shares of one pence each in its capital, passed by the company in general meeting on 29 May 1996 and last renewed on 17 June 2014 be, and it is hereby renewed, subject as follows:

   7.1 the maximum number of shares which may be so acquired is 5,282,760 ordinary shares of one pence each;

   7.2 the minimum price which may be paid for such shares is the nominal value of such shares;

   7.3 the maximum price which may be paid per share is a sum equal to 105% of the average of the market values of the ordinary shares of the company in the Daily Official List of the Stock Exchange on the five business days immediately preceding the date of purchase;

   7.4 the authority conferred by this resolution shall expire on 30 June 2016 or the date of the Annual General Meeting for the period ending 31 December 2015, whichever is the earlier.

Special resolutions

8. That, subject to the passing of resolution numbered 6 above, the directors be and they are hereby generally and unconditionally authorised to allot equity securities (defined in Section 560(1) of the Companies Act 2006) pursuant to the authority conferred by the resolution number 6 above as if Section 561(1) of the said Act did not apply to any such allotment of equity securities and so that references to allotment in this resolution shall be construed in accordance with Section 561(3) of the said Act and the power hereby conferred shall enable the company to make an offer or agreement before the expiry of this authority which would or might require equity securities to be allotted after the expiry of such authority provided that the authority hereby conferred shall be limited (a) to the allotment of equity securities in connection with a rights issue in favour of the holders of equity securities in proportion to their respective holdings of such securities or (as the case may be) in accordance with the rights attached hereto, but subject to such exclusions or arrangements as the directors shall deem necessary in relation to fractional entitlements or pursuant to the laws of any territory or requirements of any regulatory body or any Stock Exchange in any territory, and (b) the allotment (otherwise than pursuant to (a) of this provision) of equity securities up to an aggregate nominal amount of £63,393; this authority to expire at the end of the next Annual General Meeting of the company save to the extent that the directors exercise such authority pursuant to an offer or agreement made prior to the date of such meeting.

Recommendation

Your directors unanimously recommend the ordinary shareholders to vote in favour of the resolutions to be proposed at the Annual General Meeting of the company as they intend to do in respect of their own beneficial holdings amounting to 1,969,325 ordinary shares representing approximately 4.66% of the current ordinary shares. You are referred to the directors' report on page 19 for an explanation for each resolution to be considered as special business.

In respect of resolution number 7 it is intended that any share purchases by the company will only be made on the London Stock Exchange. This should not be taken to imply that shares will be purchased. The directors believe it is in the best interests of all the shareholders that the company should have the flexibility to make market purchases of its own shares. The effect of such purchases will be to reduce the number of shares in issue and the directors would accordingly only make such purchases after considering the effect on earnings per share and the benefit for shareholders.

By order of the board

MJ Calderbank ACA
Company Secretary

5 May 2015

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

Notes:

1. The following documents will be available at the registered office of the company on any weekday during normal business hours and at the Annual General Meeting:
   a. The register of directors' share interests.
   b. Copies of the contracts of service between the company and its directors

2. a. A member is entitled to appoint a proxy to attend and, on a poll, to vote on his or her behalf. A proxy need not be a member of the company.
   b. The appointment of the proxy does not preclude a member from attending the meeting and voting in person if he or she so wishes.
   c. A form of proxy is enclosed for use by ordinary shareholders in relation to the meeting, which, to be effective, must be completed and deposited with the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA at least 48 hours before the time appointed for holding the meeting.
   d. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the company of the votes they may cast) members must be entered on the register of members of the company by 6.00 p.m. on 14 June 2015. Changes to entries on the register of members after 6.00 p.m. on 14 June 2015 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Five Year History

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000	12 months ended 31 December 2010 £'000
Revenue	**56,400**	61,072	58,380	53,838	55,951
Operating profit from continuing activities*					
Trading profit before exceptional items	**11,311**	14,683	14,221	11,882	13,942
Profit on the disposal of property	**–**	–	–	3,113	164
	11,311	14,683	14,221	14,995	14,106
Income from trade investments	**517**	194	592	–	400
Net interest (charge)/credit	**(72)**	87	(59)	(92)	(132)
Profit before taxation	**11,756**	14,964	14,754	14,903	14,374
Taxation	**(2,445)**	(3,446)	(3,685)	(3,337)	(3,812)
Profit for the financial period	**9,311**	11,518	11,069	11,566	10,562
Dividends per share paid in the year	**23.80p**	17.80p	7.10p	6.60p	11.10p
Dividends paid during the year	**10,058**	7,523	3,001	2,818	4,800
Basic earnings per share from continuing operations	**22.03p**	27.25p	26.18p	27.05p	24.19p
Proposed ordinary final dividend per share	**11.90p**	11.90p	–	–	–

* Defined at the end of each reporting period.

Andrews Sykes Group plc

Form of Proxy

For use at the Annual General Meeting 2015

I/We the undersigned, being member(s) of the company, hereby appoint the Chairman of the Meeting or (see note 2)

.... (Please use block letters)

☐ Tick box if one of multiple proxy appointments. ☐ Number of shares (if not full voting entitlement). (See note 2.)

as my/our proxy to vote on my/our behalf as indicated below (or at his/her discretion in respect of any other matters arising) at the Annual General Meeting of the company to be held at Floor 5, Number 10, Bruton Street, London, W1J 6PX on 16 June 2015 at 10.30 a.m.

	Ordinary Resolutions	For	Against	Withheld
1	To receive and adopt the financial statements for the 12 months ended 31 December 2014			
2	To re-elect Mr J G Murray as a director			
3	To re-elect Mr J P Murray as a director			
4	To declare a final ordinary dividend of 11.9 pence per share			
5	To reappoint KPMG LLP as auditor and authorise the directors to fix their remuneration			
6	To authorise the directors to allot or grant options over relevant securities up to a maximum nominal value of £63,393 as set out in the Annual Report and Financial Statements			
7	To authorise the directors to make market purchases of up to a maximum of 5,282,760 of the Company's Ordinary Shares of one pence each as set out in the Annual Report and Financial Statements			
	Special Resolutions			
8	Subject to the passing of Ordinary Resolution 6 above, to authorise the directors to allot equity securities as set out in the Annual Report and Financial Statements			

Dated 2015

Signatures(s) or common seal ....

Full name(s) ....(Please use block letters)

Address ....

....

Notes

1 Only holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the meeting. A member so entitled may appoint (a) proxy(ies), who need not be (a) member(s), to exercise all or any of his/her rights to attend, speak and vote on his/her behalf.

2 You can appoint the Chairman of the meeting or anyone else to be your proxy at the Annual General Meeting. You can also, if you wish, appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you.
- **To appoint more than one proxy,** you should photocopy the Form of Proxy. Please indicate, in the box next to the proxy holder's name, the number of shares in relation to which you authorise them to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this Form of Proxy has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Please also indicate, by marking the box on the Form of Proxy, if the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and should be returned together to the Company's Registrar, Equiniti, in the envelope provided.
- **To appoint the Chairman as your sole proxy** in respect of all your shares, fill in any voting instructions and sign and date the Form of Proxy, but leave all other proxy appointment details blank.
- **To appoint a single proxy** in respect of all your shares other than the Chairman, cross out only the words 'the Chairman of the Meeting or' and insert the name of your proxy (who need not be a member of the company). Then complete the rest of the Form of Proxy.

3 Please indicate with an 'X' in the boxes provided how you wish your vote to be cast. Unless otherwise instructed, the person appointed as proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting on any particular resolution and on any other business (including amendments to resolutions and any procedural business) which may come before the meeting.

4 The 'Withheld' option on the Form of Proxy is provided to enable you to abstain on any particular resolution. However, a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes 'For' and 'Against' a resolution.

5 If you complete and return the Form of Proxy this will not prevent you from attending in person and voting at the Annual General Meeting should you subsequently decide to do so.

6 If the Form of Proxy is signed by someone else on your behalf, their authority to sign must be returned with the Form of Proxy. In the case of a joint holding, any holder may sign. If the shareholder is a corporation, the Form of Proxy may be executed under its common seal or by the signature of a duly authorised officer or attorney.

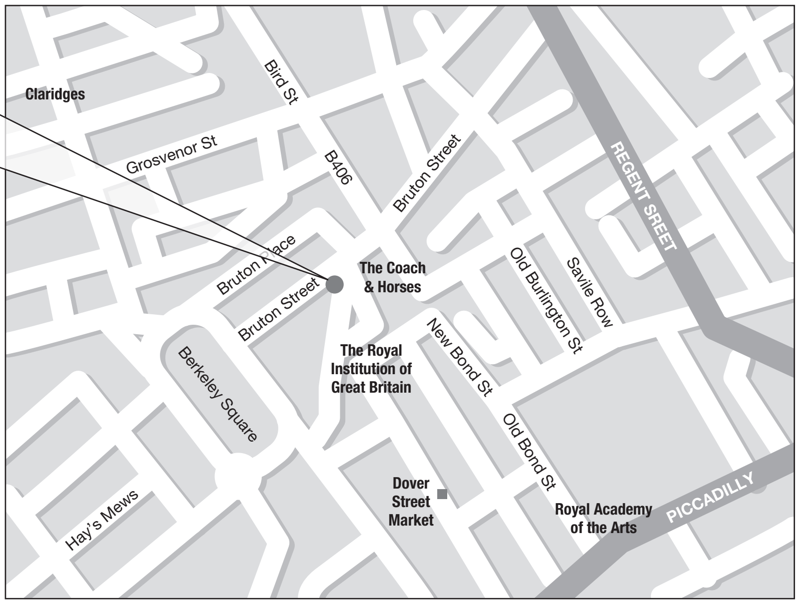
7 In the case of joint holders, only one need sign this Form of Proxy, but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

8 To be valid the Form of Proxy must reach the Company's Registrar, Equiniti, by no later than 10.30 a.m. 14 June 2015.

Notes: attendance at the Annual General Meeting

- If you are attending the Annual General Meeting please sign this card, bring it with you and hand it in on arrival. This will speed up your admission to the Annual General Meeting.
- For your safety and security, there may be checks and bag searches of those attending the Annual General Meeting. We recommend you arrive a little early to allow time for these procedures.
- Cameras, recording equipment and other items which might interfere with the good order of the Annual General Meeting will not be permitted.

Number 10, Bruton Street,
Westminster, London, W1J 6PX



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