Andrews Sykes Group plc

Annual Report and Financial Statements 2015

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

Contents

Summary of Results

	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000
Revenue from continuing operations	**60,058**	56,400
EBITDA* from continuing operations	**17,701**	15,569
Operating profit	**13,208**	11,311
Profit after tax for the financial period	**10,800**	9,311
Basic earnings per share from total operations (pence)	**25.55p**	22.03p
Interim and final dividends paid per equity share (pence)	**23.80p**	23.80p
Proposed final dividend per equity share (pence)	**11.90p**	11.90p
Net cash inflow from operating activities	**12,124**	10,621
Total interim and final dividends paid	**10,058**	10,058
Net funds	**14,558**	16,846

* 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

Summary
The group's revenue for the year ended 31 December 2015 was £60.1 million, an increase of £3.7 million, or 6.5%, compared with the same period last year. This increase had a more than proportionate impact on operating profit which increased by 16.8%, or £1.9 million, from £11.3 million last year to £13.2 million in the year under review. This increase is primarily due to strong performances from our hire and sales businesses in Europe and the Middle East complemented by an improved performance from our installation business in the UK.

As a consequence of the above, our basic earnings per share increased by 16.0% from 22.03p last year to 25.55p in the current period. The basic earnings per share is a positive factor reflecting the strong trading performance of the group's businesses.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £12.1 million compared with £10.6 million last year. Net funds decreased, but only by £2.3 million from £16.8 million last year to £14.5 million at 31 December 2015 despite shareholder related cash outflows of £10.1 million (*2014: £10.1 million*) on equity dividends. Therefore, over the last three financial years, the group has returned £27.7 million in cash to shareholders. At the same time the level of external bank borrowings reduced from £7 million as at the end of last year to £6 million as at 31 December 2015. The Board is once again proposing a further final dividend payment totalling £5.0 million which, if approved at the forthcoming AGM, would be paid in June 2016.

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 £5.6 million was invested in the hire fleet this year, £1.2 million more than last year and significantly more than the wasting depreciation charge of £4.2 million. In addition, the group invested a further £1.1 million in 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 2015	**28,240**	**4,973**
1st half 2014	26,759	4,349
2nd half 2015	**31,818**	**8,235**
2nd half 2014	29,641	6,962
Total 2015	**60,058**	**13,208**
Total 2014	56,400	11,311

The above table demonstrates that the improved performance in the first half of the year continued and accelerated into the second half. Turnover in the first half of the year showed a 5.5% improvement over the same period in 2014 but, in the second half, the percentage improvement increased to 7.4%. Similarly with operating profit, the first half of 2015 showed a 14.3% improvement compared with the same period in 2014 but this increased to 18.3% for the second half year. Traditionally the group makes more profit in the second half year due to the higher profit margins on its air conditioning products which are hired predominantly in the second half of the year.

Our main hire and sales business sector in the UK and Europe had mixed results in the year.

Our air conditioning, ventilation and chiller business in the UK benefited from a brief hot spell of weather in the early part of July which stimulated demand for our products. However this was short lived and the overall cooler conditions this summer compared to last year had an adverse impact on this business. In contrast our operations across the rest of Europe enjoyed a hot summer with prolonged periods of above average temperatures. Our business across the Benelux region continued to produce significant growth compared with last year's performance. In particular, the result produced by our business in The Netherlands showed a marked improvement compared with 2014, being helped by a gradual improvement in the construction market as well as the hot summer conditions, and this was complemented by growth in both Belgium and Italy. Whilst our newly formed businesses in France, Switzerland and Luxembourg all returned losses, overall these were much reduced compared with 2014 and are in line with our expectations in the development phase of these businesses.

Our UK pump business benefited from the unusually wet weather in the fourth quarter of the year. This, together with management's continuing focus on developing non-weather dependent income streams, enabled the weekly hire rate to return to near to the high levels achieved at the end of 2014, although the overall performance of this division was still behind the exceptional level achieved last year.

Despite the mild weather during the 2015 winter, which had an adverse impact on our heating businesses in both the UK and Europe, our heating and boiler hire divisions both performed better than last year.

Overall, the operating profit of our main business segment increased from £10.5 million last year to £11.3 million in the year under review. This indicates that despite the above mixed 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 an excellent trading year. The operating profit for this business segment increased from £1.5 million last year to £2.3 million in 2015, which is even better than the £1.8 million operating profit achieved in 2013. Trading was strong throughout the region, particularly in Abu Dhabi and Ruwaise, for our traditional dewatering, sewage and general pump hire activities. Our climate rental division which was formed in 2012 returned a positive contribution to the business results.

Our fixed installation business sector in the UK also returned an improved operating profit of £0.4 million, £0.2 million ahead of the result achieved last year due to an improvement in general trading conditions. However, the market continues to be fragmented with high levels of price competition which means that it will be difficult to achieve any significant growth in the future.

Careful cost control resulted in a £0.1 million reduction in central overheads from £0.9 million in 2014 to £0.8 million in the current year.

Profit for the financial year

Profit before tax was £13.4 million this year compared with £11.8 million last year. This is mainly attributable to the above £1.9 million increase in operating profit which was partially offset by the lack of any dividend being received this year (*2014: £0.5 million*) from Oasis Sykes, our trade investment in Saudi Arabia. Net finance costs reduced by £0.2 million compared with 2014 mainly due to favourable foreign exchange movements.

Despite the £1.6 million increase in profit before tax, tax charges increased only slightly from £2.5 million to £2.6 million in 2015. The overall effective tax rate reduced from 20.8% in 2014 to 19.2% primarily due to reductions in the UK corporation tax rate and an increase in profits earned by our business based in the Middle East, where corporation tax rates are very low. Profit for the financial year was £10.8 million compared with £9.3 million last year.

Equity dividends

The company paid two dividends during the year. On 19 June 2015 a final dividend for the year ended 31 December 2014 of 11.9 pence per ordinary share was paid and this was followed on 4 November 2015 by the payment of an interim dividend for 2015 also of 11.9 pence per share. Therefore, during 2015, 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 2015 also 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 24 June 2016 to shareholders on the register as at 27 May 2016.

Chairman's Statement
Overview and financial highlights (continued)

Net funds
At 31 December 2015 the group had net funds of £14.5 million compared with £16.8 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 2016. 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. The mild and wet weather in Europe experienced in the fourth quarter of 2015 continued into the first quarter of 2016, thereby presenting both opportunities and challenges. Our business in the Middle East continues to perform well but we are mindful of the current political and economic issues that surround the region. The board is therefore cautiously optimistic for further success in 2016, always being mindful of the favourable or adverse impact that the weather can have on our business.

JG Murray
Chairman
10 May 2016

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 an extensive range of 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 originally 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 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 back up. 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.

Continual investment in new technology ensures that we provide our customers with new solutions to overcome their operational challenges. We constantly review and refresh our fleet of rental equipment to ensure that we set the standards within the rental industry throughout the UK, 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 within both existing territories and new markets. For 2016 we have several new products ready for launching which extend our product offering to both new and existing customers. During 2015 we 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.

2015 Operational Performance

The group reported an increase in operating profits from last year of £1.9m. This increase was mainly driven by much improved trading levels in Europe along with a strong performance by our Middle East operations.

The UK hire business suffered a reduction in revenue, following a very successful year in 2014 our pump hire revenue experienced a downturn and despite a few very hot days the summer failed to produce any great opportunity for our air conditioning products. Our boiler and heating products were more successful with both showing growth on the previous year. As the year came to a close the very wet weather in December ensured that pump hire revenue recovered and was close to the levels attained in 2014.

In mainland Europe both our total turnover and operating profit increased compared with the previous year. Following a difficult year in 2014 our Dutch business reported a much improved performance, which was further enhanced by improvements in Italy and Belgium. Although our relatively new French subsidiary reported a loss, hire revenue grew by 350% when compared to the previous year.

Trading in the Middle East was strong throughout 2015, with several new projects and business initiatives producing successful results. Turnover increased by 38% when compared to 2014, despite the economic slowdown and drop in oil price, business levels remained positive throughout the year.

Strategic Report
Operational performance (continued)

The overall group operating profit of £13.2 million is an increase of £1.9 million when compared to the 2014 results. Net funds decreased, but only by £2.3 million from £16.8 million last year to £14.5 million at 31 December 2015 despite shareholder related cash outflows of £10.1 million on equity dividends.

Hire and Sales Europe
Summary

Turnover of the European hire and sales business sector increased from £45.1 million last year to £45.7 million in the current year, an increase of £0.6 million or 1.3% compared with last year. Operating profit increased by £0.8 million, or 7.6%, from £10.5 million in 2014 to £11.3 million in 2015.

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 employing over 300 members of staff. During the year we continued to develop our product range and service offering with further investment in our hire fleet, depots and infrastructure. The profit for 2015 was below the 2014 performance, part of this was due to a drop in pump hire revenue when compared to the exceptional performance in the previous year, which was aided by the widespread flooding in the South West. However, as the year came to an end, much of the North was affected by heavy rainfall and our pump hire activities returned to levels in line with 2014. Heating hire and boiler hire both performed ahead of the previous year, but a cool summer meant that hire revenue for our air conditioning and chiller products reduced.

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 back up support to our newer operations in Belgium and Luxembourg. This subsidiary produced a significant increase in profit for 2015 when compared to 2014. A strong performance, assisted by a hot summer and a recovery in the construction sector, helped produce a positive result for the year.

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 produced a strong result for the year, which was in fact a record result for this operation.

Andrews Sykes SARL

During 2014 we opened a new operation in Luxembourg, which is located within easy reach of the capital and enables us to provide the full range of our climate rental products throughout the country. The business commenced trading in June 2014 but had a slow start. Although revenue in 2015 has grown by 50% when compared to the previous year, it produced a similar level of loss. This subsidiary works in conjunction with our Brussels operation, with sales, administration and engineering support provided from Belgium.

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 progress made in recent years this business provided a record result in 2015 with significant growth when compared to the previous year. From our base in the Lombardy region we are now exploring further growth potential further South in Italy.

Andrews Sykes Climat Location SAS

Our French subsidiary was established in 2012, we have since successfully developed our operations from depots in Lille and Paris. In 2015 we opened our third French depot, located in Lyon, which now serves the South East of the country. During 2014 total revenue grew by almost 300% and this growth was continued in 2015, with hire revenue increasing by a further 350% when compared to 2014.

Climat Location SA

Climat Location SA is our Swiss subsidiary which opened in 2013, this relatively new operation was established to cover the French cantons. Towards the end of 2014 we decided to reduce our cost base in Switzerland, whilst maintaining the level of service within this market. This enabled an improved performance in 2015, with revenue almost double the previous year and producing a close to breakeven result.

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 between the sale of new systems and the service and maintenance of existing systems. When compared to 2014 the business produced a 7% increase in revenue, but improved margins enabled an operating profit growth of 65%.

Hire and Sales Middle East

Khansaheb Sykes LLC

Khansaheb Sykes is our long established pump hire and dewatering 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, which allows us to provide our products and services in these local markets. This subsidiary produced strong growth in 2015 with revenue ahead of the previous year by £2.8 million and operating profit increasing by more than £0.8 million. This growth was driven by strong results coming from our established depots in addition to new revenue coming from the Ruwaise region.

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.

Group summary

The overall group result for 2015 shows an increase in operating profit of £1.9 million, or 16.8%, when compared to the previous year. The vast majority of this increase was driven by strong performance from our operations in mainland Europe and the Middle East.

Our UK operations continued to provide a strong underlying performance. Our newest operations located in Switzerland, France and Luxembourg showed an improved performance compared with 2014 which is inline with our expectations.

The Andrews Sykes business remains strong: the experience of our senior management team, coupled with our development plans, provide optimism for further progress in 2016. 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 (KPI)
The group's principal KPIs are as follows:

	12 months ended 31 December 2015	12 months ended 31 December 2014
Average revenue per employee	**£116,000**	£111,000
Operating cash flow[1] as a percentage of operating assets[1] employed	**53.6%**	57.5%
Net funds to equity percentage	**33.4%**	40.0%
Basic EPS from continuing operations (pence)	**25.55p**	22.03p

(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. The average revenue per employee shows an improvement this year 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. This year this is a net credit of £159,000 compared with a net charge of £72,000 last year, the movement being primarily due to net inter-company foreign exchange gains of £43,000 compared with net inter-company foreign exchange losses last year of £222,000. 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 26.

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. The EPS increased by 16.0% from 22.03p in 2014 to 25.55p in 2015 which is indicative of the strong underlying business performance as the average number of shares in issue remained unchanged from the previous year.

Operating profit
The consolidated operating profit was £13.2 million for the year under review, an increase of £1.9 million, or 16.8%, compared with last year's operating profit of £11.3 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 2015 £'000	12 months ended 31 December 2014 £'000
Hire and sales Europe	**11,323**	10,511
Hire and sales Middle East	**2,299**	1,484
UK installation business	**390**	237
Sub total	**14,012**	12,232
Unallocated costs and eliminations	**(804)**	(921)
Consolidated operating profit	**13,208**	11,311

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

Income from trade investments

Last year, 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. An equivalent dividend in respect of the 2014 financial year has not been received in the year under review. Dividend income continues to be accounted for on a cash received basis as the group is unable to exercise significant influence over Oasis Sykes, including the timing and payment of dividends.

Net interest credit

The net interest credit for the current year is £159,000 compared with a charge of £72,000 in 2014. This can be analysed as follows:

	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000
Interest charge on bank loans and overdrafts	**142**	162
Finance lease interest charge	**22**	30
Interest receivable	**(235)**	(269)
Foreign exchange (gains)/losses on inter-company loans	**(43)**	222
Net IAS 19 pension interest credit	**(45)**	(73)
Total net interest (credit)/charge	**(159)**	72

The interest charge on bank loans and overdrafts and interest receivable both show small reductions compared with last year's levels.

The weighted average interest rate charged on the bank loans increased slightly from 1.83% last year to 1.91% in 2015, the effect of which was more than offset by a reduction in the weighted average capital amount of the gross outstanding loans from £7.3 million last year to £6.3 million in 2015.

The average rate of interest receivable on short term bank deposits remained unchanged from last year's level of 1.1%. The reduction in interest receivable was due to a decrease in the average cash on deposit this year to approximately £21.3 million compared with £24.3 million last year.

There was a relatively modest foreign exchange gain on inter-company loans this year, mainly due to the weakening of Sterling relative to both the Euro and the UAE Dirham. 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.

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

Tax on profit on ordinary activities

The group's tax charge on ordinary activities was £2,567,000 *(2014: £2,445,000)* resulting in an overall effective tax rate of 19.2% *(2014: 20.8%)*, slightly below the standard effective tax rate in the UK for the current year of 20.25% *(2014: 21.5%)*. A summary of the factors giving rise to this decrease is given in the table below:

	£'000
Profit before taxation	**13,367**
Theoretical tax charge at the UK effective tax rate of 20.25%	**2,707**
Effects of different tax rates of subsidiaries operating abroad	**(331)**
Increase in overseas trading losses not recognised in deferred tax	**88**
Non-tax deductible expenses and other factors	**86**
Effect of change of rate of tax in the UK and adjustments to prior periods	**17**
Total tax charge for the financial year	**2,567**

A detailed reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by 20.25% and the actual tax charge is given in note 11 to the consolidated financial statements.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26th October 2015. An additional reduction to 17% (effective from 1st April 2020) was announced in the Budget on 16 March 2016. These reductions will further reduce the group's current tax charge.

The deferred tax balances at 31 December 2015 and 31 December 2014 have been calculated based on the rates that were substantively enacted at the balance sheet dates that will apply when the timing differences are expected to reverse. Accordingly, a rate of 19% has been used as at 31 December 2015 and 20% as at 31 December 2014.

Profit for the financial year

Profit after tax for the financial year was £10,800,000 compared with £9,311,000 last year.

Basic earnings per share (EPS)

The basic earnings per share increased by 3.52 pence, or 16.0%, from 22.03 pence last year to 25.55 pence in 2015. There were no dilutive instruments outstanding in either 2015 or 2014 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 317.5 pence, the basic EPS gives a price to earnings ratio of 12.43.

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 2015 £m	12 months ended 31 December 2014 £m
Operating profit	**13.2**	11.3
Depreciation and profit on the sale of plant and equipment	**4.5**	4.3
EBITDA*	**17.7**	15.6
Defined benefit pension scheme contributions in excess of pension scheme administration costs	**–**	(0.8)
Interest paid	**(0.2)**	(0.2)
Tax paid	**(2.3)**	(2.4)
Net working capital movements	**(3.1)**	(1.6)
Net cash inflow from operating activities	**12.1**	10.6

* 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. However, cash collection from customers was more challenging this year with £2.2 million of the above £3.1 million adverse movement in net working capital being due to an increase in trade and other receivables. Total outstanding debtor days increased from 67 days last year to 75 days in 2015. Although high in UK terms, the debtor day statistic in both years includes our subsidiary in the Middle East whose debtor days were 136 days *(2014: 130 days)* and this is typical for the region. Average debtor days for current unimpaired debts were a more respectable 39 days compared with 35 days last year.

Adequate provisions continue to be made for bad and doubtful debtors. In 2015 debts written off against the bad debt provision were £496,000 compared with £561,000 last year and there was a net charge of £367,000 *(2014: £88,000)* to the income statement from the bad debt provision, which was calculated on a consistent basis each year.

After adjusting for items capitalised out of opening stock, stock movements absorbed £1.0 million *(2014: £2.5 million)* of working capital. Creditor movements accounted for a working capital inflow of £0.1 million *(2014: £0.6 million)*.

Employer pension contributions of £120,000 *(2014: £905,000)* have been made by the group to the pension scheme in 2015. Pension scheme administration costs charged to the income statement in accordance with IAS 19 (2011) amounted to £132,000 *(2014: £127,000)*. Pension contributions are discussed in more detail on page 47.

Net funds

Despite shareholder related cash outflows of £10.1 million on ordinary dividends, net funds only decreased by £2.3 million from £16.8 million at 31 December 2014 to £14.5 million at 31 December 2015. The movement can be reconciled as follows:

	£m
Opening net funds	**16.8**
Significant inflows:	
Cash inflow from operating activities	**12.1**
Sale of plant and equipment	**0.7**
Interest received	**0.2**
Significant outflows:	
Capital expenditure	**(5.2)**
Equity dividends paid	**(10.1)**
Closing net funds	**14.5**
Comprises:	
Bank loans net of loan finance costs	**(6.0)**
Finance lease obligations	**(0.2)**
Cash at bank	**20.7**
Total net funds	**14.5**

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 the hire fleet, plant, equipment and vehicles amounted to £5.2 million *(2014: £3.7 million)*. In addition, £1.5 million of items held in stock at December 2014 have also been capitalised in the hire fleet this year *(2014: £1.2 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 and a further £1 million in April 2015. The third annual instalment of £1.0 million is due on 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 2015 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 and 30 April 2015 the first and second capital repayments of £1 million each were made and these were followed by a further capital repayment, also of £1 million, on 30 April 2016. Interest is paid biannually 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 2015 amounted to £20.7 million compared with £24.1 million as at 31 December 2014. Profit and cash flow projections for 2016 and 2017, 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 31 to the consolidated financial statements, are:

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

Pension scheme surplus

As set out in note 18 to the consolidated financial statements, as at 31 December 2015 the pension scheme assets were £37.7 million which, after deducting the present value of the pension scheme liabilities of £35.3 million, calculated in accordance with IAS 19 (2011), results in a pre-tax surplus of £2.4 million. When assessing the appropriateness of the recognition of this surplus, the directors have considered the guidance in IAS 19 (2011) and 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 2015. The net surplus, before deferred tax, at the year end amounted to £2.4 million *(2014: £1.3 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 £1.3 million to the surplus as at 31 December 2015 of £2.4 million is as follows:

	£m
Opening IAS 19 surplus recognised in the financial statements	**1.3**
Contributions paid by the group into the scheme	**0.1**
Actual return less expected return on scheme assets	**(0.9)**
Actuarial gain on scheme liabilities	**2.0**
Administration expenses	**(0.1)**
Net finance income	**–**
Closing IAS 19 surplus recognised in the financial statements	**2.4**

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.

Defined benefit scheme funding valuation

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 during 2014 to remove the funding deficit in the group scheme calculated as at 31 December 2013 and this was eliminated as at 31 December 2014.

During 2015 the group made a contribution towards expenses of £10,000 per month and this continues into 2016. The pension scheme trustees have indicated that there is a potential funding deficit as at 31 December 2015. Although the next formal triennial funding valuation is not due until 31 December 2016, the group has agreed with the pension scheme trustees to make an additional voluntary contribution of £32,000 per month with effect from 1 January 2016 and this was increased to £80,000 per month with effect from 1 April 2016. The group expects to continue to make the additional voluntary contribution at the current level until 31 March 2017, at which time it will cease pending a review of the position in conjunction with the December 2016 formal triennial funding valuation. Accordingly, the group currently expects to make total pension contributions, including the contribution towards expenses, of £936,000 during 2016.

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 previous 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 3.0% *(2014: 3.7%)*. The current period charge in the income statement amounted to £310,000 *(2014: £285,000)*. 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.

Strategic Report

Review of risks, uncertainties and financial performance (continued)

Reconciliation of movement in group shareholders' funds

Group shareholders' funds have increased from £42.1 million at the beginning of the year to £43.6 million at 31 December 2015. The movement can be reconciled as follows:

	£m
Opening shareholders' funds	**42.1**
Profit for the financial period	**10.8**
IAS 19 actuarial gains net of deferred tax	**1.0**
Dividends declared and paid during the year	**(10.1)**
Currency translation differences on foreign currency net investments	**(0.2)**
Closing shareholders' funds	**43.6**

The company paid two dividends during the year. On 19 June 2015 a final dividend for the year ended 31 December 2014 of 11.9 pence per ordinary share was paid and this was followed on 4 November 2015 by the payment of an interim dividend for 2015 also of 11.9 pence per share. Therefore, during 2015, a total of £10.1 million in cash dividends has been returned to ordinary shareholders.

An analysis of the net IAS 19 actuarial gains of £1.2 million, before an attributable deferred tax charge of £0.2 million, is given in note 18 to the consolidated financial statements.

Share buybacks

During the current and preceding years the company did not purchase any ordinary shares for cancellation. However, in prior periods such purchases were made and these enhanced earnings per share for the benefit of all shareholders. So far the company has not purchased any of its own shares for cancellation during 2016.

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
Director

10 May 2016

St David's Court
Union Street
Wolverhampton
WV1 3JE

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 equity 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 2015 a final dividend for the year ended 31 December 2014 of 11.9 pence per share was paid to shareholders on the register on 29 May 2015. This was followed by an interim dividend for 2015, also of 11.9 pence per share, which was paid on 4 November 2015 to shareholders on the register on 9 October 2015. Total dividend payments made during the year amounted to £10,058,376 *(2014: £10,058,376)*.

The directors propose a final dividend of 11.9 pence *(2014: 11.9 pence)* per ordinary share. If approved at the forthcoming Annual General Meeting this dividend, which in total amounts to £5,029,188 *(2014: £5,029,188)*, will be paid on 24 June 2016 to shareholders on the register as at 27 May 2016.

Directors

The directors in office at 10 May 2016 are shown on page 20. No director was appointed or resigned during the year or subsequently.

In accordance with the Articles of Association, Messrs JJ Murray and EDOA Sebag 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 2015 had any disclosable interests in share capital of the company or any subsidiary undertaking.

	Ordinary one pence shares	
	At 31 December 2015	At 31 December 2014
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 2015 and 10 May 2016.

Directors' Report

Substantial shareholdings

At 10 May 2016 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 2015 held any options to subscribe for ordinary shares at either 31 December 2015 or 31 December 2014. There have been no changes in the directors' share options during the period from 31 December 2015 to 10 May 2016.

The mid-market price of the company's ordinary shares on 31 December 2015 was £3.17. The highest and lowest mid-market prices during the year ended 31 December 2015 were £3.45 and £2.78 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, to minimise the effect of our activities on the environment and to provide products and services that fully and consistently meet the requirements of our customers, both now and in the future. In the UK the group has met the mandatory requirements of the Energy Savings Opportunity Scheme (ESOS) and also has certification to the ISO 9001: 2008, ISO 14001: 2004 and BS OHSAS 18001: 2007 standards. In the UAE the group has certification to ISO 9001: 2008.

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 for the purpose of conferring 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 2015 to 10 May 2016. Accordingly, as at 10 May 2016, 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 16 June 2015. 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 2016.

Auditor

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	St David's Court
Director	Union Street
	Wolverhampton
10 May 2016	WV1 3JE

Directors and Advisors

Chairman

JG Murray
Age 96. 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
Age 53. Managing Director. 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 49. 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 80. Senior Independent Non-executive director, Chairman of the Audit Committee. Non-executive director of London Security plc.

MC Leon BS
Age 52. Non-executive director of London Security plc.

X Mignolet (HEC-Economics)
Age 51. Director of London Security plc, Ansul S.A. and Importe S.A.

JP Murray
Age 48. Non-executive director of London Security plc.

EDOA Sebag MBA
Age 48. 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
St David's Court
Union Street
Wolverhampton
West Midlands
WV1 3JE
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 United Kingdom Accounting Standards (Financial Reporting Standard 102) and the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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 2015 set out on pages 23 to 69. 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 United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 2015 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

10 May 2016

Consolidated Income Statement

For the 12 months ended 31 December 2015

	Note	**12 months ended 31 December 2015 £'000**	12 months ended 31 December 2014 £'000
Continuing operations			
Revenue	4	**60,058**	56,400
Cost of sales		**(25,284)**	(24,101)
Gross profit		**34,774**	32,299
Distribution costs		**(10,828)**	(10,410)
Administrative expenses		**(10,738)**	(10,578)
Operating profit		**13,208**	11,311

EBITDA*		**17,701**	15,569
Depreciation and impairment losses		**(4,959)**	(4,563)
Profit on the sale of plant and equipment		**466**	305
Operating profit		**13,208**	11,311

Income from trade investments	16	**–**	517
Finance income	6	**323**	342
Finance costs	7	**(164)**	(414)
Profit before taxation	8	**13,367**	11,756
Taxation	11	**(2,567)**	(2,445)
Profit for the financial period attributable to equity holders of the parent		**10,800**	9,311

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

Earnings per share from continuing and total operations

Basic (pence)	12	**25.55p**	22.03p
Diluted (pence)	12	**25.55p**	22.03p
Interim and final dividends paid per equity share (pence)	34	**23.80p**	23.80p
Proposed final dividend per equity share (pence)	34	**11.90p**	11.90p

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

Consolidated Statement of Comprehensive Total Income

For the 12 months ended 31 December 2015

	Note	**12 months ended 31 December 2015 £'000**	12 months ended 31 December 2014 £'000
Profit for the financial period		**10,800**	9,311
Other comprehensive income/(changes)			
Items that may be reclassified to profit and loss:			
Currency translation differences on foreign currency net investments		**(175)**	(312)
Items that will never be reclassified to profit and loss:			
Remeasurement of defined benefit assets and liabilities	18	**1,157**	(802)
Related deferred tax	11	**(207)**	160
Other comprehensive income/(charges) for the period net of tax		**775**	(954)
Total comprehensive income for the period		**11,575**	8,357

Consolidated Balance Sheet

As at 31 December 2015

	Note	31 December 2015 £'000	31 December 2015 £'000	31 December 2014 £'000	31 December 2014 £'000
Non-current assets					
Property, plant and equipment	13		**17,750**		16,388
Lease prepayments	14		**50**		51
Trade investments	16		**164**		164
Deferred tax asset	17		**282**		626
Retirement benefit pension surplus	18		**2,443**		1,253
			20,689		18,482
Current assets					
Stocks	19	**4,199**		4,618	
Trade and other receivables	20	**16,584**		14,348	
Overseas tax (denominated in Euros)		**17**		133	
Cash and cash equivalents	21	**20,715**		24,077	
		41,515		43,176	
Current liabilities					
Trade and other payables	22	**(11,090)**		(10,963)	
Current tax liabilities	23	**(1,306)**		(1,321)	
Bank loans	24	**(980)**		(980)	
Obligations under finance leases	25	**(101)**		(114)	
Provisions	26	**–**		(9)	
		(13,477)		(13,387)	
Net current assets			**28,038**		29,789
Total assets less current liabilities			**48,727**		48,271
Non-current liabilities					
Bank loans	24	**(4,995)**		(5,975)	
Obligations under finance leases	25	**(81)**		(162)	
			(5,076)		(6,137)
Net assets			**43,651**		42,134
Equity					
Called-up share capital	27		**423**		423
Share premium	28		**13**		13
Retained earnings	28		**40,987**		39,295
Translation reserve	28		**1,973**		2,148
Other reserves	28		**245**		245
Surplus attributable to equity holders of the parent			**43,641**		42,124
Minority interest			**10**		10
Total equity			**43,651**		42,134

These consolidated financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the board of directors on 10 May 2016 and were signed on its behalf by:

JJ Murray
Vice-Chairman

Consolidated Cash Flow Statement

For the 12 months ended 31 December 2015

	Note	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000
Cash flows from operating activities			
Cash generated from operations	29	**14,623**	13,222
Interest paid		**(155)**	(166)
Net UK corporation tax paid		**(1,881)**	(2,268)
Withholding tax paid		**–**	(47)
Overseas tax paid		**(463)**	(120)
Net cash flow from operating activities		**12,124**	10,621
Investing activities			
Dividends received from trade investments		**–**	517
Sale of property, plant and equipment		**711**	511
Purchase of property, plant and equipment		**(5,234)**	(3,727)
Interest received		**197**	270
Net cash flow from investing activities		**(4,326)**	(2,429)
Financing activities			
Loan repayments		**(1,000)**	(1,000)
Finance lease capital repayments		**(94)**	(93)
Equity dividends paid		**(10,058)**	(10,058)
Net cash flow from financing activities		**(11,152)**	(11,151)
Net decrease in cash and cash equivalents		**(3,354)**	(2,959)
Cash and cash equivalents at the beginning of the period	21	**24,077**	27,417
Effect of foreign exchange rate changes		**(8)**	(381)
Cash and cash equivalents at the end of the period	21	**20,715**	24,077
Reconciliation of net cash flow to movement in net funds in the period			
Net decrease in cash and cash equivalents		**(3,354)**	(2,959)
Cash outflow from the decrease in debt		**1,094**	1,093
Non-cash movements in respect of costs of raising loan finance		**(20)**	(20)
Movement in net funds during the period		**(2,280)**	(1,886)
Opening net funds at the beginning of the period		**16,846**	19,113
Effect of foreign exchange rate changes		**(8)**	(381)
Closing net funds at the end of the period	30	**14,558**	16,846

Consolidated Statement of Changes in Equity

For the 12 months ended 31 December 2015

	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
		Attributable to equity holders of the parent company									
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	34	–	–	(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
Profit for the financial period		**–**	**–**	**10,800**	**–**	**–**	**–**	**–**	**10,800**	**–**	**10,800**
Other comprehensive income and (charges)											
Items that may be reclassified to profit and loss:											
Currency translation differences on foreign currency net investments		**–**	**–**	**–**	**(175)**	**–**	**–**	**–**	**(175)**	**–**	**(175)**
Items that will never be reclassified to profit and loss:											
Remeasurement of defined benefit assets and liabilities		**–**	**–**	**1,157**	**–**	**–**	**–**	**–**	**1,157**	**–**	**1,157**
Related deferred tax		**–**	**–**	**(207)**	**–**	**–**	**–**	**–**	**(207)**	**–**	**(207)**
Total other comprehensive income and (charges)		**–**	**–**	**950**	**(175)**	**–**	**–**	**–**	**775**	**–**	**775**
Transactions with owners recorded directly in equity:											
Dividends paid	34	**–**	**–**	**(10,058)**	**–**	**–**	**–**	**–**	**(10,058)**	**–**	**(10,058)**
Total transactions with owners		**–**	**–**	**(10,058)**	**–**	**–**	**–**	**–**	**(10,058)**	**–**	**(10,058)**
At 31 December 2015		**423**	**13**	**40,987**	**1,973**	**157**	**79**	**9**	**43,641**	**10**	**43,651**

Group Accounting Policies

For the 12 months ended 31 December 2015

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 5 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 (2011).

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 2015 and the comparative period is for the 12 months ended 31 December 2014.

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 ninth 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. The parent company's financial statements, which are set out on pages 63 to 69, have been prepared in accordance with FRS 102 or "new UK GAAP". The UK subsidiary company financial statements will be prepared in accordance with FRS 101 or FRS 102 depending upon the individual circumstances applicable to each subsidiary. In accordance with note 11 of the 2015 interim financial statements advantage will be taken, where applicable, of the reduced disclosure framework, as set out in paragraph 1.12 of FRS 102, as no objections were received from shareholders to this request.

1 General information (continued)

International Financial Reporting Standards (IFRS) adopted for the first time in 2015

There were no new standards or amendments to standards adopted for the first time this year that had a material impact on the results of the group. The prior year comparatives have not been restated for any changes in accounting policies that were required due to the adoption of new standards this year.

Future adoption of International Financial Reporting Standards

A number of new standards, amendments to standards and interpretations are being considered, but have not yet been endorsed, by the EU. These include the following standards that may have a significant effect on the results of the group in future years:

- IFRS 9 – Financial instruments – earliest likely effective date January 2018
- IFRS 15 – Revenue from contracts with customers – earliest likely effective date January 2018
- IFRS 16 – Leases – earliest likely effective date January 2019

The above standards have not been applied in the preparation of these financial statements as they are not yet effective and have not been endorsed by the EU. The company will assess the potential impact of these standards once the final version has been endorsed by the EU.

None of the other standards and amendments to standards being considered by the EU 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 2015. 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 through 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.

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 such 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

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.

The group does not hold any derivative financial instruments or embedded derivative financial instruments at either period end.

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.

2 Significant accounting policies (continued)

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. Actuarial remeasurement 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).

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.

2 Significant accounting policies (continued)

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 revenue. 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 recognised 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 2015

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 48.

When assessing the appropriateness of the recognition of a surplus, the directors have considered the guidance in IAS 19 (2011) and 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 2015 £'000	12 months ended 31 December 2014 £'000
Continuing operations		
Hire	**49,910**	45,688
Sales	**5,993**	6,764
Installations	**4,155**	3,948
Group consolidated revenue from the sale of goods and provision of services	**60,058**	56,400

Notes to the Consolidated Financial Statements

For the 12 months ended 31 December 2015

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 (Andrew Sykes Properties Limited). 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 2015

	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Revenue						
External sales	45,600	10,303	4,155	60,058	–	60,058
Inter-segment sales	85	–	76	161	(161)	–
Total revenue	45,685	10,303	4,231	60,219	(161)	60,058
Segment result	11,323	2,299	390	14,012	(24)	13,988
Unallocated overheads and expenses						(780)
Operating profit						13,208
Finance income						323
Finance costs						(164)
Profit before taxation						13,367
Taxation						(2,567)
Profit for the period from continuing and total operations						10,800

Balance sheet information

As at 31 December 2015

	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Segment assets	47,989	10,203	3,729	61,921	(2,781)	59,140
Trade investments						164
Deferred tax asset						282
Retirement benefit pension surplus						2,443
Overseas tax (denominated in Euros)						17
Unallocated corporate assets						158
Consolidated total assets						62,204
Segment liabilities	(10,754)	(2,165)	(511)	(13,430)	2,781	(10,649)
Current tax liabilities						(1,306)
Bank loans						(5,975)
Obligations under finance leases						(182)
Unallocated corporate liabilities						(441)
Consolidated total liabilities						(18,553)

5 Business and geographical segmental analysis (continued)

Other information

12 months ended 31 December 2015

	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Capital additions	**5,478**	**1,197**	**1**	**6,676**	**–**	**6,676**
Depreciation	**3,901**	**1,057**	**1**	**4,959**	**–**	**4,959**

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 2013

	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

Geographical segments

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

	By origin		By destination	
	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000	**12 months ended 31 December 2015 £'000**	12 months ended 31 December 2014 £'000
United Kingdom	**39,830**	40,987	**39,216**	40,475
Rest of Europe	**9,925**	7,947	**10,218**	8,194
Middle East and Africa	**10,303**	7,466	**10,555**	7,537
Rest of the World	**–**	–	**69**	194
	60,058	56,400	**60,058**	56,400

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 2015 £'000	31 December 2014 £'000	**31 December 2015 £'000**	31 December 2014 £'000
United Kingdom	**34,053**	37,763	**11,633**	11,074
Rest of Europe	**14,884**	13,168	**4,142**	3,544
Middle East and Africa	**10,203**	7,924	**2,025**	1,821
	59,140	58,855	**17,800**	16,439

6 Finance income

	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000
Net pension scheme interest income on pension scheme surplus (note 18)	**45**	73
Interest receivable on bank deposit accounts	**235**	269
Net inter-company foreign exchange gains	**43**	–
	323	342

Notes to the Consolidated Financial Statements

For the 12 months ended 31 December 2015

7 Finance costs

	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000
Interest charge on bank loans and overdrafts	**142**	162
Finance lease interest charge	**22**	30
Inter-company foreign exchange losses	**–**	222
	164	414

8 Profit before taxation

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

	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000
Net foreign exchange trading gains and losses	**3**	(8)
Bank charges	**55**	74
Depreciation of property, plant and equipment	**4,959**	4,563
Net foreign exchange gains and losses on inter-company financing (notes 6 and 7)	**(43)**	222
Profit on the sale of plant and equipment	**(466)**	(305)
Compensation receipts from third parties for lost or damaged plant and equipment	**(1,610)**	(1,427)
Operating lease rental payments:		
Property	**1,374**	1,340
Plant, machinery and motor vehicles	**1,697**	1,593
Auditor's remuneration (see note 9)	**199**	201
Staff costs (see note 10)	**17,264**	16,392

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 2015 £'000	12 months ended 31 December 2014 £'000
Fees payable to the company's auditor in respect of audit services:		
The audit of the consolidated accounts	**23**	22
The audit of the group's subsidiaries pursuant to legislation	**121**	121
Total audit fees	**144**	143
Fees payable to the company's auditor in respect of non-audit services:		
Other services pursuant to legislation	**21**	17
Tax compliance and advisory services	**39**	41
Total non-audit fees	**60**	58
	204	201

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 2015 Number	12 months ended 31 December 2014 Number
Sales and distribution	**178**	179
Engineers	**215**	207
Managers and administration	**126**	123
	519	509

Staff costs, including directors' remuneration, amounted to:

	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000
Wages and salaries	**15,128**	14,292
Redundancy	**25**	25
Social security costs	**1,638**	1,650
Other pension costs	**473**	425
	17,264	16,392

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 2015 £'000	12 months ended 31 December 2014 £'000
Short term employee benefits	**2,346**	1,889
Post employment benefits - Pensions	**202**	162
	2,548	2,051

Directors' emoluments

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

	12 months ended 31 December 2015			12 months ended 31 December 2014		
Director	**Emoluments £'000**	**Pension scheme contributions £'000**	**Total £'000**	Emoluments £'000	Pension scheme contributions £'000	Total £'000
M Gailer	**29**	**–**	**29**	29	–	29
MC Leon	**20**	**–**	**20**	20	–	20
JJ Murray	**41**	**–**	**41**	44	–	44
JP Murray	**20**	**–**	**20**	20	–	20
PT Wood (highest paid director)	**346**	**37**	**383**	342	35	377
	456	**37**	**493**	455	35	490

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 2015 Number	12 months ended 31 December 2014 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 £20,704 *(2014: £20,403)*; no contributions were paid during the current or preceding financial period.

11 Taxation

	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000
Current tax		
UK corporation tax at 20.25% *(2014: 21.5%)*		
based on the taxable profit for the period	**2,043**	2,111
Adjustments to corporation tax in respect of prior periods	**(177)**	(119)
	1,866	1,992
Overseas tax based on the taxable profit for the period	**536**	261
Adjustments to overseas tax in respect of prior periods	**28**	(7)
Withholding tax	**–**	47
Total current tax charge	**2,430**	2,293
Deferred tax		
Deferred tax on the origination and reversal of temporary differences	**12**	91
Adjustments to deferred tax in respect of prior periods	**125**	61
Total deferred tax charge (note 17)	**137**	152
Total tax charge for the financial period attributable to continuing operations	**2,567**	2,445

The tax charge for the financial period can be reconciled to the profit before tax per the income statement multiplied by the standard effective corporation tax rate in the UK of 20.25% *(2014: 21.5%)* as follows:

	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000
Profit before taxation from continuing and total operations	**13,367**	11,756
Tax at the UK effective corporation tax rate of 20.25% *(2014: 21.5%)*	**2,707**	2,528
Effects of:		
Expenses not deductible for tax purposes	**86**	78
Effects of different tax rates of subsidiaries operating abroad	**(331)**	(232)
Movement in overseas trading losses	**88**	207
Non-taxable income from trade investments	**–**	(111)
Withholding tax	**–**	47
Effect of change in tax rate to 19% *(2014: 20%)*	**41**	(7)
Adjustments to tax charge in respect of previous periods	**(24)**	(65)
Total tax charge for the financial period	**2,567**	2,445

11 Taxation (continued)

Deferred tax recognised in other comprehensive income

	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000
Deferred tax charge/(credit) on remeasurement of defined benefit liabilities and assets	**207**	(160)

Matters affecting future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. These reductions will further reduce the group's current tax charge.

The deferred tax balances at 31 December 2015 and 31 December 2014 have been calculated based on the rates that were substantively enacted at the balance sheet dates that will apply when the timing differences are expected to reverse. Accordingly a rate of 19% has been used as at 31 December 2015 and 20% as at 31 December 2014.

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 2015	
	Total earnings £'000	**Number of shares**
Basic earnings/weighted average number of shares	**10,800**	**42,262,082**
Basic earnings per ordinary share (pence)	**25.55p**	

	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	

Diluted earnings per share

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

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 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
Exchange differences	**(11)**	**(173)**	**(21)**	**(3)**	**(208)**
Additions	**6**	**5,599**	**311**	**760**	**6,676**
Disposals	**(83)**	**(3,043)**	**(395)**	**(409)**	**(3,930)**
As at 31 December 2015	**6,547**	**47,057**	**1,410**	**5,383**	**60,397**
Accumulated depreciation					
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
Exchange differences	**(10)**	**(78)**	**(9)**	**(1)**	**(98)**
Charge for the period	**140**	**4,213**	**181**	**425**	**4,959**
Disposals	**(83)**	**(2,858)**	**(366)**	**(378)**	**(3,685)**
As at 31 December 2015	**2,328**	**35,167**	**845**	**4,307**	**42,647**
Carrying value					
At 31 December 2015	**4,219**	**11,890**	**565**	**1,076**	**17,750**
At 31 December 2014	4,354	10,784	476	774	16,388

The group did not have any non-cancellable contractual commitments for the acquisition of property, plant and equipment at either 31 December 2015 or 31 December 2014.

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

	31 December 2015 £'000	31 December 2014 £'000
Freehold land and buildings	**3,908**	3,976
Long leasehold buildings	**52**	53
Short leasehold buildings	**259**	325
	4,219	4,354

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.

Notes to the Consolidated Financial Statements

For the 12 months ended 31 December 2015

14 Lease prepayments

	31 December 2015 £'000	31 December 2014 £'000
Long leasehold land prepayments:		
Total	**52**	53
Split:		
Non-current assets	**50**	51
Current assets	**2**	2
	52	53

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

15 Subsidiaries

A complete list of the 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 in accordance with FRS 102.

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 period 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 result for the period.

16 Trade investments

	31 December 2015 £'000	31 December 2014 £'000
Cost and carrying amount	**164**	164

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 2015 £'000	12 months ended 31 December 2014 £'000
Income from trade investments	**–**	517

17 Deferred tax asset

The deferred tax assets and liabilities recognised by the group and the movements thereon during the current and prior periods 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 2013 at 20%	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%	386	(251)	491	626
Charged to income statement	**(117)**	**–**	**(20)**	**(137)**
Charged to equity	**–**	**(207)**	**–**	**(207)**
Effect of pension payments in excess of service and administration expenses	**–**	**(6)**	**6**	**–**
Asset/(liability) at 31 December 2015 at 19%	**269**	**(464)**	**477**	**282**

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 19% *(2014: 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 preceding period end.

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

The deferred tax asset as at 31 December 2015, excluding the liability on the pension surplus, is £746,000 *(2014: £877,000)*. Of this amount, approximately £225,000 *(2014: £430,000)* is expected to be recovered after more than 12 months.

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 2015 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 £2,443,000 *(2014: £1,253,000)*. 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 during 2014 to remove the funding deficit in the group scheme calculated as at 31 December 2013 and this was eliminated as at 31 December 2014.

During 2015 the group made a contribution towards expenses of £10,000 per month and this continues into 2016. In addition the group agreed with the pension scheme trustees to make an additional voluntary contribution of £32,000 per month with effect from 1 January 2016 and this was increased to £80,000 per month with effect from 1 April 2016. The group expects to continue to make the additional voluntary contribution at the current level until 31 March 2017 at which time it will cease pending a review of the position in conjunction with the December 2016 triennial funding valuation. Accordingly the group currently expects to make total pension contributions, including the contribution towards expenses, of £936,000 during 2016.

18 Retirement benefit pension schemes (continued)

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 2015	31 December 2014
Rate of increase in pensionable salaries	**N/A**	N/A
Rate of increase in pensions in payment	**3.00%**	3.00%
Discount rate applied to scheme liabilities	**3.70%**	3.40%
Inflation assumption - RPI	**3.00%**	3.10%
Inflation assumption - CPI for the first six years	**2.00%**	2.10%
Inflation assumption - CPI after the first six years	**2.00%**	2.10%
Percentage of deferred members taking maximum tax-free lump sum on retirement	**90%**	90%

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% S2NA CMI_2015 *(2014: 110% S1NA CMI_2014)* with a 1% per annum long term improvement rate for both males and females *(2014: 1% for both males and females)*.

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 2015	31 December 2014
Male, current age 45	**22.6 years**	22.5 years
Female, current age 45	**24.9 years**	25.2 years

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.

18 Retirement benefit pension schemes (continued)

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 2015 £'000	31 December 2014 £'000
UK equities	**12,609**	12,482
Corporate bonds	**17,509**	18,163
Gilts	**7,310**	7,457
Cash	**306**	762
Total fair value of plan assets	**37,734**	38,864
Present value of defined benefit obligation	**(35,291)**	(37,611)
Pension scheme surplus recognised on the balance sheet	**2,443**	1,253

The movement in the fair value of the scheme's assets during the period is as follows:

	31 December 2015 £'000	31 December 2014 £'000
Fair value of plan assets at the start of the period	**38,864**	35,707
Expected return on pension scheme assets	**1,298**	1,559
Actual return less expected return on pension scheme assets	**(895)**	2,275
Administration expenses charged in the income statement	**(132)**	(127)
Employer contributions - normal	**120**	905
Benefits paid	**(1,521)**	(1,455)
Fair value of plan assets at the end of the period	**37,734**	38,864

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

	31 December 2015 £'000	31 December 2014 £'000
Present value of defined benefit funded obligation at the beginning of the period	**(37,611)**	(34,503)
Interest on defined benefit obligation	**(1,253)**	(1,486)
Actuarial gain/(loss) recognised in the CSOCTI* arising from:		
Demographic assumptions	**334**	(259)
Financial assumptions	**1,347**	(3,201)
Experience adjustments	**371**	383
Benefits paid	**1,521**	1,455
Present value of defined benefit funded obligation at the end of the period	**(35,291)**	(37,611)

* Consolidated Statement of Comprehensive Total Income.

18 Retirement benefit pension schemes (continued)

Key assumptions – sensitivity analysis

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

If the average actual longevity from the age of 65 years is one year greater than that assumed, the pension scheme liabilities would increase by approximately £1.5 million *(2014: £1.6 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 £0.5 million *(2014: £0.6 million)* and £0.4 million *(2014: £0.4 million)* respectively. A 0.1% decrease in these assumptions would increase/reduce the present value of the defined benefit obligation by a similar amount.

Amounts recognised in the income statement

	31 December 2015 £'000	31 December 2014 £'000
The amounts credited/(charged) in the income statement were:		
Expected return on pension scheme assets	**1,298**	1,559
Interest expense on pension scheme liabilities	**(1,253)**	(1,486)
Net pension scheme interest income on pension scheme surplus (note 6)	**45**	73
Administration expenses	**(132)**	(127)
Net pension charge	**(87)**	(54)

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

	31 December 2015 £'000	31 December 2014 £'000
The amounts credited/(charged) in the CSOCTI* were:		
Actual return less expected return on pension scheme assets	**(895)**	2,275
Experience gains and losses arising on plan obligation	**371**	383
Changes in demographic and financial assumptions underlying the present value of plan obligations	**1,681**	(3,460)
Net actuarial gain/(loss) recognised in the CSOCTI*	**1,157**	(802)
Cumulative actuarial loss recognised in the CSOCTI*	**(4,881)**	(6,038)

* Consolidated Statement of Comprehensive Total Income.

18 Retirement benefit pension schemes (continued)

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

	31 December 2015 £'000	31 December 2014 £'000
Expected return on pension scheme assets	**1,298**	1,559
Actuarial gain recognised in the CSOCTI* representing the difference between expected and actual return on assets	**(895)**	2,275
Actual return on plan assets	**403**	3,834

* 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.

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 preceding period 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 3.0% *(2014: 3.7%)*. The current period charge in the income statement amounted to £310,000 *(2014: £285,000)*.

Overseas defined contribution pension scheme arrangements

Overseas companies make their own pension arrangements, the charge for the period being £163,000 *(2014: £140,000)*. No additional disclosure is given on the basis of materiality.

19 Stocks

	31 December 2015 £'000	31 December 2014 £'000
Raw material and consumables	**94**	129
Work in progress	**50**	15
Finished goods	**4,055**	4,474
	4,199	4,618

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 period was £13,465,000 *(2014: £12,580,000)* and the net charge in the income statement for net realisable value provisions was £10,000 *(2014: £76,000)*.

20 Trade and other receivables

	31 December 2015 £'000	31 December 2014 £'000
Trade debtors:		
Current unimpaired debtors	**7,728**	6,531
Overdue impaired debtors:		
Gross	**9,265**	8,253
Less allowance for doubtful debts	**(2,230)**	(2,285)
Net overdue trade debtors	**7,035**	5,968
Net trade debtors	**14,763**	12,499
Amounts due from related parties	**27**	45
Lease prepayments - long leasehold land premiums	**2**	2
Prepayments and accrued income	**1,631**	1,643
Other debtors	**161**	159
	16,584	14,348

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 2015 is 39 days *(2014: 35 days)*.

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

	31 December 2015 £'000	31 December 2014 £'000
Not more than 3 months overdue	**5,211**	4,283
More than 3 months and not more than 6 months overdue	**712**	651
More than 6 months and not more than 12 months overdue	**528**	408
More than 12 months overdue	**584**	626
Net overdue trade debtors	**7,035**	5,968

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 2015 £'000	31 December 2014 £'000
Balance at the beginning of the period	**2,285**	2,660
Foreign exchange difference	**74**	98
Net amounts written off during the period	**(496)**	(561)
Income statement charge	**367**	88
Balance at the end of the period	**2,230**	2,285

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 31.

21 Cash and cash equivalents

	31 December 2015 £'000	31 December 2014 £'000
Cash at bank	**4,106**	3,519
Deposit accounts	**16,609**	20,558
	20,715	24,077

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 1.1% *(2014: 1.1%)*.

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 31.

22 Trade and other payables

	31 December 2015 £'000	31 December 2014 £'000
Trade creditors	**3,437**	4,063
Amounts due to related parties	**47**	46
Other tax and social security	**1,406**	1,417
Accruals and deferred income	**5,675**	4,979
Other creditors	**525**	458
	11,090	10,963

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 40 days *(2014: 45 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 31.

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

23 Current tax liabilities

	31 December 2015 £'000	31 December 2014 £'000
UK corporation tax	**1,306**	1,321
	1,306	1,321

24 Bank loans

	31 December 2015 £'000	31 December 2014 £'000
The borrowings are repayable as follows:		
On demand or within one year	**980**	980
In the second year	**4,995**	980
In the third to fifth years inclusive	**–**	4,995
Total	**5,975**	6,955
Disclosed:		
Within current liabilities (on demand or within one year)	**980**	980
Within non-current liabilities	**4,995**	5,975
Total	**5,975**	6,955
Total bank loans may be further analysed as follows:		
Gross bank loans	**6,000**	7,000
Unamortised costs of raising loan finance	**(25)**	(45)
Net carrying value of bank loans	**5,975**	6,955

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.

On 30 April 2013 the group took out a bank loan of £8,000,000. Costs of raising loan finance amounting to £80,000 were incurred and these are being amortised over the period of the loan. The loan is for a fixed four year term with three annual repayments of £1 million, the first and second of which have been paid on 30 April 2014 and 30 April 2015, followed by a final balloon payment of £5 million on 30 April 2017.

Interest is charged on the group's borrowings based on LIBOR plus a margin of 1.20% plus mandatory costs. The weighted average interest rate paid during the period was 1.91% *(2014: 1.83%)*.

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 period end.

25 Obligations under finance leases

	Minimum lease payments		**Present value of minimum lease payments**	
	31 December 2015 £'000	31 December 2014 £'000	**31 December 2015 £'000**	31 December 2014 £'000
Amounts payable under finance leases:				
Within one year	**109**	123	**101**	114
In the second to fifth years inclusive	**95**	197	**81**	162
	204	320	**182**	276
Less future finance charges	**(22)**	(44)		
Present value of lease obligations	**182**	276		
Disclosed:				
Within current liabilities (payable within one year)			**101**	114
Within non-current liabilities			**81**	162
Total			**182**	276

25 Obligations under finance leases (continued)

As set out in the accounting policies, it is the group's policy to lease certain properties. The weighted average lease term of the remaining properties is two years *(2014: 1.5 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 2014	9
Release of provision in the period	**(9)**
At 31 December 2015	**–**

Disclosed:

	31 December 2015 £'000	31 December 2014 £'000
Within current liabilities (payable within one year)	**–**	9
Total	**–**	9

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 was held to cover the potential rent due until the lease expired in August 2015 in the event that the sub-tenant defaulted on the rental payments. The provision has now been released to the income statement as the lease has expired.

27 Called-up share capital

	31 December 2015 £'000	31 December 2014 £'000
Issued and fully paid:		
42,262,082 ordinary shares of one pence each *(2014: 42,262,082 ordinary shares of one pence each)*	**423**	423

The company did not purchase any 1p ordinary shares for cancellation in either the current or preceding financial period.

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 preceding financial period. There were no outstanding share options at the end of either the current or preceding financial period.

28 Share capital and reserves

	Share capital £'000	Share premium £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000
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
Total comprehensive income for the period	**–**	**–**	**11,750**	**(175)**	**–**	**11,575**
Dividends paid	**–**	**–**	**(10,058)**	**–**	**–**	**(10,058)**
At 31 December 2015	**423**	**13**	**40,987**	**1,973**	**245**	**43,641**

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

Other reserves comprise:

	31 December 2015 £'000	31 December 2014 £'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 preceding financial period.

29 Cash generated from operations

	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000
Profit for the period attributable to equity shareholders	**10,800**	9,311
Adjustments for:		
Taxation charge	**2,567**	2,445
Finance costs	**164**	414
Finance income	**(323)**	(342)
Income from trade investments	**–**	(517)
Profit on the sale of property, plant and equipment	**(466)**	(305)
Depreciation	**4,959**	4,563
Excess of normal pension contributions compared with service and administration expenses	**12**	(778)
Cash generated from operations before movements in working capital	**17,713**	14,791
Movement in stocks	**(1,024)**	(2,527)
Movement in trade and other receivables	**(2,196)**	284
Movement in trade and other payables	**139**	686
Movement in provisions	**(9)**	(12)
Cash generated from operations	**14,623**	13,222

30 Analysis of net funds

	12 months ended 31 December 2015 £'000	12 months ended 31 December 2014 £'000
Cash and cash equivalents per consolidated cash flow statement and note 21	**20,715**	24,077
Gross funds	**20,715**	24,077
Bank loans per note 24	**(5,975)**	(6,955)
Obligations under finance leases per note 25	**(182)**	(276)
Gross debt	**(6,157)**	(7,231)
Net funds	**14,558**	16,846

31 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 30, and equity comprising issued share capital, reserves and retained earnings as disclosed in note 28. The net funds to equity percentage is:

	31 December 2015 £'000	31 December 2014 £'000
Net funds per note 30	**14,558**	16,846
Equity attributable to equity holders of the parent company as per note 28	**43,641**	42,124
Net funds to equity percentage	**33.4%**	40.0%

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 2015 £'000	31 December 2014 £'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	**14,790**	12,544
Other debtors	**161**	159
Cash and cash equivalents	**20,715**	24,077
	35,666	36,780
	35,830	36,944
Financial liabilities		
Amortised cost:		
Trade creditors and amounts due to related parties	**3,484**	4,109
Accruals and other creditors	**8,912**	8,175
Loans	**5,975**	6,955
Finance lease obligations	**182**	276
	18,553	19,515
	18,553	19,515

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.

31 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. However, 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 or any other derivative financial instrument as at 31 December 2015 *(2014: £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 £63,000 *(2014: £70,000)*; 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 2015 £'000	31 December 2014 £'000
Financial assets (excluding cash) denominated in:		
Euros	**2,434**	1,945
UAE Dirhams	**4,477**	3,400
Cash denominated in:		
Euros	**6,680**	6,476
UAE Dirhams	**2,616**	1,490
Liabilities denominated in:		
Euros	**1,751**	1,351
UAE Dirhams	**2,165**	2,121

A 10% increase in the Euro:Sterling exchange rate would reduce the consolidated operating profit by £210,000 *(2014: £190,000)*. 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 £230,000 *(2014: £150,000)*. 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.

31 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 2015 amounted to £20,715,000 *(2014: £24,077,000)*, 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 £14,558,000 *(2014: £16,846,000),* 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 represent 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 2015

	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**	**8,422**	**3,974**	**–**	**–**	**–**	**12,396**
Gross variable interest bank loans	**1.91%**	**–**	**1,060**	**5,083**	**–**	**(143)**	**6,000**
Fixed interest finance leases	**8.00%**	**27**	**82**	**95**	**–**	**(22)**	**182**
Total		**8,449**	**5,116**	**5,178**	**–**	**(165)**	**18,578**

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

32 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 2015 £'000	31 December 2014 £'000	**31 December 2015 £'000**	31 December 2014 £'000
Amounts payable under operating leases:				
Within one year	**1,010**	1,001	**1,543**	1,506
In the second to fifth years inclusive	**2,143**	2,133	**2,675**	2,929
After five years	**1,701**	1,630	**105**	104
	4,854	4,764	**4,323**	4,539

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.

33 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 2015 £'000	31 December 2014 £'000
Sale of goods and services to Oasis Sykes	**37**	130
Purchase of goods and services from associates within the London Security plc group	**240**	234
Purchase of goods and services from other associates	**1**	2
Amounts owed to the group by associates	**27**	45
Amount owed by the group to associates	**47**	46

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, last year a company controlled by a member of the key management team provided consultancy services to the group totalling £257,587. As at 31 December 2014 £114,075 was owed by the group in respect of these services and this was paid during the current financial year. No similar services were provided this year.

34 Dividend payments

The directors declared and paid the following dividends during the year ended 31 December 2015:

	12 months ended 31 December 2015		12 months ended 31 December 2014	
	Pence per share	**Total dividend paid £'000**	Pence per share	Total dividend paid £'000
Final dividend for the 12 months ended 31 December 2014 paid to members on the register on 29 May 2015 on 19 June 2015	**11.90**	**5,029**	–	–
Interim dividend declared on 29 September 2015 and paid to shareholders on the register as at 9 October 2015 on 4 November 2015	**11.90**	**5,029**	–	–
Final dividend for the 12 months ended 31 December 2013 paid to members on the register on 30 May 2014 on 19 June 2014	**–**	**–**	11.90	5,029
Interim dividend declared on 25 September 2014 and paid to shareholders on the register as at 7 November 2014 on 2 December 2014	**–**	**–**	11.90	5,029
	23.80	**10,058**	23.80	10,058

The above dividends were charged against reserves as shown in the consolidated statement of changes in equity and in note 28 to these financial statements.

The directors recommend the payment of a final dividend of 11.90 pence *(2014: 11.90 pence)* per ordinary share. If approved at the forthcoming Annual General Meeting this dividend, which in total amounts to £5,029,000 *(2014: £5,029,000)*, will be paid on 24 June 2016 to shareholders on the register on 27 May 2016.

35 Ultimate parent company

As at 10 May 2016 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 2015

	Note	**31 December 2015** £'000	**31 December 2015** £'000	31 December 2014 £'000	31 December 2014 £'000
Fixed assets					
Investments	3		**32,076**		32,063
Current assets					
Debtors	4	**23,300**		23,897	
Cash at bank and in hand	5	**8**		6	
		23,308		23,903	
Creditors: Amounts falling due within one year	6	**(8,191)**		(7,275)	
Net current assets			**15,117**		16,628
Total assets less current liabilities			**47,193**		48,691
Creditors: Amounts falling due after more than one year	6		**(4,995)**		(5,975)
Net assets			**42,198**		42,716
Capital and reserves					
Called-up share capital	8		**423**		423
Share premium	9		**13**		13
Profit and loss account	9		**39,394**		39,912
Other reserves	9		**2,368**		2,368
Shareholders' funds	10		**42,198**		42,716

These financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the board of directors on 10 May 2016 and were signed on its behalf by:

JJ Murray
Vice-Chairman

Notes to the Company Financial Statements

For the 12 months ended 31 December 2015

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, for the first time, in accordance with Financial Reporting Standard 102 (FRS 102) – the new Financial Reporting Standard applicable in the UK and Republic of Ireland – and the Companies Act 2006.

Transitional adjustments on adoption of FRS 102

The effective date of transition to FRS 102 was 1 January 2014. No adjustments were required on the transition to FRS 102 and consequently there is no change to the financial position as previously reported in accordance with old UK GAAP as at the date of transition or 31 December 2014.

Reduced disclosure framework

Advantage has been taken of paragraph 1.12 of FRS 102 and the company has applied the reduced disclosure framework as permitted by that paragraph. In accordance with paragraph 1.11 shareholders were notified and did not object to the adoption of the reduced disclosure framework. Accordingly, these individual company financial statements:

- do not contain a cash flow statement as otherwise required by section 7 of FRS 102; and
- do not contain accounting policies for financial instruments, as otherwise required by sections 11 and 12 of FRS 102, as these have been disclosed in the consolidated accounts; and
- do not disclose key management remuneration as otherwise required by section 33 of FRS 102; and
- do not disclose a reconciliation of the number of shares outstanding from the beginning to the end of the period; and
- do not include the disclosures otherwise required by FRS 102.11 for basic and FRS 102.12 for other financial instruments.

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

Exemptions taken in the preparation of these financial statements

In accordance with paragraph 35.10 of FRS 102, the company has elected to take advantage of the following exemptions that are available on the date of transition to FRS 102; and

- Section 19 of FRS 102 has not been applied retrospectively to business combinations that occurred before the date of transition to FRS 102; and
- Investments in subsidiaries are stated at cost less impairment provisions and not at fair value.

Principal accounting policies

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.

1 Significant accounting policies (continued)

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.

Related party transactions

Under the provisions of FRS 102 paragraph 33.1A, the company has not disclosed details of intra-group transactions with wholly owned subsidiary companies.

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 £9,540,000 *(2014: £9,987,000)*.

Notes to the Company Financial Statements

For the 12 months ended 31 December 2015

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	8,685
Release for the period	**(13)**
At the end of the period	**8,672**
Net book value	
At 31 December 2015	**32,076**
At 31 December 2014	32,063

The company's subsidiary undertakings (* denotes directly owned by Andrews Sykes Group plc) as at 31 December 2015 were as follows:

Andrews Sykes Hire Limited *
Andrews Air Conditioning & Refrigeration Limited *
Sykes Pumps International Limited (Overseas sales of specialist environmental control products)
Climate Contingency Services Limited *
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)
Company 3533273 Limited * (non-trading)
Sykes Ground Water Control Limited * (non-trading)
Refrigeration Compressor Remanufacturers Limited * (non-trading)
Sykes Pumps Limited * (dormant)
Expert Hire Plant Limited * (dormant)
Plant Mart Limited * (dormant)
Andrews Accommodation Limited (dormant)
AAC&R Limited (dormant)
Andrews Industrial Equipment (Scotland) Limited * (Scotland, dormant)
Heat for Hire (Scotland) Limited * (Scotland, dormant)
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.

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

4 Debtors

	31 December 2015 £'000	31 December 2014 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	**21,956**	22,476
Corporation tax and group relief	**1,194**	1,273
Other debtors	**144**	143
Prepayments and accrued income	**6**	5
	23,300	23,897

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

5 Cash at bank and in hand

	31 December 2015 £'000	31 December 2014 £'000
Cash at bank and in hand	**8**	6

6 Creditors

	31 December 2015 £'000	31 December 2014 £'000
Amounts falling due within one year:		
Bank loans and overdrafts	**980**	980
Amounts owed to group undertakings	**7,181**	6,268
Accruals and deferred income	**30**	27
	8,191	7,275

	31 December 2015 £'000	31 December 2014 £'000
Amounts falling due after more than one year:		
Bank loans repayable between one and two years	**4,995**	980
Bank loans repayable between two and five years	**–**	4,995
	4,995	5,975

6 Creditors (continued)

	31 December 2015 £'000	31 December 2014 £'000
Total bank loans may be further analysed as follows:		
Gross bank loans	**6,000**	7,000
Unamortised costs of raising loan finance	**(25)**	(45)
Net carrying value of bank loans	**5,975**	6,955

Total company bank loans and overdrafts of £6,000,000 *(2014: £7,000,000)* 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 period end.

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. Interest is charged on all inter company loans at commercial rates of interest.

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 31 to the consolidated financial statements and these are also applicable to the company. The company did not hold any derivative financial instruments at either 31 December 2015 or 31 December 2014.

8 Called-up share capital

	31 December 2015 £'000	31 December 2014 £'000
Issued and fully paid:		
42,262,082 ordinary shares of one pence each *(2014: 42,262,082 ordinary shares of one pence each)*	**423**	423

The company did not purchase any 1p ordinary shares for cancellation in either the current or preceding financial period.

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 preceding financial period. There were no outstanding share options at the end of either the current or preceding financial period.

9 Reserves

	Share premium £'000	Profit and loss account £'000	Other reserves £'000	Total £'000
At the beginning of the period	13	39,912	2,368	42,293
Profit for the period	–	**9,540**	–	**9,540**
Dividends declared and paid	–	**(10,058)**	–	**(10,058)**
At the end of the period	**13**	**39,394**	**2,368**	**41,775**

Other reserves comprise:

	31 December 2015 £'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 preceding financial period.

Details of dividends declared and paid are given in note 34 to the consolidated financial statements.

10 Reconciliation of movements in shareholders' funds

	12 months ended 31 December 2015 £'000	12 months ended 31 December 2015 £'000
Profit for the financial period	**9,540**	9,987
Dividends declared and paid	**(10,058)**	(10,058)
Net decrease in shareholders' funds	**(518)**	(71)
Shareholders' funds at the beginning of the period	**42,716**	42,787
Shareholders' funds at the end of the period	**42,198**	42,716

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 2015 the annual commitment under such leases totalled £82,850 *(2014: £92,350)*, all of which expires between one and five years from the balance sheet date.

12 Ultimate parent company

As at 10 May 2016 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-third Annual General Meeting of Andrews Sykes Group plc will be held at Floor 5, 10 Bruton Street, London, W1J 6PX on 21 June 2016 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 2015, together with the strategic report, directors' report and auditor's report be and they are hereby received and adopted.
2. That Mr JJ Murray, who retires by rotation and offers himself for re-election, be and is hereby re-elected.
3. That Mr EDOA Sebag, 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 27 May 2016 on 24 June 2016.
5. That KPMG LLP be and is 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 16 June 2015 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 2017 or the date of the Annual General Meeting for the period ending 31 December 2016, 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
10 May 2016

St David's Court
Union Street
Wolverhampton
WV1 3JE

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 19 June 2016. Changes to entries on the register of members after 6.00 p.m. on 19 June 2016 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 2015 £'000	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
Revenue	**60,058**	56,400	61,072	58,380	53,838
Operating profit from continuing activities*					
Trading profit before exceptional items	**13,208**	11,311	14,683	14,221	11,882
Profit on the disposal of property	**–**	–	–	–	3,113
	13,208	11,311	14,683	14,221	14,995
Income from trade investments	**–**	517	194	592	–
Net interest credit/(charge)	**159**	(72)	87	(59)	(92)
Profit before taxation	**13,367**	11,756	14,964	14,754	14,903
Taxation	**(2,567)**	(2,445)	(3,446)	(3,685)	(3,337)
Profit for the financial period	**10,800**	9,311	11,518	11,069	11,566
Dividends per share paid in the year	**23.80p**	23.80p	17.80p	7.10p	6.60p
Dividends paid during the year	**10,058**	10,058	7,523	3,001	2,818
Basic earnings per share from continuing operations	**25.55p**	22.03p	27.25p	26.18p	27.05p
Proposed ordinary final dividend per share	**11.90p**	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 2016

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 21 June 2016 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 2015			
2	To re-elect Mr JJ Murray as a director			
3	To re-elect Mr EDOA Sebag 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 2016

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. 19 June 2016.

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
Claridges
Bird St
Grosvenor St
B406
Bruton Street
Bruton Place
Bruton Street
The Coach
& Horses
REGENT SREET
Old Burlington St
Savile Row
Berkeley Square
The Royal
Institution of
Great Britain
New Bond St
Old Bond St
Hay's Mews
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