pumping

Andrews Sykes Group plc

Annual Report & Financial Statements 2006

Annual Report & Financial Statements 2006

air conditioning

heating

core business core values

ANDREWS SYKES GROUP PLC

www.andrews-sykes.com

A thriving business in a dynamic sector

ANDREWS AIR CONDITIONING

ANDREWS HEAT FOR HIRE

ANDREWS CHILLERS

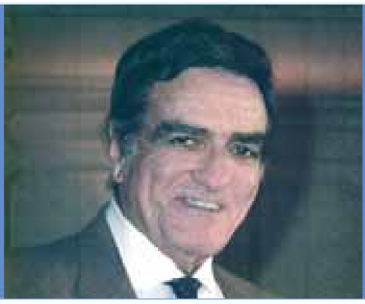
Contents

Summary of Results

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Turnover from continuing operations	**59,768**	50,673
EBITDA* from continuing operations	**18,645**	14,747
Operating profit** from continuing operations	**14,907**	11,062
(Loss)/profit on business disposals	**(142)**	6,404
Profit on ordinary activities after taxation	**9,661**	14,127
Basic earnings per share from continuing operations (pence)	**22.00p**	15.24p
Net cash inflow from operating activities	**15,804**	10,196
Net Debt	**14,810**	19,658

* Earnings Before Interest, Taxation, Depreciation and Amortisation as reconciled in the consolidated profit and loss account

** Operating profit as shown on the consolidated profit and loss account



JG MURRAY Chairman

Overview and financial highlights

I am very pleased to be able to report a record group operating profit from continuing operations of £14.9 million for 2006, which compares with £11.1 million last year. This improvement in trading is largely due to our dual strategies of aligning costs with sustainable revenues and focussing on the development of high margin niche markets thereby enabling the group to deliver exceptionally good results when the opportunities arise.

Our principal UK trading subsidiary, Andrews Sykes Hire, performed exceptionally well returning turnover of £43.0 million, an improvement of 20% compared with last year. This was due to a combination of favourable weather conditions and business initiatives introduced by management during the year to stimulate demand. A more detailed review of this year's performance is given in the Operations and Financial Reviews within the Directors' Report.

The basic earnings per share from continuing operations increased by over 44% from 15.24 pence last year to 22.00 pence this year - another record for our group. This reflects both the improved trading performance and the benefit of the tender offer exercise that was completed in September 2005.

I remain confident that the current strategies being followed by management will continue to deliver satisfactory profit levels in the future. We will continue to contain our costs, to invest in both traditional and new products and to develop new market places when the opportunities arise in order to maximise the return on capital employed.

Management changes

On the 5 December 2006 Paul Wood was appointed to the Board as Managing Director having previously been Director of Operations. Paul has a vast experience in the industry having originally joined the group in August 1978. Paul has much to contribute to the group in terms of his industry experience and management leadership and I look forward to working with him over the coming years.

Also on 5 December 2006 Jean Christophe Pillois was appointed Finance Director following the resignation of Tony Bourne on 2 October 2006.

There have also been some other changes to our non-executive directors. Richard Pollard resigned on 5 December 2006 and three new non-executive directors, Marie Claire Leon, Xavier Mignolet and Joel Simmonds were appointed to the Board on 8 February 2007. I welcome the new appointees and I am sure that their experience will be appreciated by the Board.

Net debt

Net debt has been reduced by £4.9 million to £14.8 million this year despite the following cash outflows:

- Capital expenditure net of disposal proceeds £6.5 million
- Corporation tax payments £2.8 million
- Net interest payments £1.1 million
- Defined benefit pension scheme payments £1.5 million

There was a relatively high level of capital expenditure required this year in order to satisfy increased customer demand and to invest in new products that will give returns in future years. The other cash outflows are in line with our expectations.

Share buy back programme

The Board continues to believe that shareholder value will be optimised by the purchase, when appropriate, of our own shares. The earnings per share this year has benefited from the tender offer exercise that was completed in September 2005 when the company purchased 13.4 million shares for cancellation.

Consequently at the forthcoming AGM, the Board will request that shareholders vote in favour of a resolution to renew the authority to purchase up to 12.5% of the ordinary shares in issue.

Dividend

The Board is not recommending the payment of a final dividend this year. Future dividend policy will be reviewed regularly by the Board.

Outlook

The group's continuing strategy of containing costs and investing in both its traditional core products and services and new environmentally friendly products proved to be successful during 2006. Overall trading in the first quarter of 2007 was in line with expectations.

JG Murray
Chairman
25 April 2007

Our market place is becoming more environmentally aware and we have ensured that the new products added to the hire fleet in 2006 lead the way, by offering our customers a solution that includes the latest environmental improvements.

The new generation of pumps comply to the latest European standards, in terms of noise levels and emissions; a recently introduced range of portable heaters follows the same principle of reduced emissions and by using modern technology delivers 92% plus efficiency. Every air conditioning and chiller unit that was added to the hire fleet in 2006 had environmentally friendly refrigerant gas.

Paul Wood
Managing Director
Andrews Sykes Group

OPERATIONS REVIEW

Overview

The consolidated operating profit from continuing operations this year was £14.9 million compared with £11.1 million in 2005. This represents an increase of £3.8 million or 34.2% compared with last year and demonstrates a very strong performance from the air conditioning and pumping divisions of the business.

Operating profit from continuing operations

Group result

The following table summarises the turnover and operating profit split between the first and second half-year periods:

	Turnover	Operating profit
Continuing operations	£m	£m
First half 2006	**27.6**	**5.4**
First half 2005	23.1	3.7
Second half 2006	**32.2**	**9.5**
Second half 2005	27.6	7.4
Total 2006	**59.8**	**14.9**
Total 2005	50.7	11.1

Andrews Sykes Hire

The main UK trading subsidiary, Andrews Sykes Hire Limited, performed ahead of both budget and last year. Taking the year as a whole, turnover increased by over 20% to £43.0 million resulting in an operating profit of £13.0 million, up by 34% compared with 2005. This good trading performance was partially due to favourable weather conditions but also due to business strategies implemented by management during the year.

The heating hire business performed well during the early part of 2006 due to a long but typical British winter. However the 2006/2007 winter was considerably milder and consequently the heating division did not achieve the same level of returns in the final quarter of 2006 as it managed in the same period in 2005.

Conversely, the pumping division faced a difficult challenge at the start of the year due to the abnormally low water tables caused by many months of low rainfall, particularly in the South-east. A strong sales focus was introduced to stimulate demand for the Sykes Pumps brand and, through a combination of additional investment in a new generation of super silenced, environmentally improved pumps that exceed the highest market standards and the provision of service level agreements to customers that are second to none, we continued to win new customers and protect our market share. Several major contracts were gained in this period, which will continue to provide revenue throughout the next 3 years. The dry weather came to an end in the final quarter of 2006 with heavier rainfalls raising the water table back to more normal levels, thereby stimulating even more demand for our products.

Demand was still on the increase as the year came to an end, which allows optimism for another good performance during the next financial year. 2007 is a very special year for the Sykes Pumps brand as it celebrates its 150 year anniversary, having been established by Henry Sykes in London during 1857.

The air conditioning hire division performed very well throughout the summer months. A warm early summer meant our equipment went out on hire early and by offering customers incentives to enter into relatively long term rental agreements, the level of revenue was maintained into the start of the autumn. The results were further enhanced by the investment into the development of central contact centres. This enabled a much larger number of calls to be handled efficiently during the peak summer months, which together with a large investment in modern design, latest technology, portable air conditioning units, allowed us to increase the number of units in the rental fleet by well over 50%, whilst maintaining high utilisation figures.

The specialist hire division had a successful year. This division markets and manages our range of specialist chiller and boiler units, each of which have single units of up to 500kw in capacity. During 2006 a new sales director was appointed and a separate team of sales specialists was recruited to provide added focus and expertise to the division. This, along with the extra investment in new units and further development of our service team, has given the company a competitive edge in this growing market. With further investment planned for 2007, this will allow entry into other markets and applications.

An increase in marketing activity was made throughout 2006 and will continue into 2007. During the year a new corporate website was designed and launched, this will continue to be developed throughout the coming year. Further radio and sports sponsorship provided an increase in market awareness for the company's major brands and will continue into 2007 with a special focus on the 150 year anniversary of the Sykes Pumps brand.

Andrews Sykes Hire will continue to concentrate on its core product range of pumping, cooling and heating equipment to take advantage of any extremes of weather conditions whenever they arise. Investment will continue to focus on products that have increased efficiency and have major environmental advantages when compared to conventional units. At the same time we will control our cost base to ensure that a satisfactory level of profits can be achieved even with average weather conditions. We will also be assessing new products and services and will introduce these at the appropriate time.

Following a period of consolidation by STW in its choice of suppliers for mobile pump hire and purchase, a highly selective contract has been placed for the next 3 years plus further options. Andrews Sykes will continue to play an important role in that contract and STW's forward strategy.

Michael Miles
Buyer, Operations Team
Severn Trent Water

Andrews Air Conditioning and Refrigeration

Andrews Air Conditioning and Refrigeration, our fixed air conditioning and installation business, produced a small operating profit which was in line with the result achieved last year. Following a change in senior management during the year we are conducting a thorough review of the business with the objective of introducing new systems and procedures to reduce costs, improve efficiency and thereby increase profitability. The benefits of this review should start to be seen during 2007.

Andrews Sykes BV

Andrews Sykes BV, our subsidiary based in The Netherlands, had another very good year. Turnover increased by 48% to £5.4 million resulting in an operating profit of £1.9 million, up by over 70% compared with 2005. Like the UK, this was partially due to favourable weather conditions but the result also reflects strong management and the strategy of keeping a low cost base, so that improvements in turnover have a disproportionate benefit on operating profit.

The Netherlands continues to be an area where the group sees opportunities for further organic growth as well as providing a sound base for expansion into other European countries. During the year a third depot was opened in South-east Holland, with further growth planned for 2007.

Khansaheb Sykes LLC

Khansaheb Sykes, our well established dewatering and pumping company based in the United Arab Emirates (UAE), had a satisfactory year continuing to take advantage of ongoing infrastructure development and construction projects in the region. Operating profit in 2006 was £0.4 million. This region has many opportunities for expansion and the group will continue to develop this company to take advantage of these by growing the fleet and improving the market awareness of our services.

The UAE remains a good outlet for pump sales into other Middle Eastern countries and this will continue to be developed via agents and associate companies.

Summary

The group will continue to invest in modern, efficient and environmentally approved equipment to enable our strategy of organic growth in the UK, Northern Europe and the Middle East to be pursued. We will develop new sales channels and position ourselves to be ready to take advantage of any favourable market conditions and opportunities when they arise.

FINANCIAL REVIEW

Key Performance Indicators (KPI)

The KPIs are as follows:

	52 weeks ended 31 December 2006	52 weeks ended 31 December 2005
Average turnover per employee	**£124,000**	£98,400
Operating profit as a percentage of turnover	**24.9%**	20.7%
Operating cash flow [1] as a percentage of operating assets [1] employed	**68.7%**	69.6%
Operating profit divided by net interest charge	**12.7**	15.5
Basic EPS from continuing operations	**22.00 p**	15.24 p

[1] Operating cash flow before defined benefit scheme contributions. Operating assets are net assets employed excluding pension liabilities, loans, deferred and corporation tax balances and cash.

Profit on the sale of property

On 5 October 2006 the group sold a freehold property in Norwich for £0.4 million resulting in a net profit after expenses of £0.2 million. The consideration receivable has been deferred for 12 months and is therefore due to be received in October 2007.

Exceptional (loss) / profit on the disposal of businesses

Last year the group sold a subsidiary undertaking, Accommodation Hire Limited (AHL), to Wernick Hire Limited and another subsidiary, Engineering Appliances, to Pneumatex Limited. The combined profit on disposal of these two companies was £6.6 million giving a net cash inflow of £10.2 million.

This year certain adjustments have been made to brought forward balances in respect of both the deferred consideration receivable and legal costs payable. These adjustments resulted in a net charge of £27,000 as disclosed in note 3 of the financial statements and a cash outflow in respect of prior year disposals of £183,000 as shown in the cash flow statement. After the end of the year the group received £0.3 million being the final agreed deferred consideration due on the sale of AHL.

ANDREWS HEAT FOR HIRE

Anduff car wash is the largest operator of its kind in Europe. We are very pleased to be supported by Andrews Sykes in meeting every UK sites' total heating needs. We enjoy from Andrews Sykes a managed, co-ordinated and professional package.

Stewart Greenhaugh
Operations Manager
Anduff Car Wash

As reported in previous years' financial reviews, the purchaser of the Cox Plant business was placed into administration during the first quarter of 2005. Whilst all outstanding debts were fully provided against in prior years and have now been written off, the group continues to face a financial exposure due to onerous lease commitments in respect of leasehold premises that were transferred to the purchaser as part of the disposal of the Cox Plant business in June 2002. This exposure is being managed and reduced by the termination of the related lease agreements. Costs of approximately £0.4 million were incurred during the current year following which management re-assessed the financial exposure as at 31 December 2006 resulting in an additional charge of £0.1 million. The total provision at the year end amounts to £24,000 as set out in note 18 to the financial statements.

Interest charge

The net interest charge this year is £1.2 million compared with £0.7 million last year. The increase is primarily due to the increased levels of net debt following the capital reduction and tender offer exercise that was completed in September 2005. As set out below, net debt was reduced by £4.9 million during 2006 and the group has taken out an interest cap to protect it against increases in LIBOR above 5.5%. Current forecasts indicate that the group has adequate interest cover and is operating within its agreed banking covenants.

Tax on profit on ordinary activities

The group's overall effective tax rate is 30% which is in line with the standard tax rate in the UK. The effective rate last year was 17.2% primarily due to the exceptional profit on disposal of businesses of £6.6 million not being subject to corporation tax and the benefit of certain prior year adjustments.

The effective tax rate this year has benefited by lower overseas tax rates in The Netherlands and the profit on the sale of property being covered by off balance sheet capital losses. However, this benefit has been offset by non tax deductible items in the UK and the write off of certain withholding tax payments.

A reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by 30% and the actual current tax charge is given in note 6 to the financial statements.

Earnings per share

Basic earnings per share from continuing operations has increased this year by 44.4% from 15.24 pence in 2005 to 22.00 pence this year. This is due to a combination of an increase in profit from continuing operations of 28.2% and a reduction in the average number of shares in issue of 11.2% mainly due to the capital reduction and tender offer exercise that was completed in September 2005.

Basic earnings per share from total operations last year benefited from the exceptional profit on disposal of businesses of £6.4 million. Consequently the EPS this year has decreased from 28.16 pence in 2005 to 21.68 pence, the effect being partially offset by the factors noted above.

Operating cash flow

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

	2006	2005
	£m	£m
Operating profit	**14.9**	11.4
Depreciation and asset disposals	**3.7**	3.9
EBITDA	**18.6**	15.3
Defined benefit pension scheme payments	**(1.5)**	(4.3)
Other net working capital movements	**(1.3)**	(0.8)
Net inflow from operating activities	**15.8**	10.2

The group continues to generate strong operating cash flows.

During both the current and previous periods the group made a significant level of payments to the defined benefit pension scheme and these are discussed in more detail below.

The net working capital outflow this year of £1.3 million reflects to a substantial extent the increase in the volume of trade.

ANDREWS AIR CONDITIONING

Eaton Williams Service has an extensive customer base throughout the UK and provides a 24/7 Air Conditioning and Heating service. There are times, particularly over the busy summer period, when EWS are reliant on additional support from Andrews Sykes and, after almost ten years as a National Account customer, I can say they have never let us down. I have complete confidence in the service provided, particularly out of hours, and always advise the EWS Service Support team to use Andrews Sykes as their primary supplier

Sue Johnson
Purchase Manager
Eaton Williams Service

ANDREWS AIR CONDITIONING ANDREWS HEAT FOR HIRE ANDREWS CHILLERS

Net debt

The group's net debt has decreased from £19.7 million at 1 January 2006 to £14.8 million by 31 December 2006. The movement can be reconciled as follows:

	£m
Opening net debt	19.7
Significant inflows:	
Operating activities (after £1.5 million pension payments)	(15.8)
Significant outflows:	
Capital expenditure net of disposal proceeds	6.5
UK corporation tax and overseas tax payments	2.8
Net interest paid	1.1
Other factors	0.5
Closing net debt	**14.8**
Comprises:	
Bank loans	25.0
Cash at bank	(10.2)
Total net debt	**14.8**

The bank loans are repayable over 4 years by three annual instalments of £5 million commencing July 2007 followed by a final payment of £10 million in July 2010. Interest is charged based on LIBOR plus a margin of between 0.5% and 1.25%.

Risk management

The group's principal risks are as follows:

Strategic risks

The main strategic risk facing the business is the weather. The demand for the group's products is, to some extent, influenced by the weather but this risk is managed and mitigated by the following actions:

- The group has a diverse product range of pumps, heaters and air conditioning & environmental control equipment which enables it to take maximum advantage of any extremes in weather conditions whenever they arise.
- For several years the group has followed a policy of reducing its fixed costs and linking them to a sustainable level of turnover. This enables the group to achieve a satisfactory level of profits even in non-extreme weather conditions.

- The group continues to develop its share of the specialist hire and rental markets which have good margins and growth potential. Certain segments of these markets are also less weather dependent thereby reducing the group's reliance on favourable weather conditions.

Other strategic risks are increased competition from competitors and industry changes impacting on customer demand. These are managed by investing in new environmentally friendly technically advanced products and equipment and providing service levels that are recognised as being among the best in the industry.

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, with the exception of the interest rate risk, to the group's management of those risks.

Interest rate risk

The group's borrowings of £25 million are subject to floating rates based on LIBOR plus a margin of between 0.5% and 1.25%. To minimise the impact of any large increases in LIBOR and to take advantage of low market interest rates prevailing at the time, during July 2006 an interest rate cap was taken out based on a nominal loan value of £20 million. The effect of this cap is to limit the group's exposure to LIBOR to a maximum of 5.5% applied to the nominal cap value or actual loan value, whichever is the lesser. The cap takes effect from January 2007 until the loans are repaid in July 2010.

Funding and liquidity

The group has the above secured loan facilities amounting to £25 million which are fully utilised. There are no unsecured short term loans.

The group also has an undrawn net overdraft facility of £2 million which may be used for working capital requirements. At 31 December 2006 the group had cash at bank of £10.2 million. Cash balances are held in current accounts to fund working capital requirements. Whenever surplus funds are identified they are placed on short term deposit. Therefore, the directors currently consider the liquidity risk to be minimal.

Foreign exchange

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.

When our Blackpool hotel's boiler plant failed Andrews pulled out all the stops and within hours the heating and hot water were back on line. I had no idea that such a large and reliable temporary solution could be installed so quickly. I would be more than happy to recommend Andrews to anyone in a similar predicament.

Tam Cochrain
Engineering Manager
The Britannia Hotel Group

Credit risk

The group's main exposure to credit risk is with regard to recoverability of trade debtors. However, management consider that the carrying value reflects their recoverable amount.

Information technology

In order to remain competitive management recognise the need to invest in appropriate IT equipment and software. Consequently the communication network, website and data capture systems are all being constantly reviewed and updated to ensure they remain at the forefront of industry standards.

Pension scheme deficit

As set out in note 19 to the financial statements, the present value of the pension scheme liabilities calculated in accordance with FRS 17 is £40 million which, after deducting pension scheme assets of £33.4 million, results in a pre tax deficit of £6.6 million. Management are currently working 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.

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 future contributions to the scheme and no further pension liabilities accrue as a result of any future service.

The group has adopted the requirements of FRS 17 - Retirement Benefits and the scheme deficit has been calculated, in accordance with the rules set out in that standard, by an independent qualified actuary as at 31 December 2006. The deficit at the year end amounted to £6.6 million before deferred tax relief of £2.0 million.

The assumptions used by the actuary to calculate the deficit together with additional disclosures required by FRS 17 are set out in note 19 to the financial statements. In summary during the year the overall gross deficit has increased from £6.3 million to £6.6 million as follows:

	£m
Opening FRS 17 deficit	6.3
Contributions paid by the group into the scheme	(1.5)
Actuarial gain on scheme assets	(0.6)
Actuarial loss on scheme liabilities	2.3
Net finance charges	0.1
Closing FRS 17 deficit	**6.6**

The group are making additional contributions in accordance with the 2006 Schedule of Contributions to remove the funding deficit in the Group Pension Scheme. With effect from 1 October 2005 the current monthly contribution was increased to £125,000 from its previous level of £60,000.

Defined contribution pension scheme

On 1 January 2003 a new pension scheme was introduced, the Andrews Sykes Stakeholder Pension Plan to which the majority of UK employees are eligible. The scheme is managed on behalf of the group by Legal & General. The employers' contribution rates vary from 3% to 10%, the current average being 4.5%. The profit and loss account charge in the current year amounts to £0.3 million. Employee contribution rates normally vary between 3% and 5% with the employees having the option of increasing their contributions after 5 years of membership. The contributions are used to purchase a specific fund for the individual employee with both gains and losses from changes in the fund's market value accruing to that employee.

Reconciliation of movement in group shareholders' funds

Group shareholders' funds have increased from a deficit of £3.6 million at the beginning of the year to a surplus of £4.5 million at the year end. The movement can be reconciled as follows:

	£m
Opening deficit attributable to equity shareholders	(3.6)
Profit for the financial period	9.7
FRS 17 actuarial loss net of deferred tax	(1.2)
Currency translation differences on foreign currency net investments	(0.3)
Other factors	(0.1)
Closing shareholders' funds	**4.5**

Share buy back programme

During the year the company purchased 15,000 of its own one pence shares for cancellation at a cost of £15,910. The purchase increased earnings per share. No additional shares have been purchased since the end of the year.

ANDREWS CHILLERS

When the prestigious Intercontinental Hotel, London Park Lane, were renewing their air conditioning plant, a temporary system was required to maintain the luxurious conditions expected by their guests.

Andrews Chiller hire delivered and installed 4 temporary chillers with a combined capacity of 400kw.

"The chillers were delivered on time without any disruption to ongoing works.

I was completely satisfied with the service level of the Andrews specialist team, and would have no hesitation in recommending them if and when the opportunity arises."

Paul Carr
Director of Engineering
Intercontinental London
Park Lane

It is the group's strategy to continue to have the ability to follow the share repurchase programme providing the necessary cash flows are available. In previous periods the share buy back programme has enhanced earnings per share and shares will only be bought back for cancellation in this circumstance. Accordingly at the Annual General Meeting shareholders will be asked to vote in favour of a resolution to purchase up to 12.5% of the ordinary share capital in issue.

OTHER STATUTORY INFORMATION

Principal activities

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, the Operations Review and Financial Review on pages 2 to 14.

Results and dividends

The results for the financial period are set out in the consolidated profit and loss account on page 25.

The directors did not declare an interim dividend *(52 weeks ended 31 December 2005:£nil)* and the total dividends paid during the year of £nil *(52 weeks ended 31 December 2005: £8,119,000)* have been charged against reserves.

The directors do not recommend the payment of a final dividend *(52 weeks ended 31 December 2005: £nil)*.

Directors

The directors in office at 25 April 2007 are shown on page 18.

Messrs RJ Stevens, AA Bourne and RJ Pollard served as directors of the company from the start of the year until their dates of resignation of 1 March 2006, 2 October 2006 and 5 December 2006 respectively.

On 5 December 2006 the Board appointed Mr PT Wood as Executive Managing Director. On the same date one of the non-executive directors, Mr JC Pillois, was appointed as Executive Finance Director.

On 8 February 2007 the Board appointed Ms MC Leon, Mr X Mignolet and Mr JL Simmonds as non-executive directors.

In accordance with the Articles of Association, Mr PT Wood, Ms MC Leon, Mr X Mignolet and Mr JL Simmonds, being appointed to the Board subsequent to the last Annual General Meeting, will retire and being eligible will offer themselves for re-election at the forthcoming Annual General Meeting.

Also in accordance with the Articles of Association Mr EDOA Sebag retires by rotation and being eligible will offer himself 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 2006 had any disclosable interest in the share capital of the company or any subsidiary undertaking.

	Ordinary one pence shares		
	At 25 April 2007	At 31 December 2006	At 31 December 2005*
JG Murray	37,727,369	37,727,369	37,747,370
JJ Murray	407,845	407,845	407,845
FMB Gailer	10,000	10,000	10,000
JC Pillois	409,206	409,206	409,206
EDOA Sebag	13,216	13,216	13,216
PT Wood	7,945	7,945	7,945

* or date of appointment if later

Mr JG Murray's interests include those of EOI SYKES Sarl and affiliated companies of which he is the sole beneficial shareholder.

Substantial shareholdings

At 25 April 2007 the company had been notified of the following interests of 3% or more in the company's issued ordinary share capital:

	Number	Percent
EOI SYKES Sarl and affiliated companies	36,377,213	81.65%

Directors' share options

None of the directors in office at 31 December 2006 held any options to subscribe for ordinary shares at either 31 December 2006 or 31 December 2005.

The mid-market price of the company's ordinary shares on 31 December 2006 was 147.5 pence. The highest and lowest mid-market prices during the 52 weeks ended 31 December 2006 were 155 pence and 85 pence respectively.

There have been no further changes in the directors' share options during the period from 31 December 2006 to 25 April 2007.

Health, safety and the environment

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

Employment of disabled persons

The 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.

ANDREWS AIR CONDITIONING

Andrews Air Conditioning and Refrigeration Limited are contracted by WS Atkins to undertake the scheduled and unscheduled maintenance of the ACU installations at selected clients' sites at 18 locations throughout the UK. The ACU installations help to maintain the optimum conditions necessary for the operation of critical computer systems.

Robin Wright
Quality Business Systems Manager
WS Atkins

ANDREWS AIR CONDITIONING ANDREWS HEAT FOR HIRE ANDREWS CHILLERS

Employee involvement

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.

Payment to suppliers

The group agrees payment terms with all suppliers when it enters into binding purchase contracts. The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not follow any standard or external code which deals specifically with the payment of suppliers. The parent company, Andrews Sykes Group plc, has no trade creditors.

Special business

Four resolutions are to be proposed at the Annual General Meeting as special business, resolutions 8 and 9 as ordinary resolutions and resolutions 10 and 11 as special resolutions.

Two resolutions, numbered 8 and 10, will be proposed at the Annual General Meeting, the combined effect of which will be to confer powers on the directors to allot or grant options over ordinary shares up to a maximum nominal value of £66,829 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 9 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 5,569,108 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 Financial Review section of the Directors' report.

Resolution number 11 would, if approved at the Annual General Meeting, give the power to the directors to communicate electronically with shareholders.

The Companies Act 2006 includes new provisions regarding shareholder communications which came into force on 20 January 2007. Assuming that the relevant resolution is passed at the forthcoming Annual General Meeting, these new provisions will allow the company to offer greater choice in how we communicate with our shareholders.

The key change is that the new provisions will allow the company to use our website and/or e-mails to communicate with shareholders to a greater extent than was previously possible. This change recognises the growing role that the internet plays in effective and timely communications with our shareholders and allows us to offer shareholders greater choice in how we communicate with them.

The Board believes that it may be in the interest of the company, and hence the shareholders, to take advantage of these broader powers. Receiving communications electronically offers advantages in terms of speed and convenience, it is a secure method of obtaining shareholder documentation and it allows the company to communicate in a more environmentally friendly and cost effective manner.

ANDREWS BOILERS

SYKES PUMPS

Resolution 11 will therefore be proposed at the forthcoming Annual General Meeting to amend the Articles of Association to allow the company to take advantage of these broader powers when the directors consider it to be appropriate. Subject to the passing of this resolution the Board will consider further the merits of electronic communication and, if it is decided to introduce electronic communications in the future, a letter of authority will be sent to every shareholder to obtain their permission. It should be noted that whatever is decided, each shareholder will have the choice of continuing to receive communications in paper format if that is the preferred option.

Purchase of own shares

During the year the company purchased 15,000 of its own ordinary one pence shares for cancellation for a consideration of £15,910. This represented 0.03% of the issued ordinary share capital as at 31 December 2006. The purchase increased earnings per ordinary share. As at 25 April 2007 there remained outstanding general authority for the directors to purchase a further 5,555,983 ordinary one pence shares. The directors are seeking to renew the general authority in respect of 5,569,108 ordinary one pence shares as set out in resolution number 6.

The company did not purchase any shares for cancellation between the year end and 25 April 2007.

Financial calendar

The current financial period will end on 29 December 2007.

Auditor

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 the company's auditors in connection with preparing their report) of which the company's auditors are 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 the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the board

JC Pillois French ACA
Finance Director
25 April 2007

Premier House,
Darlington Street,
Wolverhampton
WV1 4JJ

خانصاحب سايكس
Khansaheb Sykes

ANDREWS•SYKES

In 2006 Andrews Sykes BV celebrated the opening of our third depot in The Netherlands. Following the successful growth of our Amsterdam depot, which opened in 2001, the new depot is located close to Eindhoven and will allow us to provide a fast and efficient service to our customers that are based in South-east Holland.

René Kol
Managing Director
Andrews Sykes BV

Directors and Advisors

Chairman

JG Murray
Age 87. Chairman of London Security plc,
Nu Swift Limited and Ansul S.A.

Mr Murray has a long and successful history in the industrial services sector.

Executive Directors

PT Wood, Managing Director
Age 44. 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.

JC Pillois M Econ. & Man. French ACA, Finance Director
Age 50. Finance Director of London Security plc,
Nu Swift Limited and Ansul S.A.

Non-executive Directors

FMB Gailer BSc, Senior Independent Non-executive, Chairman of the Audit Committee
Age 71. Director of International Strategic Alliances Limited and certain other small private companies, non-executive director of London Security plc.

MC Leon BS
Age 43. Non-executive director of London Security plc.

X Mignolet (HEC–Economics)
Age 42. Director of London Security plc,
Ansul S.A. and Importe S.A.

JJ Murray MBA, Chairman of the Remuneration Committee
Age 40. Non-executive director of London Security plc,
Nu Swift Limited and Ansul S.A.

EDOA Sebag MBA
Age 38. Director of London Security plc and Nu Swift Limited.

JL Simmonds MRICS
Age 39. Director of London Security plc.

Company Secretary

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

Registered office

Premier House
Darlington Street
Wolverhampton
WV1 4JJ
Registered in England No. 175912

Registrar

Lloyds TSB Registrars
Goring-by-Sea
West Sussex
BN12 6DA

Stockbroker and Nominated Advisor

Brewin Dolphin Securities
34 Lisbon Street
Leeds
LS1 4LX

Auditor

Deloitte & Touche LLP
Four Brindleyplace
Birmingham
B1 2HZ

Bankers

Royal Bank of Scotland plc
National Westminster Bank plc

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Andrews Sykes Group plc

We have audited the Group and individual Company financial statements (the "financial statements") of Andrews Sykes Group plc for the 52 weeks ended 31 December 2006 which comprise the consolidated profit and loss account, the consolidated and individual company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the consolidated note of historical cost profits and losses, the reconciliation of movements in Group shareholders' funds, the statement of accounting policies and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the individual Company's affairs as at 31 December 2006 and of the Group's profit for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
Birmingham
United Kingdom
26 April 2007

Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of freehold and long leasehold land and buildings, and in accordance with applicable United Kingdom Accounting Standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period. FRS 26 – Financial Instruments: Recognition and measurement has also been applied but has no impact.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings, all of which have been made up to 31 December 2006.

Results of subsidiary undertakings or businesses acquired or disposed of during the period are consolidated from the date of acquisition or up to the date of disposal.

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of Andrews Sykes Group plc has not been presented separately in these financial statements.

Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets at the date of acquisition.

In accordance with FRS10, goodwill arising on acquisitions since 27 December 1997 has been capitalised and is being amortised over its estimated useful economic life. Goodwill on acquisitions is currently being amortised over 10 years. Goodwill written off directly to reserves as a matter of accounting policy in previous financial periods has not been reinstated.

The profit or loss on the sale or closure of a previously acquired business is calculated after charging the amount of any related goodwill not previously written off through the profit and loss account, including amounts previously taken directly to reserves. Goodwill either written off directly to reserves or capitalised in previous financial periods is written off through the profit and loss account to the extent that it is considered to have suffered permanent diminution in value or an impairment.

Turnover

Turnover represents the net amount receivable from external customers for the hire, sale and installation of environmental control products after deducting trade discounts. Turnover is recognised for sales on despatch of the goods and on hire items over the period of hire. Turnover excludes Value Added Tax.

Fixed assets

Fixed assets are shown at original historical cost or subsequent valuation, less depreciation. The company does not have a policy of revaluation and, in accordance with the transitional rules of FRS 15, the previously revalued amounts of freehold and long leasehold land and buildings have been retained. No depreciation is provided on freehold land. Depreciation of other tangible fixed assets is provided on a straight line basis using rates calculated to write down the cost or valuation of each asset to its estimated residual value over its estimated useful life, as follows:

Fixed assets (continued)

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

Investments

The company's cost of investment in subsidiary undertakings is stated at the aggregate of:

(a) the cash consideration;

(b) the nominal value of shares issued as consideration where sections 131 of the Companies Act 1985 apply;

(c) the market value of the company's shares on the date they were issued where Section 131 does not apply;

(d) the fair value of any other consideration; and

(e) costs of acquisition.

ESOP shares

The shares held by the Andrews Sykes Group plc 1998 Employee Share Ownership Plan (ESOP) have been disclosed as an ESOP reserve within equity shareholders' funds in accordance with UITF 38.

Stocks

Stocks are valued at the lower of cost and net realisable value. 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.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. 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.

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 sterling at the financial year end rates.

The results of overseas subsidiary undertakings and associates are translated into sterling at average rates for the period except for material exceptional items which are translated at the rate on the date of the transaction. The closing balance sheets are translated at the year end rates, the adjustments to the financial year end rates are taken to reserves.

Differences on exchange arising from the translation of the net assets of subsidiary undertakings and foreign currency debt financing those assets are taken to reserves and are reported in the consolidated statement of total recognised gains and losses. Other exchange differences are taken to the profit and loss account.

Leased assets

Assets held for use in operating leases are recorded as fixed assets and are depreciated over their useful lives to their estimated residual value.

Rental costs arising from operating leases are charged to the profit and loss account in the period to which they relate.

Pension costs

Defined benefit scheme

As disclosed in note 19 the group previously operated a defined benefit pension scheme for the majority of employees. This scheme was closed to new entrants and all existing members became deferred members on 31 December 2002. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Defined contribution schemes

Employer contributions are charged to the profit and loss account on an accruals basis.

for the 52 weeks ended 31 December 2006

	Note	52 weeks ended 31 December 2006 Total activities £000	52 weeks ended 31 December 2005 Continuing activities £000	Discontinued activities £000	Total activities £000
Turnover	1	**59,768**	50,673	4,415	55,088
Cost of sales		**(26,932)**	(23,675)	(2,414)	(26,089)
Gross profit		**32,836**	26,998	2,001	28,999
Distribution costs		**(9,471)**	(8,038)	(699)	(8,737)
Administrative expenses	2	**(8,458)**	(7,898)	(960)	(8,858)
Operating profit		**14,907**	11,062	342	11,404
EBITDA*		**18,645**	14,747	615	15,362
Depreciation and asset disposals		**(3,724)**	(3,671)	(273)	(3,944)
Operating profit before goodwill amortisation		**14,921**	11,076	342	11,418
Goodwill amortisation		**(14)**	(14)	–	(14)
Operating profit		**14,907**	11,062	342	11,404
Profit on the sale of property		**206**			–
Exceptional (loss)/profit on the disposal of businesses – discontinued	3	**(142)**			6,404
Profit on ordinary activities before interest and taxation		**14,971**			17,808
Net interest payable	4	**(1,174)**			(738)
Profit on ordinary activities before taxation	5	**13,797**			17,070
Tax on profit on ordinary activities	6	**(4,136)**			(2,943)
Profit on ordinary activities after taxation being profit for the financial period		**9,661**			14,127
Earnings per share from continuing operations (pence):					
Basic	9	**22.00p**			15.24p
Fully diluted	9	**22.00p**			15.24p
Earnings per share from total operating results (pence):					
Basic	9	**21.68p**			28.16p
Fully diluted	9	**21.68p**			28.16p
Dividends paid per equity share (pence)	10	**–**			14.0p

All turnover and operating profit in the current period relates to continuing operations. There were no material acquisitions in either period.

* Earnings Before Interest, Taxation, Depreciation and Amortisation.

Consolidated Balance Sheet

at 31 December 2006

	Note	**31 December 2006** £000	£000	31 December 2005 £000	£000
Fixed assets					
Intangible assets: Goodwill	11		**17**		31
Tangible fixed assets	12		**14,599**		12,011
Investments	13		**164**		164
			14,780		12,206
Current assets					
Stocks	14	**4,336**		4,532	
Debtors	15	**17,280**		13,929	
Cash at bank and in hand	16	**10,190**		10,342	
		31,806		28,803	
Creditors: Amounts falling due within one year	17	**(17,400)**		(14,687)	
Net current assets			**14,406**		14,116
Total assets less current liabilities			**29,186**		26,322
Creditors: Amounts falling due after more than one year	17		**(20,000)**		(25,000)
Provisions for liabilities	18		**(24)**		(469)
Net assets excluding pension liability			**9,162**		853
Pension liability	19		**(4,604)**		(4,434)
Net assets/(liabilities) including pension liability			**4,558**		(3,581)
Capital and reserves					
Called-up share capital	20		**446**		446
Revaluation reserve	21		**736**		741
Other reserves	21		**213**		222
Profit and loss account	21		**3,153**		(4,994)
ESOP reserve	21		**–**		(6)
Surplus/(deficit) attributable to equity shareholders			**4,548**		(3,591)
Minority interests (equity)	22		**10**		10
Total capital employed			**4,558**		(3,581)

These financial statements were approved by the board of directors on 25 April 2007 and were signed on its behalf by

JG Murray
Chairman

JC Pillois
Finance Director

for the 52 weeks ended 31 December 2006

	Note	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Net cash inflow from operating activities	24(i)	**15,804**	10,196
Returns on investment and servicing of finance			
Interest received		**476**	484
Interest paid		**(1,591)**	(946)
Net cash outflow for returns on investment and servicing of finance		**(1,115)**	(462)
Taxation			
Net UK corporation tax paid		**(2,465)**	(937)
Withholding tax paid		**(52)**	(149)
Overseas tax paid		**(290)**	(898)
Cash outflow for taxation		**(2,807)**	(1,984)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(7,067)**	(4,056)
Sale of tangible fixed assets		**526**	608
Net cash outflow for capital expenditure and financial investment		**(6,541)**	(3,448)
Acquisitions and disposals			
Cash received on the disposal of subsidiary undertakings		**–**	10,204
Net cash balances disposed of with subsidiaries		**–**	(214)
Disposal costs paid less consideration received on prior year disposals		**(183)**	–
Net cash (outflow)/inflow for acquisitions and disposals		**(183)**	9,990
Equity dividends paid		**–**	(8,119)
Cash inflow before the use of liquid resources and financing		**5,158**	6,173
Management of liquid resources			
Movement in bank deposits	24(iii)	**–**	477
Financing			
New loans drawn down		**–**	30,000
Loan repayments		**(5,000)**	(11,000)
Purchase of own shares		**(16)**	(24,168)
Sale of own shares by ESOP		**4**	9
Net cash outflow from financing		**(5,012)**	(5,159)
Increase in cash in the period	24(ii/iii)	**146**	1,491

Other Consolidated Statements

for the 52 weeks ended 31 December 2006

Consolidated statement of total recognised gains and losses

	Note	**52 weeks ended 31 December 2006 £000**	52 weeks ended 31 December 2005 £000
Profit for the financial period		**9,661**	14,127
Currency translation differences on foreign currency net investments		**(321)**	48
Actual return less expected return on pension scheme assets		**578**	2,702
Experience gains and losses arising on the pension scheme liabilities		**(340)**	(4)
Changes in assumptions underlying the present value of the scheme liabilities		**(1,937)**	(3,538)
UK deferred tax attributable to the pension scheme asset and liability adjustments		**510**	252
Total recognised gains and losses relating to the period transferred to reserves	21	**8,151**	13,587

Movements in reserves are set out in note 21 on pages 53 and 54.

Note of consolidated historical cost profits and losses

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Reported profit on ordinary activities before taxation	**13,797**	17,070
Difference between historical cost depreciation charge and the actual charge calculated on the revalued amount	**5**	5
Difference between historical cost profit on property disposals and actual profit calculated on the revalued amount	**(29)**	–
Historical cost profit on ordinary activities before taxation	**13,773**	17,075
Historical cost profit for the financial period	**9,637**	14,132

Reconciliation of movement in group shareholders' funds/(deficit)

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Profit for the financial period	**9,661**	14,127
Dividends paid	**–**	(8,119)
Consideration for the purchase of own shares	**(16)**	(24,168)
Sale of own shares by the ESOP trust	**4**	9
Currency translation differences on foreign currency net investments	**(321)**	48
Actual return less expected return on pension scheme assets	**578**	2,702
Experience gains and losses arising on the pension scheme liabilities	**(340)**	(4)
Changes in assumptions underlying the present value of the scheme liabilities	**(1,937)**	(3,538)
UK deferred tax attributable to the pension scheme asset and liability adjustments	**510**	252
Net increase/(decrease) in shareholders' funds	**8,139**	(18,691)
Shareholders' (deficit)/funds at the beginning of the period	**(3,591)**	15,100
Shareholders' funds/(deficit) at the end of the period	**4,548**	(3,591)

Company Balance Sheet

at 31 December 2006

	Note	31 December 2006 £000	31 December 2006 £000	31 December 2005 £000	31 December 2005 £000
Fixed assets					
Investments	13		**32,623**		44,123
Current assets					
Debtors	15	**11,967**		5,599	
Cash at bank and in hand	16	**643**		1,772	
		12,610		7,371	
Creditors: Amounts falling due within one year	17	**(10,636)**		(11,814)	
Net current assets/(liabilities)			**1,974**		(4,443)
Total assets less current liabilities			**34,597**		39,680
Creditors: Amounts falling due after more than one year	17		**(20,000)**		(25,000)
Provisions for liabilities	18		**(90)**		(226)
Net assets			**14,507**		14,454
Capital and reserves					
Called-up share capital	20		**446**		446
Other reserves	21		**2,345**		2,345
Profit and loss account	21		**11,716**		11,669
ESOP reserve	21		**–**		(6)
Equity shareholders' funds			**14,507**		14,454

These financial statements were approved by the board of directors on 25 April 2007 and were signed on its behalf by

JG Murray
Chairman

JC Pillois
Finance Director

1 Segmental analysis

The group's turnover may be analysed between the following principal activities:

	52 weeks ended 31 December 2006	52 weeks ended 31 December 2005		
	Continuing activities £000	Continuing activities £000	Discontinued activities £000	Total activities £000
Activity:				
Hire	**43,088**	34,459	1,930	36,389
Sales	**8,762**	7,024	2,485	9,509
Installation	**7,918**	9,190	–	9,190
Total	**59,768**	50,673	4,415	55,088

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

The results and net assets are attributable to the group's principal activity, the hire, sale and installation of a range of equipment including pumps, portable heating, air conditioning, drying and ventilation.

The impact of discontinued activities on turnover (both by geographical origin and destination), profit before interest and tax and net assets in the tables below relates mainly to the United Kingdom.

The geographical analysis of the group's turnover was as follows:

By origination:

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
United Kingdom	**50,254**	48,041
Rest of Europe	**5,435**	3,674
Middle East and Africa	**4,079**	3,373
	59,768	55,088

By destination:

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
United Kingdom	**49,070**	47,612
Rest of Europe	**6,240**	3,737
Middle East and Africa	**4,116**	3,478
Rest of World	**342**	261
	59,768	55,088

1 Segmental analysis (continued)

The analysis of profit before interest and tax and net assets/(liabilities) by geographical origin was as follows:

	Profit before interest and tax		Net assets/(liabilities) including pension liability	
	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000	**As at 31 December 2006 £000**	As at 31 December 2005 £000
United Kingdom	**12,670**	16,141	**22,254**	17,642
Rest of Europe	**1,876**	1,155	**1,940**	1,785
Middle East and Africa	**425**	512	**2,070**	2,144
	14,971	17,808	**26,264**	21,571
Net debt			**(14,810)**	(19,658)
Taxation			**(2,292)**	(1,060)
Pension liability			**(4,604)**	(4,434)
Net assets/(liabilties)			**4,558**	(3,581)

2 Exceptional administrative expenses

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Administrative expenses include the following exceptional costs:		
Reorganisation and redundancy payments	**656**	–

The above costs relate to redundancy payments and legal costs incurred following the termination of the employment contracts of former board members and other senior employees during the period.

3 Exceptional (loss)/profit on the disposal of businesses

The exceptional (charges)/credits during the period were as follows:

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Profit on disposal of subsidiary undertakings	**–**	6,564
Adjustments in respect of deferred consideration receivable and legal costs payable on prior year disposals	**(27)**	–
Provisions for onerous lease commitments	**(115)**	(160)
	(142)	6,404

3 Exceptional (loss)/profit on the disposal of businesses (continued)

Last year the group sold two subsidiary undertakings, Accommodation Hire Limited and Engineering Appliances Limited, realising a combined profit on disposal of £6,564,000. This year certain adjustments have been made to both the deferred consideration receivable and legal costs payable which have resulted in the net charge of £27,000 as noted above.

The group has various onerous property lease commitments inherited from the Cox Plant business which was sold during 2002. During both the current and previous financial years the directors have re-assessed the level of provisions required in respect of these commitments and have accordingly adjusted the onerous lease provision. This has resulted in a charge to the profit and loss account of £115,000 (*52 weeks ended 31 December 2005: £160,000*).

4 Net interest payable

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Interest payable and similar charges:		
Interest on bank loans and overdrafts	**1,558**	969
Net FRS 17 defined benefit pension scheme interest charge (note 19)	**47**	253
Other interest payable	**46**	–
	1,651	1,222
Interest receivable and similar income:		
Interest receivable on bank deposits	**(477)**	(484)
Net interest payable	**1,174**	738

5 Profit on ordinary activities before taxation

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

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Depreciation of tangible fixed assets	**4,055**	4,280
Profit on the sale of fixed assets (excluding property)	**(332)**	(336)
Goodwill amortisation	**14**	14
Operating lease rentals:		
– property rents	**865**	993
– plant and machinery	**84**	75

Auditors' remuneration (audit fee and expenses)		
– Fees payable to the company's auditors in respect of audit services:		
The audit of the consolidated accounts	**30**	29
The audit of the group's subsidiaries pursuant to legislation	**67**	70
Total audit fees	**97**	99
– Fees payable to the company's auditors in respect of non-audit services:		
Accountancy services	**20**	–
Other services	**37**	76
Total non-audit fees	**57**	76
Total fees paid	**154**	175

Of the total audit fees paid, £8,000 (*52 weeks ended 31 December 2005: £8,000*) related to the audit of the company.

6 Tax on profit on ordinary activities

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
United Kingdom corporation taxation at 30% (*52 weeks ended 31 December 2005: 30%*) based on the profit for the period	**2,665**	1,903
Adjustments to corporation tax in respect of prior years	**721**	(237)
	3,386	1,666
Withholding tax on overseas interest payments	**4**	3
Overseas tax for current period	**613**	426
Adjustments to overseas tax in respect of prior years	**(3)**	(267)
Total current tax	**4,000**	1,828
Deferred tax:		
Timing differences, origination and reversal	**976**	1,347
Adjustments in respect of prior years	**(840)**	(232)
Total tax charge	**4,136**	2,943

The corporation tax charge includes a credit of £nil (*52 weeks ended 31 December 2005: £57,000*) attributable to the exceptional provisions for onerous lease commitments. There is no corporation tax attributable to the disposal of subsidiary undertakings.

The deferred tax charge on profit on ordinary activities includes a charge of £nil (*52 weeks ended 31 December 2005: £105,000*) in respect of the profit on disposal of subsidiary undertakings and a charge of £nil (*52 weeks ended 31 December 2005: £92,000*) attributable to the exceptional provisions for onerous lease commitments.

6 Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the period

The corporation tax assessed for the period differs from that resulting by applying the standard rate of corporation tax in the UK of 30% to the profit on ordinary activities before tax. The differences between the standard rate of corporation tax in the UK and the tax charge assessed for the group are explained below:

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Profit on ordinary activities before tax	**13,797**	17,070
Tax at 30% thereon	**4,139**	5,121
Effects of:		
Expenses not deductible for tax purposes	**165**	315
Capital allowances (in excess of)/less than depreciation	**(183)**	10
Movement in short term timing differences	**(797)**	(1,189)
Overseas dividend income net of double tax relief	**138**	170
Lower tax rates on overseas earnings	**(131)**	(129)
Non taxable profit on sale of subsidiary undertakings	**–**	(1,969)
Profits covered by capital losses	**(53)**	–
Withholding tax written off	**4**	3
Adjustment to tax charge in respect of prior years:		
– UK	**721**	(237)
– Overseas	**(3)**	(267)
Current tax charge for the period	**4,000**	1,828

Factors that may affect the future tax charge

Deferred tax has not been provided on revaluations of fixed assets. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances after the deduction of indexation allowances is not material.

It has been announced that the UK corporation tax rate applicable to the group is expected to change from 30% to 28% from 1 April 2008. The deferred tax asset has been calculated at 30% in accordance with FRS 19. Any timing differences which reverse before 1 April 2008 will be charged or relieved at 30%. Any timing differences which exist at 1 April 2008 will reverse at 28%. As a result of the uncertainty of when the deferred tax asset will reverse it is not possible to calculate the full financial impact of this change.

7 Profit applicable to the shareholders of Andrews Sykes Group plc

The profit for the financial period dealt with in the profit and loss account of the company was £65,000 (*52 weeks ended 31 December 2005: £10,382,000*).

8 Employee information

Group

Staff costs charged in the profit and loss account

The average number of persons employed during the period was:

	52 weeks ended 31 December 2006 Number	52 weeks ended 31 December 2005 Number
Sales, distribution and administration	**482**	560

Staff costs including directors' emoluments amounted to:

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Wages and salaries	**11,745**	12,459
Social security costs	**1,155**	1,222
Pension costs	**285**	311
	13,185	13,992

Directors

The aggregate remuneration of the directors was as follows:

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Emoluments (including estimated benefits in kind)	**174**	443
Compensation for loss of office	**446**	–
Company contributions to money purchase pension scheme	**17**	19
Company contributions to a Funded Unapproved Retirement Benefit Scheme	**5**	28
	642	490

8 Employee information (continued)

No directors were granted share options during the period (*52 weeks ended 31 December 2005: none*) and no directors exercised share options during the period (*52 weeks ended 31 December 2005: none*).

The number of directors in office at the year end to whom retirement benefits are either accruing in the case of the defined contribution scheme or, in the case of the defined benefit scheme, were accruing until the closure of the scheme are as follows:

	52 weeks ended 31 December 2006 Number	52 weeks ended 31 December 2005 Number
Defined contribution	**1**	1
Defined benefit	**1**	1

Details in respect of the highest paid director are as follows:

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Emoluments (including estimated benefits in kind)	**41**	282
Compensation for loss of office	**252**	–
Company contributions to a Funded Unapproved Retirement Benefit Scheme	**5**	28
	298	310

The highest paid director this year had an accrued annual pension at the year end of £10,693 (*as at 31 December 2005: £10,314)*, no contributions were paid during the period.

Company

There are no staff employed by the parent company other than the directors and officers whose remuneration is paid by a subsidiary undertaking.

9 Earnings per ordinary share

The basic figures have been calculated by reference to the weighted average number of ordinary shares in issue, excluding those in the ESOP reserve, during the period of 44,557,701 *(52 weeks ended 31 December 2005: 50,156,508)*.

The calculation of the diluted earnings per ordinary share is based on the profits as set out in the table below and on 44,562,172 *(52 weeks ended 31December 2005: 50,168,119)* ordinary shares. The share options have a dilutive effect for the period calculated as follows:

	52 weeks ended 31 December 2006			52 weeks ended 31 December 2005		
	Continuing earnings £000	**Total earnings £000**	**No. of shares**	Continuing earnings £000	Total earnings £000	No. of shares
Basic earnings/weighted average number of shares	**9,803**	**9,661**	**44,557,701**	7,646	14,127	50,156,508
Weighted average number of shares under option			**15,603**			24,932
Number of shares that would have been issued at fair value			**(11,132)**			(13,321)
Earnings/diluted weighted average number of shares	**9,803**	**9,661**	**44,562,172**	7,646	14,127	50,168,119
Diluted earnings per ordinary share (pence)	**22.00p**	**21.68p**		15.24p	28.16p	

10 Dividends paid and proposed on equity shares

Dividends paid and proposed during the period were as follows:

	52 Weeks ended 31 December 2006		52 Weeks ended 31 December 2005	
	Pence per Share	**£000**	Pence per Share	£000
Final dividend in respect of the previous period declared and paid during the current period	**–**	**–**	14.0	8,119
Interim dividend declared and paid during the current period	**–**	**–**	–	–
	–	**–**	14.0	8,119
Proposed final dividend	**–**	**–**	–	–

11 Intangible assets: Goodwill

	£000
Cost	
At the beginning and end of the period	**286**
Amortisation	
At the beginning of the period	255
Charge for the period	14
At the end of the period	**269**
Net book value:	
At 31 December 2006	**17**
At 31 December 2005	31

The estimated useful economic life ascribed to goodwill arising on acquisitions is set out in the accounting policy note on page 22.

12 Tangible fixed assets

Group	Land and buildings £000	Motor vehicles £000	Equipment for hire £000	Plant and machinery £000	Total £000
Cost or valuation:					
At the beginning of the period	3,521	4,780	25,781	4,173	38,255
Exchange differences	(3)	(20)	(179)	(15)	(217)
Additions	7	896	5,845	319	7,067
Disposals	(210)	(534)	(2,322)	(51)	(3,117)
At the end of the period	**3,315**	**5,122**	**29,125**	**4,426**	**41,988**
Depreciation:					
At the beginning of the period	728	3,645	18,328	3,543	26,244
Exchange differences	(2)	(18)	(147)	(14)	(181)
Charge for the period	50	666	3,007	332	4,055
Disposals	(22)	(516)	(2,142)	(49)	(2,729)
At the end of the period	**754**	**3,777**	**19,046**	**3,812**	**27,389**
Net book value:					
At 31 December 2006	**2,561**	**1,345**	**10,079**	**614**	**14,599**
At 31 December 2005	2,793	1,135	7,453	630	12,011

Land and buildings at net book value comprises:

	31 December 2006 £000	31 December 2005 £000
Freehold	**1,975**	2,187
Long leasehold	**513**	530
Short leasehold	**73**	76
	2,561	2,793

Included within land and buildings is freehold land valued at £1,280,000 *(31 December 2005: £1,350,000)*. Freehold land is not depreciated.

The UK freehold and long leasehold properties of the group were revalued independently in October 1998 by DTZ Debenham Tie Leung, Chartered Surveyors, at open market value for existing use in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes. This valuation was adopted in the 1998 financial statements.

12 Tangible fixed assets (continued)

The gross value of land and buildings comprises:

	31 December 2006 £000	31 December 2005 £000
At 1998 value	**2,731**	2,941
At cost	**584**	580
	3,315	3,521

The historical cost and aggregate historical cost depreciation of the group's land and buildings is:

	31 December 2006 £000	31 December 2005 £000
Cost	**2,793**	3,046
Aggregate depreciation	**(983)**	(971)
	1,810	2,075

13 Fixed asset investments

Group	**Other Investments £000**
Cost and net book value:	
At the beginning and end of the period	**164**

Investments represent the cost of 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. This investment is not accounted for as an associated undertaking because the group is not in a position to exercise a significant influence over the company due to the existence of a 60% majority shareholder. Dividends are accounted for on an accruals basis, no dividends were received during the period *(52 weeks ended 31 December 2005: £Nil)*.

13 Fixed asset investments (continued)

Company	Subsidiary Undertakings Shares £000
Cost:	
At the beginning of the period	52,248
Capital distribution	(11,500)
At the end of the period	**40,748**
Provisions:	
At the beginning and end of the period	**8,125**
Net book value:	
At 31 December 2006	**32,623**
At 31 December 2005	44,123

The principal subsidiary undertakings of the group (* denotes directly owned by Andrews Sykes Group plc) included within these consolidated financial statements at 31 December 2006 were as follows:

Andrews Sykes Hire Limited*
Andrews Air Conditioning and Refrigeration Limited*
Andrews Sykes Investments Limited* (Holding company)
A. S. Group Management Limited* (Holding company)
Heat for Hire Limited* (Holding Company)
Andrews Sykes Properties Limited* (UK property holding company)
Khansaheb Sykes LLC (49%, United Arab Emirates)
Andrews Sykes BV (Netherlands)

Unless otherwise indicated, all are incorporated in Great Britain and undertake hire, sale, 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 consolidated profits of Khansaheb Sykes LLC accrue to the group.

All inter company loans are repayable on demand and accordingly have been classified as amounts owed by group undertakings within current assets.

14 Stocks

Group	**31 December 2006 £000**	31 December 2005 £000
Raw materials and consumables	**82**	97
Work in progress	**62**	37
Finished goods	**4,192**	4,398
	4,336	4,532

No stocks were held by the company at either period end.

15 Debtors

	Group		Company	
	31 December 2006 £000	31 December 2005 £000	**31 December 2006 £000**	31 December 2005 £000
Amounts falling due within one year:				
Trade debtors	**13,558**	10,874	**–**	–
Amounts owed by group undertakings	**–**	–	**11,677**	5,119
Other debtors	**1,330**	1,208	**286**	479
Deferred tax (note 18)	**1,073**	772	**–**	–
Prepayments and accrued income	**1,319**	1,075	**4**	1
	17,280	13,929	**11,967**	5,599

16 Cash at bank and in hand

	Group		Company	
	31 December 2006 £000	31 December 2005 £000	**31 December 2006 £000**	31 December 2005 £000
Cash at bank and in hand	**9,487**	9,169	**–**	599
Capital reduction trust account	**703**	1,173	**643**	1,173
	10,190	10,342	**643**	1,772

The capital reduction trust account was created by order of the High Court, as a condition of approving the capital reduction programme, on 14 September 2005. It is held to protect third party interests and it is recoverable as the company is released from its obligations in the normal course of trading. Interest from the trust account accrues to the company.

17 Creditors

	Group		Company	
	31 December 2006 £000	31 December 2005 £000	**31 December 2006 £000**	31 December 2005 £000
Amounts falling due within one year:				
Bank loans and overdrafts	**5,000**	5,000	**5,462**	5,000
Trade creditors	**5,333**	4,309	**–**	–
Amounts owed to group undertakings	**–**	–	**5,053**	6,529
Corporation tax	**1,877**	956	**25**	25
Overseas tax	**415**	104	**–**	–
Other taxes and social security	**1,018**	898	**1**	–
Other creditors	**169**	409	**34**	125
Accruals and deferred income	**3,588**	3,011	**61**	135
	17,400	14,687	**10,636**	11,814

	Group		Company	
	31 December 2006 £000	31 December 2005 £000	**31 December 2006 £000**	31 December 2005 £000
Amounts falling due after more than one year:				
Bank loans	**20,000**	25,000	**20,000**	25,000

Total group bank loans and overdrafts of £25,000,000 (*31 December 2005: £30,000,000*) and company bank loans and overdrafts of £25,462,000 (*31 December 2005: £30,000,000*) are secured by fixed and floating charges on the assets of the group and by cross guarantees between group undertakings. There are no unsecured bank loans at either year end.

Of both the group's and company's bank loans falling due after more than one year, £10,000,000 (*31 December 2005: £10,000,000*) is repayable between one and two years and the balance between two and five years from the balance sheet date.

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

Financial Instruments Disclosure

The group's policies and objectives in respect of financial risk relating to the adequacy of funding, interest rate fluctuation and currency exposure are explained in the Directors' report on pages 11 and 12. The disclosure excludes short term debtors and creditors.

Cash balances comprise the capital reduction trust account of £703,000 (*31 December 2005: £1,173,000*) on which interest was received at an average floating rate of approximately 4.1% (*31 December 2005: 4.0%*) per annum, instant access interest bearing accounts of £8,550,000 (*31 December 2005: £8,300,000*) on which interest was received at an average rate of 4.69% (*31 December 2005: 4.5%*) per annum and current account and cash balances of £937,000 (*31 December 2005: £869,000*).

17 Creditors (continued)

The interest rate profile of the group's financial liabilities as at 31 December 2006 was:

	Floating rate financial liabilities	
	31 December 2006 £000	31 December 2005 £000
Andrews Sykes Group plc – Secured	**25,000**	30,000

The floating rate financial assets and liabilities have interest rates based on LIBOR. There are no fixed rate liabilities.

During July 2006 an interest rate cap was taken out based on a nominal loan value of £20,000,000. The effect of the cap is to limit the group's exposure to LIBOR to a maximum of 5.5% applied to the nominal cap value or actual loan value, whichever is the lesser. The cap takes effect from January 2007 until the loans are repaid in July 2010.

The fair value of the floating rate financial assets and liabilities are not materially different from their book values.

The maturity profile of the group's undrawn committed borrowing facilities available at 31 December 2006 was:

	31 December 2006 £000	31 December 2005 £000
Expiring within one year	**2,000**	2,000

The net value of monetary assets and liabilities, being solely cash, short term debtors and creditors, held in currencies other than Sterling as at 31 December 2006 and 31 December 2005 was not significant.

18 Provisions for liabilities

Group	**Onerous lease provision £000**	**Warranty provision £000**	**Total £000**
At the beginning of the period	269	200	469
Profit and loss account charge/(release)	115	(200)	(85)
Utilised	(360)	–	(360)
At the end of the period	**24**	**–**	**24**

The amounts are expected to be utilised within 2 years.

18 Provisions for liabilities (continued)

Deferred tax

Group

The movement on the deferred tax account during the year was as follows:

	Deferred taxation (asset) £000
At the beginning of the period at 30% (note 15)	(772)
Profit and loss account charge (note 6)	136
Effect of pension payments in excess of actuarial charges	(437)
At the end of the period at 30% (note15)	(1,073)

The deferred tax asset included within debtors calculated at 30% (*31 December 2005: 30%*) is analysed as follows:

	31 December 2006 £000	31 December 2005 £000
Depreciation in excess of capital allowances	**217**	439
Other timing differences		
– Unremitted overseas earnings	**(122)**	(269)
– Provisions for liabilities and other short term timing differences	**978**	602
	1,073	772

A deferred tax asset has been recognised as the directors consider that there will be sufficient taxable profits generated by the group in the next 12 months to ensure its recovery.

The group had no unprovided deferred tax at the end of either period.

Company	**Deferred tax liability £000**
At the beginning of the period	226
Profit and loss account	(136)
At the end of the period	90

18 Provisions for liabilities (continued)

The liability for deferred taxation provided at 30% (*31 December 2005: 30%*) is analysed as follows:

	31 December 2006 £000	31 December 2005 £000
Unremitted overseas earnings	**122**	269
Other timing differences	**(32)**	(43)
	90	226

The company had no unprovided deferred tax at the end of either period.

19 Retirement Benefit Obligations

Defined contribution scheme

On 1 January 2003 a new pension scheme was introduced, 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 contribution rates vary generally based upon the individual's length of service within the company. The employer's contribution rates vary from 3% to 10%, the current average being 4.5%. The profit and loss account charge in the current period amounted to £256,000 (*52 weeks ended 31 December 2005: £288,000*).

Defined benefit pension scheme

The group closed the Group Defined Benefit Pension Scheme to future accrual as at 31 December 2002. The assets of the defined benefit pension scheme continue to be held in a separate trustee administered fund.

The group are making additional contributions in accordance with the 2006 Schedule of Contributions to remove the funding deficit in the Group Pension Scheme. With effect from 1 October 2005, the current monthly contribution was increased to £125,000 from its previous level of £60,000, as agreed with the trustees of the pension scheme. In addition during 2006 the group contributed £3,000 to enhance individual transfer values, as calculated by the trustees' advisors, to 100% of their entitlement.

In addition to the regular monthly contributions, lump sum payments totalling £3.35 million were also paid into the pension scheme last year following the tender offer and the disposals of Accommodation Hire and Engineering Appliances. These contributions were agreed with both the Pensions Regulator and the Pension Scheme Trustees before being made.

19 Retirement Benefit Obligations (continued)

Assumptions

The last full actuarial valuation was carried out at 31 December 2004. A qualified independent actuary has updated the results from this valuation to calculate the deficit as disclosed below.

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

	31 December 2006	31 December 2005	31 December 2004
Rate of increases in pensionable salaries	**N/A**	N/A	N/A
Rate of increase in pensions in payment	**3.00%**	2.75%	2.75%
Discount rate applied to scheme liabilities	**5.40%**	5.00%	5.50%
Inflation assumption	**3.00%**	2.75%	2.75%

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

Long term rate of return on:			
UK equities	**7.50%**	7.50%	7.50%
Bonds	**4.80%**	4.30%	5.00%
Cash	**4.60%**	4.10%	4.00%

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

19 Retirement Benefit Obligations (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 2006 £000	31 December 2005 £000	31 December 2004 £000
UK equities	**19,214**	17,080	15,462
Bonds	**14,067**	13,335	7,399
Cash	**164**	276	142
Total market value of assets	**33,445**	30,691	23,003
Present value of scheme liabilities	**(40,022)**	(37,025)	(32,518)
Deficit in the scheme - pension liability	**(6,577)**	(6,334)	(9,515)
Related deferred tax asset	**1,973**	1,900	2,855
Net pension liability	**(4,604)**	(4,434)	(6,660)

The movement in the deficit during the period was as follows:			
Deficit in the scheme at the beginning of the period	**(6,334)**	(9,515)	(9,546)
Contributions	**1,503**	4,274	540
Other finance costs	**(47)**	(253)	(262)
Actuarial loss	**(1,699)**	(840)	(247)
Deficit in the scheme at the end of the period	**(6,577)**	(6,334)	(9,515)

Profit and loss account impact

There are no amounts chargeable in respect of either current service or past service costs as the scheme is closed to future accrual.

The following amounts have been included in other finance income (note 4):

	31 December 2006 £000	31 December 2005 £000
Expected return on pension scheme assets	**1,777**	1,513
Interest on pension scheme liabilities	**(1,824)**	(1,766)
	(47)	(253)

19 Retirement Benefit Obligations (continued)

Amounts recognised in statement of total recognised gains and losses

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

	31 December 2006 £000	31 December 2005 £000
Actual return less expected return on scheme assets	**578**	2,702
Experience gains and losses arising on scheme liabilities	**(340)**	(4)
Changes in assumptions underlying the present value of scheme liabilities	**(1,937)**	(3,538)
Actuarial loss recognised in the statement of total recognised gains and losses	**(1,699)**	(840)

History of experience gains and losses

	31 December 2006 £000	31 December 2005 £000	31 December 2004 £000	27 December 2003 £000
Difference between the expected and actual return on scheme assets:				
Amount	**578**	2,702	354	948
Percentage of scheme assets	**1.7%**	8.8%	1.5%	4.4%
Experience gains and losses arising on scheme liabilities:				
Amount	**(340)**	(4)	(601)	124
Percentage of present value of scheme liabilities	**(0.8%)**	0.0%	(1.8%)	0.4%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:				
Amount	**(1,937)**	(3,538)	–	(3,382)
Percentage of present value of scheme liabilities	**(4.8%)**	(9.6%)	–	10.9%
Total amount recognised in statement of total recognised gains and losses				
Amount	**(1,699)**	(840)	(247)	(2,310)
Percentage of present value of scheme liabilities	**(4.2%)**	(2.3%)	(0.8%)	(7.4%)

Overseas pension arrangements

Overseas companies make their own pension arrangements, the contributions in the period being £29,000 (*31 December 2005: £23,000*). No additional disclosure is given on the basis of immateriality.

20 Called-up share capital

	31 December 2006 £000	31 December 2005 £000
Authorised		
1,398,170,943 ordinary shares of one pence each	**13,982**	13,982
(31 December 2005: 1,398,170,943 ordinary shares of one pence each)		
Allotted, called-up and fully paid		
44,552,865 ordinary shares of one pence each	**446**	446
(31 December 2005: 44,567,865 ordinary shares of one pence each)		

During the period the company purchased 15,000 of its own one pence shares for cancellation for a consideration of £15,910.

At 31 December 2006 options to subscribe for ordinary shares under the executive share options scheme were held as follows:

	Number of one pence ordinary shares	**Date of grant**	**Subscription price per share**	**Dates normally exercisable**
Executive Share Option Scheme	15,000*	November 2001	89.5p	November 2004 to October 2011

* Not subject to performance criteria.

21 Reserves

Group	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	ESOP reserve £000	Total £000
At the beginning of the period	741	222	(4,994)	(6)	(4,037)
Total recognised gains and losses relating to the period	–	(9)	8,160	–	8,151
Sale of shares by the ESOP	–	–	(2)	6	4
Purchase of own shares	–	–	(16)	–	(16)
Transfers	(5)	–	5	–	–
At the end of the period	**736**	**213**	**3,153**	**–**	**4,102**

Other reserves comprise:

	31 December 2006 £000
Capital redemption reserve	**134**
UAE legal reserve	**70**
Netherlands capital reserve	**9**
	213

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

Under Netherlands law, Andrews Sykes BV is required to maintain a minimum aggregate share capital and capital reserve of Euros 18,151 (NLG:40,000).

Goodwill previously written off to reserves amounts to £37,206,000 (*31 December 2005: £37,206,000*).

21 Reserves (continued)

Company	Other reserves £000	Profit and loss account £000	ESOP reserve £000	Total £000
At the beginning of the period	2,345	11,669	(6)	14,008
Retained profit for the period	–	65	–	65
Sale of shares by the ESOP	–	(2)	6	4
Purchase of own shares	–	(16)	–	(16)
At the end of the period	**2,345**	**11,716**	**–**	**14,061**

Other reserves comprise:

	31 December 2006 £000
Capital redemption reserve	**134**
Non-distributable dividends received from subsidiaries	**2,211**
	2,345

Employee Share Ownership Plan (ESOP) Reserve

The Andrews Sykes Group plc 1998 Employee Share Ownership Plan (ESOP) sold 5,000 shares during the period for net consideration of £4,451. The ESOP did not purchase any shares during the period and the total number of shares held at 31 December 2006 was 164 (*31 December 2005: 5,164*). The market value of these shares at 31 December 2006 was £242 (*31 December 2005: £5,990*). Dividends on these shares have not been waived. The ongoing costs of the ESOP are borne by the company.

22 Minority interests (equity)

	31 December 2006 £000	31 December 2005 £000
Share of net assets in group undertaking	**10**	10

23 Capital commitments and guarantees

At 31 December 2006 the group had capital commitments of £134,000 (*31 December 2005: £nil*). The company did not have any capital commitments at 31 December 2006 or 31 December 2005.

The company has guaranteed certain property leases of subsidiary undertakings occupied for the purposes of the group's trade. At 31 December 2006 the annual commitment under such leases totalled £265,000 *(31 December 2005: £298,000)*, all expiring in five years or more.

23 Capital commitments and guarantees (continued)

Group undertakings have contingent liabilities under performance and trade guarantees entered into in the normal course of business.

24 Notes to the consolidated cash flow statement

(i) Reconciliation of operating profit to net cash inflow from operating activities:

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Operating profit	**14,907**	11,404
Goodwill amortisation	**14**	14
Depreciation	**4,055**	4,280
Profit on sale of tangible fixed assets excluding property	**(331)**	(336)
Decrease in stocks	**196**	37
Increase in debtors	**(2,839)**	(591)
Decrease in creditors and provisions	**(198)**	(4,612)
Net cash inflow from operating activities	**15,804**	10,196

Net cash inflow from operating activities was reduced by £360,000 (*52 weeks ended 31 December 2005: £201,000*) in respect of exceptional onerous lease payments. The exceptional profit adjustments on disposal of subsidiary undertakings did not impact the operating cash flow.

(ii) Analysis of net debt

	As at 31 December 2006 £000	Cash flow £000	Other non-cash movements £000	As at 31 December 2005 £000
Cash at bank and in hand	**10,190**	146	(298)	10,342
Debt due in 1 year	**(5,000)**	5,000	(5,000)	(5,000)
Debt due after 1 year	**(20,000)**	–	5,000	(25,000)
Gross debt	**(25,000)**	5,000	–	(30,000)
Net debt	**(14,810)**	5,146	(298)	(19,658)

24 Notes to the consolidated cash flow statement (continued)

(iii) Reconciliation of net cash flow to movement in net debt

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000
Increase in cash in the period	**146**	1,491
Cash outflow/(inflow) from movement in debt and lease financing	**5,000**	(19,000)
Cash outflow from movement in liquid resources	**–**	(477)
Change in net debt resulting from cash flows	**5,146**	(17,986)
Debt disposed of with subsidiary undertaking	**–**	1,225
Translation differences	**(298)**	33
Movement in period	**4,848**	(16,728)
Opening net debt	**(19,658)**	(2,930)
Closing net debt	**(14,810)**	(19,658)

25 Other financial commitments

At 31 December 2006 the group had annual commitments under non-cancellable operating leases as follows:

	31 December 2006		31 December 2005	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Expiring within one year	**178**	**51**	142	27
Expiring between two and five years inclusive	**166**	**31**	206	35
Expiring in five years or more	**530**	**–**	479	–
	874	**82**	827	62

Commitments for the company are not significant.

26 Ultimate parent company

As at 25 April 2007 EOI SYKES Sarl, which is incorporated in Luxembourg, held 81.65% of the company's ordinary share capital and is therefore the immediate parent company. The ultimate holding company is the Tristar Corporation, a company incorporated in The Republic of Panama. The ultimate controlling party is Mr JG Murray.

	52 weeks ended 31 December 2006 £000	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated)** £000	52 weeks ended 27 December 2003 (as restated)** £000	52 weeks ended 28 December 2002 (as restated)** £000
Turnover	**59,768**	55,088	62,680	68,252	70,544
Operating profit					
Operating profit (excluding exceptionals and goodwill charges)	**15,577**	11,418	12,775	14,729	12,329
Exceptional administration expenses	**(656)**	–	(4,872)	–	–
Goodwill amortisation and impairment	**(14)**	(14)	(14)	(14)	(55)
	14,907	11,404	7,889	14,715	12,274
Exceptional (loss)/profit on the disposal of businesses – discontinued	**(142)**	6,404	(305)	598	–
Income from other participating interests	**–**	–	304	–	–
Profit on the disposal of property	**206**	–	–	–	–
Profit before interest	**14,971**	17,808	7,888	15,313	12,274
Interest	**(1,174)**	(738)	(718)	(684)	(308)
Profit before taxation	**13,797**	17,070	7,170	14,629	11,966
Taxation	**(4,136)**	(2,943)	(2,236)	(4,634)	(3,790)
Profit for the financial period	**9,661**	14,127	4,934	9,995	8,176
Dividends paid during the year	**–**	(8,119)	(2,320)	–	–
Total net debt	**(14,810)**	(19,658)	(2,930)	(4,723)	(9,751)
Basic earnings per share from continuing operations*	**22.00p**	15.24p	8.13p	14.56p	10.35p
Ordinary dividend per share paid in the year	**–**	14.0p	4.0p	–	–

*Defined as continuing operations as at 31 December 2006.

**Where indicated, the comparative figures have been restated as appropriate due to both the full adoption of FRS 17 – Retirement Benefits and FRS 21 – Events after the Balance Sheet Date with effect from 1 January 2005.

Notice of Annual General Meeting and a Proxy card will be included within the Annual Report & Financial Statements circulated to shareholders.

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