Annual Report & Financial Statements 2005

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ANDREWS SYKES GROUP PLC

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Andrews Sykes Group plc Annual Report & Financial Statements 2005

ANDREWS SYKES GROUP PLC

ANDREWS HEAT 4 HIRE

ANDREWS AIR CONDITIONING

SYKES PUMPS

Contents

We support a wide range of customers from a UK-wide network of customer service locations together with businesses in Holland and the UAE. Andrews Sykes is synonymous with the hire, sales and service of the most comprehensive range of solutions for pumping, air conditioning, heating, drying, ventilation and specialist temperature control.

- EBITDA* from continuing operations £14.7 million
- Profit on ordinary activities after taxation £14.1 million
- Net debt £19.7 million after distributing total payments of £31.9 million to shareholders
- Basic earnings per share from continuing operations 15.24 pence

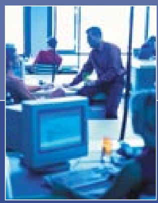
SUMMARY OF RESULTS

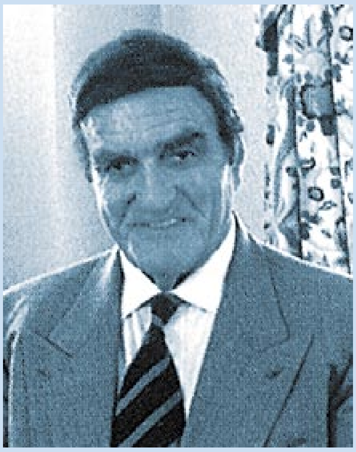
	52 weeks ended 31 December 2005 £'000	53 weeks ended 31 December 2004 (as restated**) £'000
Turnover from continuing operations	50,673	52,116
EBITDA* from continuing operations	14,747	15,656
Operating profit*** from continuing operations	11,062	11,871
Profit/(loss) on the disposal of the businesses	6,404	(305)
Profit on ordinary activities after taxation	14,127	4,934
Basic earnings per share from continuing operations (pence)	15.24p	8.13p
Dividends paid of 14.0p (2004: 4.0p) per share	8,119	2,320
Net Debt	19,658	2,930

* Earnings before interest, taxation, depreciation and amortisation as reconciled in the consolidated profit and loss account after adding back exceptional items of £NIL (2004: £4,848,000)

** The comparative figures have been restated 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

*** Operating profit as reconciled in the consolidated profit and loss account after adding back exceptional items of £Nil (2004: £4,848,000)





Summary of results

Following a disappointing first half of the year, I am pleased to be able to report that, as anticipated in the half year report, trading strongly improved in the second half. Taking the year as a whole, operating profit from continuing operations before exceptional items was £11.1 million compared with £11.9 million last year (operating profit £7 million add back exceptional administration costs £4.9 million), a decrease of £0.8 million.

I am pleased to be able to report that ....trading strongly improved in the second half

Management changes

The Group's Chief Executive, Robert Stevens, resigned on 1 March 2006 to take early retirement.

Robert was appointed to the Board in January 2000 as Chief Executive. Since that time he has been responsible for the development of the Group's strategy to ensure that the Group remains a market leader. The Board and I thank Robert for his contribution to the Group since his appointment and wish him a long and successful retirement.

Also on 1 March 2006, Paul Wood was appointed as Director of Operations. Paul has a vast experience in the industry having originally joined the Group in August 1978. The Board and I look forward to working with Paul over the coming years.

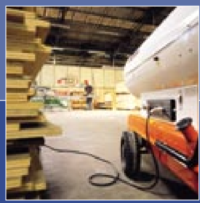
Business disposals

2005 has been another year of change for our Group. As I reported to you in the interim report, during the first half of the year we successfully disposed of a non core subsidiary undertaking, Accommodation Hire Limited, a company specialising in the hire and sale of temporary accommodation units. This was followed in October 2005 by the disposal of Engineering Appliances Limited. This company specialises in the sale of pipe work and ducting components and was therefore also non core to the Group. The combined profit on disposal of these businesses was £6.6 million, the total net cash inflows after disposal costs being £11.2 million.





SYKES PUMPS
DO NOT OBSTRUCT
AIR INTAKE DUCTS



Capital reduction, tender offer and dividend payments

On 26 September the capital reduction and tender offer programme was completed culminating in the payment of £23.8 million to those shareholders who chose to accept the offer. Combined with the payment of the 2004 special final dividend of £8.1 million, this means that a total of £31.9 million was returned to shareholders during the year.

A total of £31.9 million was returned to shareholders during the year.

Pension scheme payments

As reported in the Financial Review, the Group has adopted the requirements of FRS 17 – Retirement Benefits in full this year which has had the effect of reducing opening shareholders' funds at 1 January 2005 by approximately £9 million before deferred tax relief.

During the year the Group has made pension contributions of £4.3 million to the defined benefit pension scheme. This includes not only the regular monthly contributions, but also special one off payments of £3.4 million aimed at reducing the pension scheme deficit, which after actuarial adjustments amounts to £6.3 million before deferred tax relief. The Group has now reached an agreement with the pension scheme regulator and pension scheme trustees to continue the monthly contributions at the current level until 2009 or until the deficit is eliminated, if earlier.

Net debt

Due to the combination of the above factors, the Group's net debt has increased from £2.9 million at 1 January 2005 to £19.7 million by 31 December 2005. The principal movements are the return of £31.9 million funds to the shareholders, pension scheme payments of £4.3 million and cash inflow of £11.2 million on the disposal of businesses.

Earnings per share and buy back programme

As set out in note 9 of the financial statements, the basic earnings per share from continuing operations is 15.24 pence compared with 8.13 pence last year.

The Board continues to believe that shareholder value will be optimised by the purchase, when appropriate, of our own shares coupled with investment in organic growth. Consequently, 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

As the company returned £31.9 million to shareholders during the year, the board is not proposing a final dividend this year. Future dividend policy will be regularly reviewed by the Board.

Outlook

The colder winter continued well into the first quarter of 2006 giving the Group a good start to the new financial year. Costs remain well under control and therefore the Group remains ready to take advantage of market opportunities and beneficial weather conditions.

JG Murray

Chairman

26 April 2006

The colder winter continued well into the first quarter of 2006 giving the Group a good start to the new financial year.

Overview

2005 was a year of contrasting results principally caused by differing weather conditions impacting our business in contrary ways. As highlighted in our interim report, the first half of 2005 was a difficult trading period for the Group due to low demand caused by the unfavourable weather conditions of a mild dry winter. However, the year finished strongly with more favourable extremes of temperature in the second half boosting both the air conditioning and the heating businesses. The low level of rainfall throughout the year has meant that the pumping business has remained constant with little change from the previous year.

Business Disposals

On 6 May 2005 the Group sold its subsidiary undertaking Accommodation Hire Limited, which specialised in the hire and sale of temporary accommodation units and toilet facilities. It was regarded as a non core activity and was managed on a largely autonomous basis separate from the rest of the Group.

Engineering Appliances, a small loss making non core engineering business, was sold on 3 October 2005 to its principal supplier.

Both the companies were facing increasing competition in their respective market places and had been under performing against Group targets for some time. Management therefore took the decision to sell these businesses and are satisfied with the profit and cash generated on disposal.

The second half profits were £1.6 million better than the equivalent period of 2004, an increase of 27% over the previous year.

Operating profit from continuing operations before exceptional administration costs

The consolidated of operating profit from continuing operations of £11.1 million was £0.8 million behind 2004 (operating profit of £7 million, add back exceptional administrative expenses of £4.9 million), a decrease of approximately 7%. Historically profits in the second half of the year have usually tended to out perform the first half year due to the high returns on summer related products, and 2005 continued this normal seasonal pattern aided by a significant upturn in heating revenue caused by a return to more normal British winters. The second half profits were £1.6 million better than the equivalent period of 2004, an increase of 27% over the previous year. This good return in the second half of the year almost compensated for the shortfall in the first half of the year.

Continuing Operations	Turnover £ m	Operating profit before exceptional items £ m
First half 2005	**23.0**	**3.6**
First half 2004	26.3	6.0
Second half 2005	**27.7**	**7.5**
Second half 2004	25.8	5.9
Total 2005	**50.7**	**11.1**
Total 2004	52.1	11.9

The second half recovery was achieved principally by the Group's main trading subsidiary Andrews Sykes Hire Limited. New operational processes meant that the Company was able to react quickly in the summer and take advantage of the high demand for air conditioning that was supplied to customers on relatively long term hire contracts. In addition the Company was able to benefit from the cold spell before Christmas when there was exceptionally high demand for heating units.

Pump hire started the year slowly but with a managed focus we were able to initiate measures during the year that stimulated the demand for the product. Our initiatives are beginning to show signs of success. The continued investment in the new generation of silenced pumps throughout 2005 into 2006 will help the Company achieve its goal of increasing market share.

Andrews Sykes Hire will continue to concentrate on its core product range of pumps, air conditioning and heating but will also introduce associated items into its fleet that can compliment the existing product range.

A more focused strategy is being implemented in Andrews Air Conditioning and Refrigeration Limited that will ensure a sound footing of underlying revenue for future years, as well as improving our margins through productivity efficiencies and management focus on cost control.

Andrews Sykes BV, our subsidiary based in Holland, achieved a good strong performance, beating their prior year result. This was on the back of a successful summer for air conditioning and a good finish to the year on heating and drying products. Holland continues to be an area where the Group sees the opportunity for further organic growth and also gives excellent potential for further growth in other European countries.

Khansaheb Sykes, the well established dewatering and pumping company based in the United Arab Emirates (UAE), also performed well by taking advantage of the continuing development in construction projects in the area as the UAE strives to attract further tourism. The UAE continues to be a good outlet for pumps sales into other Middle Eastern countries.

Summary

The year has seen management continue to invest in its core products and services, recovering from a poor start to the year to achieve a reasonable full year result. The cold weather experienced at the end of 2005 continued into the early months of 2006, which has given the Group a healthy start to its New Year targets both in the UK and Europe.

Andrews Sykes Hire will continue to concentrate on its core product range of pumps, air conditioning and heating.

Operating profit

A review of the Group's trading performance is given in the Chairman's Statement on pages 4 to 7 and the Operations Review on pages 8 and 9.

Exceptional profit and cash received on the disposal of businesses

The exceptional profit and cash received on the disposal of businesses can be summarised as follows:

	Profit £m	Cash Received £m
Sale of Accommodation Hire Limited	6.7	9.5
Sale of Engineering Appliances Limited	(0.1)	0.7
Total	6.6	10.2

In addition, the Group benefited from the transfer of external bank loans totalling £1.2 million out of the Group on the disposal of Accommodation Hire Limited.

An analysis of the assets sold and a summary of net deferred consideration receivable as at 31 December 2005 is given in note 3 to the financial statements.

As reported in last year's financial review, the purchaser of the Cox Plant business was placed into administration during the first quarter of 2005 and all outstanding debts have been fully provided against in these financial statements. However, 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. Costs of £0.2 million have been incurred during the current year and management have reassessed the financial exposure as at 31 December 2005 resulting in an additional exceptional charge of £0.2 million. The total provision at the year end amounts to £0.3 million.

Interest charge

The net interest charge this year is £0.7 million, which is consistent with the previous period. Next year, following the increase in net debt due to the factors explained below, the net interest charge is likely to increase. However, current forecasts indicate that the Group will still have 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 17.2% compared with 31.2% last year.

This year, the tax charge is lower than the standard 30% UK tax rate primarily due to the exceptional profit on the disposal of businesses of £6.6 million not being subject to corporation tax and the benefit of certain prior year tax adjustments. The effective tax rate in both years has been increased by non tax deductible items in the UK, withholding tax written off and the taxation of certain overseas profits remitted to the UK.

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

Operating cash flow

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

	2005 £m	2004 £m
Operating profit (before exceptional items)	**11.4**	12.8
Depreciation and asset disposals	**3.9**	4.5
EBITDA (before exceptional items)	**15.3**	17.3
Exceptional items	**–**	(4.9)
EBITDA (after exceptional items)	**15.3**	12.4
Defined benefit pension scheme payments	**(4.3)**	(0.5)
Other net working capital movements	**(0.8)**	(0.2)
Net cash inflow from operating activities	**10.2**	11.7

The Group continues to generate strong operating cash flows which have been reduced by one off payments in both years.

During the current year, the Group made a significant level of payments to the defined benefit pension scheme (£4.3 million) and these are discussed in more detail below. Last year the cash cancellation share offer absorbed nearly £4.9 million from operating cash flows.

Net debt

The Group's net debt has increased from £2.9 million at 1 January 2005 to £19.7 million by 31 December 2005. The movement can be reconciled as follows:

	£m
Opening net debt	2.9
Significant inflows:	
Operating activities (after £4.3 million pension payments)	(10.2)
Business disposals (net of cash sold of £0.2 million)	(10.0)
Loans transferred with business disposals	(1.2)
Significant outflows:	
Distribution to shareholders (tender offer, including costs)	24.2
Dividends paid to shareholders	8.1
Capital expenditure net of disposals	3.5
UK corporation tax and overseas tax payments	2.0
Other factors	0.4
Closing net debt	19.7
Comprises:	
Bank loans	30.0
Cash at bank	(10.3)
Total net debt	19.7

The bank loans are repayable over 5 years by four annual instalments of £5 million commencing 29 July 2006 followed by a final payment of £10 million on 29 July 2010. Interest is charged based on LIBOR plus a margin of between 0.5% and 1.25%.

Treasury management and policy

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.

There has been no change during the year, or since the year end, to the type of financial risks faced by the Group or to the Group's approach to the management of those risks.

Funding and liquidity

The Group has secured loan facilities amounting to £30 million which are fully utilised. There are no unsecured short term loans.

The Group also has a net overdraft facility of £2.0 million which may be used for working capital requirements. At 31 December 2005 the Group had cash at bank of £10.3 million. Cash balances are held in current accounts to fund working capital requirements. Whenever surplus funds are identified they are placed on short term deposits. Therefore the directors consider that the liquidity risk is minimal.

Interest rate risk

The Group's borrowings are subject to floating rates based on LIBOR plus a margin of between 0.5% and 1.25%. Financial derivatives are not utilised to manage the interest rate risk as the directors consider that in the current economic climate the level of risk does not warrant the relatively high costs that would be incurred taking out financial derivatives.

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.

Capital reduction and tender offer

On 24 August 2005 the proposed capital reduction and distribution to shareholders by means of a tender offer, full details of which were circulated to shareholders on 28 July 2005, was approved by the members at an Extraordinary General Meeting. The offer was subsequently approved by the High Court on 14 September 2005 after which the following transfers took place:

- The nominal value of each 20 pence ordinary share was reduced to one pence and 19 pence of the nominal value, which in total amounted to £11 million, was cancelled and transferred to the profit and loss account reserve.
- The balances on the share premium account and capital redemption reserve account of £10.7 million and £7.3 million respectively were cancelled and transferred to the profit and loss account reserve.

On 26 September 2005 payment of the tender offer consideration of £23.8 million was despatched to those members who accepted the offer and charged against the profit and loss account reserve.

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, but in order to minimise the impact on the Group's results in the future and with the agreement of the Trustees, the scheme was closed to future service accrual on 31 December 2002.

With effect from 1 January 2005, the Group has adopted in full the requirements of FRS 17 – Retirement Benefits, and accordingly the scheme deficit, as calculated by an independent qualified actuary, was brought onto the balance sheet. At 1 January the deficit amounted to £9.5 million before deferred tax relief of £2.8 million and consequently, after releasing the brought forward SSAP 24 pension provision of £0.4 million (net of deferred tax), opening shareholders' funds were reduced by £6.3 million.

The assumptions approved by the Board and 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 by the year end the overall gross deficit had reduced from £9.5 million to £6.3 million as follows:

	£m
Opening FRS 17 deficit	9.5
Contributions paid by the Group into the scheme	(4.3)
Actuarial loss	0.8
Net finance charges	0.3
Closing FRS 17 deficit	6.3

In addition to regular monthly contributions made in accordance with the requirements of the Pensions Act 1995, which in total amounted to £0.9 million during 2005, lump sum payments totalling £3.4 million were also paid into the pension scheme following the tender offer and the disposals of Accommodation Hire and Engineering Appliances. These contributions were agreed with both the Pensions Regulator and Pension Scheme Trustees prior to being made.

Defined contribution pension scheme

On 1 January 2003 the Group introduced the Andrews Sykes Stakeholder Pension Plan in which the majority of UK employees are eligible to participate. 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 subject to Inland Revenue limits. The contributions are used to purchase a specific fund for the individual employee with both gains and losses from changes in the fund's market value accruing to that employee.

Reconciliation of movement in Group shareholders' funds

Group shareholders' funds have decreased from £15.1 million at the beginning of the year to a deficit of £3.6 million at the year end. The movement can be reconciled as follows:

	£m
Opening shareholders' funds (as restated for FRS 17 and FRS 21 adjustments)	15.1
Profit for the financial period	14.1
Dividends paid to shareholders	(8.1)
Distribution to shareholders (tender offer)	(24.2)
FRS 17 actuarial loss net of deferred tax	(0.6)
Other factors	0.1
Closing deficit attributable to equity shareholders	(3.6)

Share capital and share buyback programme

With the exception of the tender offer referred to above, during 2005 the Company has not purchased any of its own shares for cancellation and no shares have been purchased since the end of the year.

Nevertheless, 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.

Change of accounting policies

The Group has fully adopted both FRS 17 – Retirement Benefits and FRS 21 – Events after the Balance Sheet date in these financial statements and all comparative information has been restated accordingly. Both these standards were applicable for the first time this year and they have a prior year impact as detailed in note 22 of the financial statements. Whilst the impact of FRS 21 is of a timing nature and reverses out the following period, the impact of FRS 17 is significant and has reduced shareholders' funds at 1 January 2005 by £6.3 million net of deferred tax relief.

FRS 22 – Earnings per Share and the relevant paragraphs of FRS 25 – Financial Instruments: Presentation and Disclosure have also been applied but have no impact.

AA Bourne FCA

Finance Director

26 April 2006

Chairman
J G Murray
Age 86. Chairman of London Security plc, Nu Swift Limited, Ansul S.A. and British Security Group Limited.

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

Executive Director
A A Bourne FCA, Finance Director
Age 58. Mr Bourne was previously Deputy Managing Director and Finance Director of AAH Meditel, the UK computer services division of GEHE AG.

Non-executive Directors

F M B Gailer BSc, Senior Independent Non-executive, Chairman of the Audit Committee
Age 70. Director of International Strategic Alliances Limited and certain other small private companies, non-executive director of London Security plc.

.J C Pillois M Econ. & Man. French ACA, Chairman of the Remuneration Committee
Age 49. Finance Director of London Security plc, Nu Swift Limited, Ansul S.A. and British Security Group Limited.

J J Murray MBA
Age 39. Director of London Security plc, Nu Swift Limited, Ansul S.A. and British Security Group Limited.

R J Pollard ACA
Age 42. Finance Director of Nu Swift International Limited and Company Secretary of London Security plc.

E D O A Sebag MBA
Age 37. Director of London Security plc, Nu Swift Limited and British Security Group Limited.

Company Secretary
M J 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 Bank Registrars
Goring-by-Sea
West Sussex BN12 6DA

Stockbroker and Nominated Adviser
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

Principal activities and business review

The principal activity of the Group continues to be the hire, sale, and installation of a range of equipment, including pumping equipment, portable heating, air conditioning, drying and ventilation equipment. During the year the Group withdrew from the accommodation hire business.

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 the Financial Review on pages 4 to 13.

Results and dividends

The results for the financial period are set out in the consolidated profit and loss account on page 22.

At the Annual General Meeting held on 8 June 2005, the members passed a resolution declaring a final dividend of 14 pence per ordinary share in respect of the previous financial year (53 weeks ended 31 December 2004: 3.0 pence) which was paid on 15 June 2005.

The directors did not declare an interim dividend (53 weeks ended 31 December 2004: 1.0 pence) and the total dividends paid during the year of £8,119,000 (53 weeks ended 31 December 2004: £2,320,000) have been charged against reserves as shown in note 21 to the financial statements.

The directors do not recommend the payment of a final dividend (53 weeks ended 31 December 2004: 14.0 pence).

Directors

The directors in office at 26 April 2006 are shown on page 14. Mr J J Murray resigned as a director on 3 May 2005 and was re-appointed to the Board on 25 January 2006. Mr R J Stevens also served as a director from the start of the year until his date of resignation on 1 March 2006.

In accordance with the articles of association, Messrs J C Pillois and A A Bourne retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting. Also in accordance with the Articles of Association Mr J J Murray, being appointed by the Board as a director subsequent to the last Annual General Meeting, will retire and 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 2005 had any disclosable interest in the share capital of the Company or any subsidiary undertaking.

	Ordinary shares		
	At 26 April 2006	At 31 December 2005	At 31 December 2004
J G Murray	37,747,369	37,747,370	49,608,192
F M B Gailer	10,000	10,000	15,000
J C Pillois	409,206	409,206	538,580
E D O A Sebag	13,216	13,216	17,560
R J Stevens	34,256	34,256	45,526

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

Substantial shareholdings

At 26 April 2006 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	36,377,212	81.62%

Directors' share options

None of the directors in office at 31 December 2005 held any options to subscribe for ordinary shares at either 31 December 2005 or 31 December 2004.

The mid–market price of the Company's ordinary shares on 31 December 2005 was 116 pence. The highest and lowest mid–market prices during the 52 weeks ended 31 December 2005 were 210 pence and 107.5 pence respectively.

There have been no further changes in the directors' share options during the period from 31 December 2005 to 26 April 2006.

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.

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

Three resolutions are to be proposed at the Annual General Meeting as Special business, Resolutions 5 and 6 as ordinary resolutions and resolution 7 as a special resolution.

Two resolutions, numbered 5 and 7, 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 £66,851 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 6 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 5,570,983 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 Financial Review.

Purchase of own shares

On 28 July 2005 a circular was distributed to the members of the company setting out the terms, explanation and background for a proposed capital reduction and tender offer.

The capital reduction and tender offer was approved by the members at an Extraordinary General Meeting on 24 August 2005 and subsequently by the High Court on 14 September 2005. On that date the court ordered that the authorised capital of the Company be reduced from 125,000,000 ordinary shares of 20p each to 1,398,170,943 ordinary shares of one pence each.

On 26 September 2005, pursuant to the above tender offer, the Company purchased for cancellation 13,423,138 of its own one pence ordinary shares for £1,775 per share. The total purchase consideration of £23,826,070 plus costs of £342,477 was charged against reserves,

The company did not make any market purchases of its own shares for cancellation under the general authority granted to it by members at the last Annual General Meeting. Accordingly at 26 April 2006 there remained outstanding general authority for the directors to purchase a further 7,248,875 ordinary shares. The directors are seeking to renew the general authority in respect of 5,570,983 ordinary shares of one pence each as set out in resolution number 6.

The Company did not purchase any shares for cancellation between the year end and 26 April 2006.

Financial calendar

The current financial period will end on 30 December 2006.

Auditor

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

M J Calderbank ACA
Company Secretary
26 April 2006

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

Statement of Directors' Responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

United Kingdom company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards.

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 and loss for that period.

In preparing the financial statements the directors are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on a 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 which 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.

We have audited the Group and individual Company financial statements (the "financial statements") of Andrews Sykes Group plc for the year ended 31 December 2005 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 27. 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 the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 2005 and of the Group's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
Birmingham
United Kingdom
26 April 2006

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 year and the preceding year with the exception of the adoption of both FRS 17 – Retirement Benefits and FRS 21 – Events after the Balance Sheet date. Both these standards are applicable for the first time this year and have a prior year impact as detailed in note 22. FRS 22 – Earnings per Share and the relevant paragraphs of FRS 25 – Financial Instruments: Presentation and Disclosure have also been applied but have 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 2005.

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 and temporary accommodation units 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:

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%
Accommodation units (up to the date of disposal of AHL, see note 3)	15% 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.

Consolidated Profit and Loss Account

for the 52 weeks ended 31 December 2005

	Note	**52 weeks to 31 December 2005** Continuing activities £000	Discontinued activities £000	Total £000	53 weeks to 31 December 2004 (as restated**) Continuing activities £000	Discontinued activities £000	Total £000
Turnover	1	**50,673**	**4,415**	**55,088**	52,116	10,564	62,680
Cost of sales		**(23,675)**	**(2,414)**	**(26,089)**	(24,258)	(6,028)	(30,286)
Gross profit		**26,998**	**2,001**	**28,999**	27,858	4,536	32,394
Distribution costs		**(8,038)**	**(699)**	**(8,737)**	(8,005)	(1,677)	(9,682)
Administrative expenses – ordinary		**(7,898)**	**(960)**	**(8,858)**	(8,021)	(1,969)	(9,990)
Administrative expenses – exceptional	2	–	–	–	(4,848)	(24)	(4,872)
Total administrative expenses		**(7,898)**	**(960)**	**(8,858)**	(12,869)	(1,993)	(14,862)
Other operating income		–	–	–	39	–	39
Operating profit		**11,062**	**342**	**11,404**	7,023	866	7,889
EBITDA*		**14,747**	**615**	**15,362**	10,808	1,625	12,433
Depreciation and asset disposals	5	**(3,671)**	**(273)**	**(3,944)**	(3,771)	(759)	(4,530)
Operating profit before goodwill amortisation		**11,076**	**342**	**11,418**	7,037	866	7,903
Goodwill amortisation	5	**(14)**	–	**(14)**	(14)	–	(14)
Operating profit		**11,062**	**342**	**11,404**	7,023	866	7,889
Income from other participating interests	13			–			304
Exceptional profit / (loss) on the disposal of businesses – discontinued	3			**6,404**			(305)
Profit on ordinary activities before interest and taxation				**17,808**			7,888
Net interest payable	4			**(738)**			(718)
Profit on ordinary activities before taxation	5			**17,070**			7,170
Tax on profit on ordinary activities	6			**(2,943)**			(2,236)
Profit on ordinary activities after taxation being profit for the financial period				**14,127**			4,934
Earnings per share from continuing operations:							
Basic	9			**15.24p**			8.13p
Fully diluted	9			**15.24p**			7.82p
Earnings per share from total operating results:							
Basic	9			**28.16p**			8.51p
Fully diluted	9			**28.16p**			8.18p
Dividends paid per equity share (as restated for FRS 21)	10			**14.0p**			4.0p

There were no material acquisitions in any period.

*Earnings Before Interest, Taxation, Depreciation and Amortisation

**The comparative figures for the 53 weeks ended 31 December 2004 have been restated 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 as set out in note 22.

		31 December 2005		31 December 2004 (as restated*)	
	Note	£000	£000	£000	£000
Fixed assets					
Intangible assets: Goodwill	11		**31**		45
Tangible fixed assets	12		**12,011**		15,876
Investments	13		**164**		164
			12,206		16,085
Current assets					
Stocks	14	**4,532**		4,942	
Debtors	15	**13,929**		15,071	
Cash at bank and in hand	16	**10,342**		9,295	
		28,803		29,308	
Creditors: Amounts falling due within one year	17	**(14,687)**		(13,578)	
Net current assets			**14,116**		15,730
Total assets less current liabilities			**26,322**		31,815
Creditors: Amounts falling due after more than one year	17		**(25,000)**		(9,735)
Provisions for liabilities	18		**(469)**		(310)
Net assets excluding pension liability			**853**		21,770
Pension liability	19		**(4,434)**		(6,660)
Net (liabilities)/assets including pension liability			**(3,581)**		15,110
Capital and reserves					
Called-up share capital	20		**446**		11,598
Share premium account	21		–		10,678
Revaluation reserve	21		**741**		746
Other reserves	21		**222**		7,389
Profit and loss account	21		**(4,994)**		(15,292)
ESOP reserve	21		**(6)**		(19)
(Deficit)/surplus attributable to equity shareholders			**(3,591)**		15,100
Minority interests (equity)	23		**10**		10
Total capital employed			**(3,581)**		15,110

*The comparative figures at 31 December 2004 have been restated due to the full adoption of FRS 17 – Retirement Benefits and FRS 21 – Events after the Balance Sheet Date with effect from 1 January 2005 as set out in note 22.

These financial statements were approved by the board of directors on 26 April 2006 and were signed on its behalf by:

J G Murray,
Chairman

A A Bourne FCA,
Finance Director

Consolidated Cash Flow Statement

for the 52 weeks ended 31 December 2005

	Note	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 £000
Net cash inflow from operating activities	25(i)	**10,196**	11,677
Dividends received from participating interests		–	139
Returns on investment and servicing of finance			
Interest received		**484**	410
Interest paid		**(946)**	(865)
Net cash outflow for returns on investment and servicing of finance		**(462)**	(455)
Taxation			
Net UK corporation tax paid		**(937)**	(4,058)
Withholding tax paid		**(149)**	–
Overseas tax paid		**(898)**	(230)
Cash outflow for taxation		**(1,984)**	(4,288)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(4,056)**	(3,936)
Sale of tangible fixed assets		**608**	1,483
Net cash outflow for capital expenditure and financial investment		**(3,448)**	(2,453)
Acquisitions and disposals			
Cash received on the disposal of subsidiary undertakings	3	**10,204**	–
Net cash balances disposed of with subsidiaries		**(214)**	–
Net cash inflow for acquisitions and disposals		**9,990**	–
Equity dividends paid		**(8,119)**	(2,320)
Cash inflow before the use of liquid resources and financing		**6,173**	2,300
Management of liquid resources			
Movement in bank deposits	25(ii)	**477**	(1)
Financing			
New loans drawn down		**30,000**	–
Loan repayments		**(11,000)**	(3,749)
Purchase of own shares		**(24,168)**	(630)
Sale of own shares by ESOP		**9**	16
Net cash outflow from financing		**(5,159)**	(4,363)
Increase/(decrease) in cash in the period	25(ii/iii)	**1,491**	(2,064)

Consolidated statement of total recognised gains and losses

	Note	52 weeks to 31 December 2005 £000	53 weeks to 31 December 2004 (as restated*) £000
Profit for the financial period		**14,127**	4,934
Currency translation differences on foreign currency net investments		**48**	78
Actual return less expected return on pension scheme assets		**2,702**	354
Experience gains and losses arising on the pension scheme liabilities		**(4)**	(601)
Changes in assumptions underlying the present value in scheme liabilities		**(3,538)**	–
UK deferred tax attributable to the pension scheme assets and liability adjustments		**252**	74
Total recognised gains and losses relating to the year transferred to reserves	21	**13,587**	4,839
FRS 17 prior year adjustment	22	**(6,288)**	
Total recognised gains and losses since the 2004 annual report and financial statements		**7,299**	

Movements in reserves are set out in note 21 on pages 45 and 46.

Note of consolidated historical cost profits and losses

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated**) £000
Reported profit on ordinary activities before taxation	**17,070**	7,170
Difference between historical cost depreciation charge and the actual charge calculated on the revalued amount	**5**	6
Historical cost profit on ordinary activities before taxation	**17,075**	7,176
Historical cost profit for the financial period	**14,132**	4,940

*The comparative figures for the 53 weeks ended 31 December 2004 have been restated due to the full adoption of FRS 17 – Retirement Benefits with effect from 1 January 2005 as set out in note 22.

**The comparative figures for the 53 weeks ended 31 December 2004 have been restated 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 as set out in note 22.

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

	52 weeks to 31 December 2005 £000	53 weeks to 31 December 2004 (as restated*) £000
Profit for the financial period	**14,127**	4,934
Dividends paid	**(8,119)**	(2,320)
Consideration for the purchase of own shares	**(24,168)**	(172)
Sale of own shares by the ESOP trust	**9**	16
Currency translation differences on foreign currency net investments	**48**	78
Actual return less expected return on pension scheme assets	**2,702**	354
Experience gains and losses arising on the pension scheme liabilities	**(4)**	(601)
Changes in assumptions underlying the present value of the scheme liabilities	**(3,538)**	–
UK deferred tax attributable to the pension scheme asset and liability adjustments	**252**	74
Net (decrease)/increase in shareholders' funds	**(18,691)**	2,363
Prior year adjustments:		
Shareholders' funds at the beginning of the period as previously stated	**13,269**	17,101
FRS 17 adjustment	**(6,288)**	(6,104)
FRS 21 adjustment	**8,119**	1,740
Shareholders' funds at the beginning of the period as restated	**15,100**	12,737
Shareholders' (deficit)/funds at the end of the period	**(3,591)**	15,100

* The comparative figures as at 31 December 2004 have been restated 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 as set out in note 22.

	Note	31 December 2005 £000	31 December 2005 £000	31 December 2004 (as restated*) £000	31 December 2004 (as restated*) £000
Fixed assets					
Investments	13		**44,123**		44,123
Current assets					
Debtors	15	**5,599**		24,468	
Cash at bank and in hand	16	**1,772**		–	
		7,371		24,468	
Creditors: Amounts falling due within one year	17	**(11,814)**		(22,906)	
Net current (liabilities)/assets			**(4,443)**		1,562
Total assets less current liabilities			**39,680**		45,685
Creditors: Amounts falling due after more than one year	17		**(25,000)**		(9,000)
Provisions for liabilities	18		**(226)**		(335)
Net assets			**14,454**		36,350
Capital and reserves					
Called-up share capital	20		**446**		11,598
Share premium account	21		–		10,678
Other reserves	21		**2,345**		9,520
Profit and loss account	21		**11,669**		4,573
ESOP reserve	21		**(6)**		(19)
Equity shareholders' funds			**14,454**		36,350

*The comparative figures at 31 December 2004 have been restated due to the adoption of FRS 21 – Events after the Balance Sheet Date with effect from 1 January 2005 as set out in note 22.

These financial statements were approved by the board of directors on 26 April 2006 and were signed on its behalf by:

J G Murray,
Chairman

A A Bourne FCA,
Finance Director

1 Segmental analysis

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

	52 weeks to 31 December 2005			53 weeks to 31 December 2004		
	Continuing activities £000	Discontinued activities £000	Total £000	Continuing activities £000	Discontinued activities £000	Total £000
Activity:						
Hire	**34,459**	**1,930**	**36,389**	33,991	6,707	40,698
Sales	**7,024**	**2,485**	**9,509**	8,143	3,857	12,000
Installation	**9,190**	–	**9,190**	9,982	–	9,982
Total	**50,673**	**4,415**	**55,088**	52,116	10,564	62,680

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, 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 geographical origin		By geographical destination	
	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 £000	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 £000
United Kingdom	**48,041**	56,332	**47,612**	55,571
Rest of Europe	**3,674**	2,918	**3,737**	3,154
Middle East and Africa	**3,373**	3,430	**3,478**	3,505
Rest of World	–	–	**261**	450
	55,088	62,680	**55,088**	62,680

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

	Profit before interest and tax		Net (liabilities)/assets including pension liability	
	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated see note 22) £000	31 December 2005 £000	31 December 2004 (as restated see note 22) £000
United Kingdom	**16,141**	6,146	**17,642**	22,969
Rest of Europe	**1,155**	988	**1,785**	1,391
Middle East and Africa	**512**	754	**2,144**	1,439
	17,808	7,888	**21,571**	25,799
Net debt			**(19,658)**	(2,930)
Taxation			**(1,060)**	(1,099)
Pension liability			**(4,434)**	(6,660)
			(3,581)	15,110

2 Exceptional administrative expenses

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 £000
The following item has been shown as exceptional in the profit and loss account due to its size		
Exceptional costs of cash cancellation offer	–	4,872

On 18 November 2004 the Board of Andrews Sykes Group plc made a cash cancellation offer to all of the Company's share option holders. The price offered was £1.95 per share and the offer remained open for acceptance until 8 December 2004.

A total of 4,316,604 share options were cancelled under the above cash cancellation offer and the charge of £4,872,000 includes all costs associated with the cancellation.

3. Exceptional profit/(loss) and cash received on the disposal of businesses

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

	52 weeks to 31 December 2005 £000	53 weeks to 31 December 2004 £000
Profit on disposal of subsidiary undertakings	**6,564**	–
Provisions for onerous lease commitments	**(160)**	(305)
	6,404	(305)

Profit on disposal of subsidiary undertakings

On 6 May 2005 the Group sold its subsidiary undertaking, Accommodation Hire Limited (AHL). AHL, which specialised in the hire and sale of temporary accommodation units and toilet facilities, was regarded as a non core activity and was managed on a largely autonomous basis separate from the rest of the Group.

On 3 October 2005 the Group sold another subsidiary undertaking, Engineering Appliances Limited (EA), to its principal supplier. EA was also a non core business activity specialising in compensating bellows, expansion joints and deairators for pipe work and ducting.

3. Exceptional profit/(loss) and cash received on the disposal of businesses *(continued)*

The assets sold and consideration received on the sale of these subsidiaries is set out in the table below:

	Sale of Accommodation Hire Limited £000	Sale of Engineering Appliances Limited £000	**Total 52 weeks to 31 December 2005 £000**
Tangible fixed assets (note 12)	3,231	74	**3,305**
Stocks	–	373	**373**
Debtors	1,476	787	**2,263**
Creditors	(908)	(402)	**(1,310)**
Cash at bank/(bank overdraft)	439	(225)	**214**
Corporation tax	(32)	25	**(7)**
Deferred tax (note 18)	118	40	**158**
Bank loans (note 25)	(1,225)	–	**(1,225)**
Net assets sold	3,099	672	**3,771**
Profit/(loss) on disposal	6,683	(119)	**6,564**
Total net consideration	9,782	553	**10,335**
Satisfied by:			
Cash received net of disposal costs paid	9,535	669	**10,204**
Deferred consideration receivable less disposal costs payable	247	(116)	**131**
	9,782	553	**10,335**

Provisions for onerous lease commitments

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 £160,000 *(53 weeks ended 31 December 2004: £305,000)*

4 Net interest payable

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated see note 22) £000
Interest payable and similar charges:		
Interest on bank loans and overdrafts	**969**	844
Net FRS 17 defined benefit pension scheme interest charge (note 19)	**253**	262
	1,222	1,106
Interest receivable and similar income:		
Interest receivable on bank deposits	**(484)**	(388)
Net interest payable	**738**	718

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 2005 £000	53 weeks ended 31 December 2004 £000
Depreciation of tangible fixed assets	**4,280**	5,489
Profit on the sale of fixed assets	**(336)**	(959)
Goodwill amortisation	**14**	14
Auditors' remuneration (audit fee and expenses)		
– Company	**8**	8
– Group	**99**	110
Operating lease rentals – property rents	**993**	1,132
– plant and machinery	**75**	84

Fees paid to the Company's auditors and their UK and overseas associates in respect of non audit services amounted to £76,000 (*53 weeks ended 31 December 2004: £76,000*). These mainly comprised advice in connection with taxation.

6 Tax on profit on ordinary activities

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated see note 22) £000
United Kingdom corporation taxation at 30% (*53 weeks ended 31 December 2004: 30%*) based on the profit for the period	**1,903**	1,855
Adjustments to corporation tax in respect of prior years	**(237)**	(18)
	1,666	1,837
Withholding tax		
On dividends received from participating interests	–	165
On overseas interest payments	**3**	99
Overseas tax for current period	**426**	497
Adjustments to overseas tax in respect of prior years	**(267)**	(155)
Total current tax	**1,828**	2,443
Deferred tax		
Timing differences, origination and reversal	**1,347**	(204)
Adjustments in respect of prior years	**(232)**	(3)
	2,943	2,236

The corporation tax charge includes a credit of £57,000 *(53 weeks ended 31 December 2004: £Nil)* 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 £105,000 *(53 weeks ended 31 December 2004: £Nil)* in respect of the profit on disposal of subsidiary undertakings and a charge of £92,000 *(53 weeks ended 31 December 2004: credit of £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 2005 £000	53 weeks ended 31 December 2004 (as restated see note 22) £000
Profit on ordinary activities before tax	**17,070**	7,170
Tax at 30% thereon	**5,121**	2,151
Effects of:		
Expenses not deductible for tax purposes	**315**	281
Capital allowances less than/(in excess of) depreciation	**10**	(51)
Movement in short term timing differences	**(1,189)**	(117)
Overseas dividend income net of double tax relief	**170**	116
Lower tax rates on overseas earnings	**(129)**	(28)
Non taxable profit on sale of subsidiary undertakings	**(1,969)**	–
Withholding tax written off	**3**	264
Adjustment to tax charge in respect of prior years:		
– UK	**(237)**	(18)
– Overseas	**(267)**	(155)
Current tax charge for the period	**1,828**	2,443

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.

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 £10,382,000 (*53 weeks ended 31 December 2004 as restated: £6,450,000).*

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 2005 Number	53 weeks ended 31 December 2004 Number
Sales, distribution and administration	**560**	614

Staff costs including directors emoluments and the costs of the cash cancellation offer set out in note 2 amounted to:

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated see note 22) £000
Wages and salaries	**12,459**	18,223
Social security costs	**1,222**	1,664
Pension costs	**311**	367
	13,992	20,254

Directors

The aggregate remuneration of the directors was as follows:

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 £000
Emoluments	**443**	4,473
Company contributions to money purchase pension scheme	**19**	19
Company contributions to a Funded Unapproved Retirement Benefit Scheme	**28**	37
	490	4,529

No directors were granted share options during the period *(53 weeks ended 31 December 2004: none)* and no directors exercised share options during the period *(53 weeks ended 31 December 2004: none).*

On 18 November 2004, the Board of Andrews Sykes Group plc made a cash cancellation offer to all the Company's share option holders. The price offered was £1.95 per share and remained open for acceptance until 8 December 2004.

Pursuant to the offer the directors gave notice of their intention to accept the offer in respect of all their options. Accordingly the cash cancellation payment, being the difference between the offer price of £1.95 and the share option exercise price, has been included within the comparative figures for directors' emoluments.

8 Employee information *(continued)*

Directors (continued)

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 2005 Number	53 weeks ended 31 December 2004 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 2005 £000	53 weeks ended 31 December 2004 £000
Emoluments	**282**	2,005
Company contributions to a Funded Unapproved Retirement Benefit Scheme	**28**	–
	310	2,005

The emoluments of the highest paid director last year arose entirely from the cash cancellation offer during 2004.

The highest paid director this year had an accrued annual pension at the year end of £10,314 *(as at 31 December 2004: £10,049)*, no contributions were paid during the year.

During the period £Nil *(53 weeks ended 31 December 2004; £8,500)* was paid to SB Corporate Services Limited for making available the services of Mr J C Pillois as a non-executive director. With effect from 1 January 2005 Mr Pillois's remuneration is included within "Emoluments" in the table above.

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 50,156,508 (*53 weeks ended 31 December 2004: 57,967,089*).

The calculation of the diluted earnings per ordinary share is based on the profits as set out below and on 50,168,119 (*52 weeks ended 31 December 2004: 60,300,966*) ordinary shares. The share options have a dilutive effect for the period calculated as follows:

	52 weeks ended 31 December 2005			53 weeks ended 31 December 2004 (as restated see note 22)		
	Continuing Earnings £000	**Total Earnings £000**	**Number of Shares**	Continuing Earnings £000	Total Earnings £000	Number of Shares
Basic earnings/weighted average number of shares	**7,646**	**14,127**	**50,156,508**	4,713	4,934	57,967,089
Weighted average number of shares under option	–	–	**24,932**	–	–	4,093,505
Number of shares that would have been issued at fair value	–	–	**(13,321)**	–	–	(1,759,628)
Earnings/diluted weighted average number of shares	**7,646**	**14,127**	**50,168,119**	4,713	4,934	60,300,966
Diluted earnings per ordinary share (pence)	**15.24p**	**28.16p**		7.82p	8.18p	

10 Dividends paid and proposed on equity shares

Dividends paid during the year were as follows:

	52 Weeks ended 31 December 2005 Pence per Share	52 Weeks ended 31 December 2005 £000	53 Weeks ended 31 December 2004 Pence per Share	53 Weeks ended 31 December 2004 £000
Final dividend in respect of the previous year declared and paid during the current year	**14.0**	**8,119**	3.0	1,740
Interim dividend declared and paid during the current year	–	–	1.0	580
	14.0	**8,119**	4.0	2,320
Proposed final dividend	–	–	14.0	8,119

11 Intangible assets: Goodwill

	£000
Cost	
At the beginning and end of the period	286
Amortisation	
At the beginning of the period	241
Charge for the period	14
At the end of the period	**255**
Net book value:	
At 31 December 2005	**31**
At 31 December 2004	45

The estimated useful economic life ascribed to goodwill arising on acquisitions is set out in the accounting policy note on page 20.

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	4,613	5,778	33,625	4,829	48,845
Exchange differences	(4)	3	58	7	64
Additions	7	368	3,429	193	3,997
Business disposals (note 3)	(1,095)	(683)	(8,693)	(657)	(11,128)
Disposals	–	(686)	(2,633)	(204)	(3,523)
Reclassification	–	–	(5)	5	–
At the end of the period	**3,521**	**4,780**	**25,781**	**4,173**	**38,255**
Depreciation:					
At the beginning of the period	998	3,862	24,192	3,917	32,969
Exchange differences	(3)	6	59	7	69
Charge for the period	81	865	2,950	384	4,280
Business disposals (note 3)	(348)	(426)	(6,481)	(568)	(7,823)
Disposals	–	(662)	(2,388)	(201)	(3,251)
Reclassification	–	–	(4)	4	–
At the end of the period	**728**	**3,645**	**18,328**	**3,543**	**26,244**
Net book value:					
At 31 December 2005	**2,793**	**1,135**	**7,453**	**630**	**12,011**
At 31 December 2004	3,615	1,916	9,433	912	15,876

Land and buildings at net book value comprises

	31 December 2005 £000	31 December 2004 £000
Freehold	**2,187**	2,803
Long leasehold	**530**	575
Short leasehold	**76**	237
	2,793	3,615

Included within land and buildings is freehold land valued at £1,350,000 *(31 December 2004: £1,527,000)*. 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.

The gross value of land and buildings comprises:

	31 December 2005 £000	31 December 2004 £000
At 1998 value	**2,941**	3,721
At cost	**580**	892
	3,521	4,613

12 Tangible fixed assets *(continued)*

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

	31 December 2005 £000	31 December 2004 £000
Cost	**3,046**	4,138
Aggregate depreciation	**(971)**	(1,246)
	2,075	2,892

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 year *(53 weeks ended 31 December 2004: £304,000)*.

Company	**Subsidiary Undertakings Shares £000**
Cost:	
At the beginning and end of the period	**52,248**
Provisions:	
At the beginning and end of the period	**8,125**
Net book value:	
At 31 December 2005	**44,123**
At 31 December 2004	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 2005 were as follows:

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

13 Fixed asset investments *(continued)*

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.

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 2005 £000**	31 December 2004 £000
Raw materials and consumables	**97**	179
Work in progress	**37**	13
Finished goods	**4,398**	4,750
	4,532	4,942

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

15 Debtors

	Group		**Company**	
	31 December 2005 £000	31 December 2004 (as restated see note 22) £000	**31 December 2005 £000**	31 December 2004 (as restated see note 22) £000
Amounts falling due within one year:				
Trade debtors	**10,874**	12,245	–	–
Amounts owed by Group undertakings	–	–	**5,119**	24,020
Other debtors	**1,208**	582	**479**	437
Deferred tax (note 18)	**772**	838	–	–
Prepayments and accrued income	**1,075**	1,406	**1**	11
	13,929	15,071	**5,599**	24,468

16 Cash at bank and in hand

	Group		**Company**	
	31 December 2005 £000	31 December 2004 £000	**31 December 2005 £000**	31 December 2004 £000
Cash at bank	**9,169**	9,295	**599**	–
Capital reduction trust account	**1,173**	–	**1,173**	–
	10,342	9,295	**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 2005	31 December 2004 (as restated see note 22)	**31 December 2005**	31 December 2004 (as restated see note 22)
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Bank loans and overdrafts	**5,000**	2,490	**5,000**	5,560
Trade creditors	**4,309**	4,487	**–**	–
Amounts owed to Group undertakings	**–**	–	**6,529**	16,859
Corporation tax	**956**	234	**25**	60
Overseas tax	**104**	865	**–**	–
Other taxes and social security	**898**	2,150	**–**	3
Other creditors	**409**	325	**125**	255
Accruals and deferred income	**3,011**	3,027	**135**	169
	14,687	13,578	**11,814**	22,906

	Group		Company	
	31 December 2005	31 December 2004	**31 December 2005**	31 December 2004
	£000	£000	**£000**	£000
Amounts falling due after more than one year:				
Bank loans	**25,000**	9,735	**25,000**	9,000

Excluding Accommodation Hire Limited, which was subject to separate financing arrangements last year, total Group and Company bank loans and overdrafts of £30,000,000 (*31 December 2004: £11,000,000*) are secured by fixed and floating charges on the assets of the Group and by cross guarantees between Group undertakings. There are no unsecured bank loans at either year end.

Last year Accommodation Hire Limited bank loans of £1,225,000 were secured by a fixed and floating charge over the assets of that Company. These loans were included within the business assets sold on the disposal of Accommodation Hire Limited as shown in note 3.

Of both the Group's and Company's bank loans falling due after more than one year, £10,000,000 (*31 December 2004: £2,490,000*) 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 Financial Review on pages 10 to 13. The disclosure excludes short term debtors and creditors. Since the facilities available in respect of Accommodation Hire Limited were subject to separate financing arrangements and were 'ring-fenced', the disclosures set out below segregate Accommodation Hire Limited from the rest of the Group.

17 Creditors *(continued)*

Cash balances comprise deposit accounts amounting to £Nil (*31 December 2004: £477,000*) and the capital reduction trust account of £1,173,000 (*31 December 2004: £Nil*) on which interest is received at an average floating rate of approximately 4.0% per annum, instant access interest bearing accounts of £8,300,000 (*31 December 2004: £7,077,000*) on which interest is accruing at a rate of 4.5% per annum and current account and cash balances of £869,000 (*31 December 2004: £1,741,000*).

The interest rate profile of the Group's financial liabilities as at 31 December 2005 was:

	Floating rate financial liabilities	
	31 December 2005 £000	31 December 2004 £000
Andrews Sykes Group plc – Secured	**30,000**	11,000
Accommodation Hire Limited – Secured	–	1,225
Total	**30,000**	12,225

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

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 2005 was:

	31 December 2005 £000	31 December 2004 £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 2005 and 31 December 2004 was not significant.

18 Provisions for liabilities

Group	**SSAP 24 Pension provision £000**	**Other provisions £000**	**Total £000**
At the beginning of the period as previously reported	531	310	841
Prior year adjustment – release of SSAP 24 pension provision	(531)	–	(531)
At beginning of the period as restated	–	310	310
Profit and loss account	–	360	360
Utilised	–	(201)	(201)
At the end of the period	–	**469**	**469**

The SSAP 24 pension provision has been released following the adoption of FRS 17: Retirement benefits. Details of the FRS 17 provision are given in note 19. Other provisions comprise onerous lease and warranty provisions. The amounts are expected to be utilised within 2 years.

18 Provisions for liabilities *(continued)*

Deferred tax

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% as previously reported	(997)
Prior year adjustment – release of SSAP 24 pension provision	159
At the beginning of the period at 30% as restated (note 15)	**(838)**
Sale of business (note 3)	158
Profit and loss account charge (note 6)	1,115
Deferred tax attributable to pension asset and liability	
adjustments posted to reserves	(252)
Effect of pension payments in excess of actuarial charges	(955)
At the end of the period at 30% (note 15)	**(772)**

The deferred tax asset included within debtors calculated at 30% (*31 December 2004: 30%*) is analysed as follows:

	31 December 2005 £000	31 December 2004 (as restated see note 22) £000
Depreciation in excess of capital allowances	**439**	548
Other timing differences		
– Unremitted overseas earnings	**(269)**	(335)
– Provisions for liabilities and other short term timing differences	**602**	625
	772	838

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	335
Profit and loss account	(109)
At the end of the period	**226**

The liability for deferred taxation provided at 30% (*31 December 2004: 30%*) is analysed as follows:

	31 December 2005 £000	31 December 2004 £000
Unremitted overseas earnings	**269**	335
Other timing differences	**(43)**	–
	226	335

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, to which the majority of UK employees are eligible. The scheme is managed on behalf of the Group by Legal & General. Both the employer and employee contribution rates vary generally based upon the individuals' length of service within the Company. The employer's contribution rates vary from 3% to 10%, the current average being 4.54%. The profit and loss account charge in the current year amounted to £288,000 (*53 weeks ended 31 December 2004: £381,000*).

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 2005 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 to the regular monthly contributions, lump sum payments totalling £3.35 million were also paid into the pension scheme 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.

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 2005	31 December 2004	27 December 2003
Rate of increases in pensionable salaries	N/A	N/A	N/A
Rate of increase in pensions in payment	**2.75%**	2.75%	2.75%
Discount rate applied to scheme liabilities	**5.00%**	5.50%	5.50%
Inflation assumption	**2.75%**	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	**4.30%**	5.00%	5.50%
Cash	**4.10%**	4.00%	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 2005 £000	31 December 2004 £000	27 December 2003 £000
UK equities	**17,080**	15,462	12,905
Bonds	**13,335**	7,399	8,161
Cash	**276**	142	518
Total market value of assets	**30,691**	23,003	21,584
Present value of scheme liabilities	**(37,025)**	(32,518)	(31,130)
Deficit in the scheme – pension liability	**(6,334)**	(9,515)	(9,546)
Related deferred tax asset	**1,900**	2,855	2,864
Net pension liability	**(4,434)**	(6,660)	(6,682)

The movement in the deficit during the period was as follows:

Deficit in the scheme at the beginning of the period	**(9,515)**	(9,546)	(7,462)
Contributions	**4,274**	540	440
Other finance costs	**(253)**	(262)	(214)
Actuarial loss	**(840)**	(247)	(2,310)
Deficit in the scheme at the end of the period	**(6,334)**	(9,515)	(9,546)

Profit and loss account impact

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

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

Expected return on pension scheme assets	**1,513**	1,425
Interest on pension scheme liabilities	**(1,766)**	(1,687)
	(253)	(262)

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 2005 £000	31 December 2004 £000
Actual return less expected return on scheme assets	**2,702**	354
Experience gains and losses arising on scheme liabilities	**(4)**	(601)
Changes in assumptions underlying the present value of scheme liabilities	**(3,538)**	–
Actuarial loss recognised in the statement of total recognised gains and losses	**(840)**	(247)

History of experience gains and losses

	31 December 2005 £000	31 December 2004 £000	27 December 2003 £000	28 December 2002 £000
Difference between the expected and actual return on scheme assets:				
Amount	**2,702**	354	948	(4,330)
Percentage of scheme assets	**8.8%**	1.5%	4.4%	(21.8%)
Experience gains and losses arising on scheme liabilities:				
Amount	**(4)**	(601)	124	465
Percentage of present value of scheme liabilities	**0.0%**	(1.8%)	0.4%	1.7%
Effects to changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:				
Amount	**(3,538)**	–	(3,382)	(831)
Percentage of present value of scheme liabilities	**(9.6%)**	–	10.9%	3.0%
Total amount recognised in statement of total recognised gains and losses				
Amount	**(840)**	(247)	(2,310)	(4,696)
Percentage of present value of scheme liabilities	**(2.3%)**	(0.8%)	(7.4%)	(17.2%)

Overseas pension arrangements

Overseas companies make their own pension arrangements. No additional disclosure is given on the basis of immateriality.

20 Called-up share capital

	31 December 2005 £000	31 December 2004 £000
Authorised		
1,398,170,943 ordinary shares of one pence each	**13,982**	25,000
(*31 December 2004: 125,000,000 ordinary shares of 20 pence each*)		
Allotted, called-up and fully paid		
44,567,865 ordinary shares of one pence each	**446**	11,598
(*31 December 2004: 57,991,003 ordinary shares of 20 pence each*)		

On 14 September 2005 the High Court approved a capital reduction scheme which included the cancellation of 19 pence of the nominal value of each issued ordinary share of 20 pence and the reduction of the nominal value of the shares to one pence.

20 Called-up share capital *(continued)*

On the same date, the High Court ordered that the authorised share capital of the Company be reduced from 125,000,000 ordinary shares of 20p each to 1,398,170,943 ordinary shares of one pence each.

On 26 September 2005, pursuant to a tender offer approved by both the members in an Extraordinary General Meeting and the High Court, the Company purchased for cancellation 13,423,138 of its own ordinary shares of one pence each for £1.775p per share. The total purchase consideration of £23,826,000 plus costs of £342,000 was charged against reserves as set out in note 21.

At 31 December 2005 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	5,000*	November 2001	90.5p	November 2004 to October 2011
	15,000*	November 2001	89.5p	November 2004 to October 2011
	20,000			

* Not subject to performance criteria.

21 Reserves

Group	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	ESOP reserve £000	Total £000
At the beginning of the period as previously reported	10,678	746	7,389	(17,123)	(19)	1,671
Adoption of FRS 17 as at 31 December 2004	–	–	–	(6,288)	–	(6,288)
Liability for 2004 final dividend not declared at 31 December 2004	–	–	–	8,119	–	8,119
At the beginning of the period as restated	10,678	746	7,389	(15,292)	(19)	3,502
Court approved capital reduction	(10,678)	–	(7,309)	29,005	–	11,018
Tender offer – Purchase of own shares	–	–	134	(24,168)	–	(24,034)
Total recognised gains and losses relating to the period	–	–	8	13,579	–	13,587
Dividends paid	–	–	–	(8,119)	–	(8,119)
Sale of shares by the ESOP	–	–	–	(4)	13	9
Transfers	–	(5)	–	5	–	–
At the end of the period	–	741	222	(4,994)	(6)	(4,037)

Other reserves comprise:

	31 December 2005 £000
Capital redemption reserve	134
UAE legal reserve	79
Netherlands capital reserve	9
	222

The share premium and capital redemption reserves were cancelled and transferred to the profit and loss account reserve following approval of the capital reduction proposal by the High Court on 14 September 2005.

21 Reserves *(continued)*

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 2004: £37,206,000).

Company	Share premium account £000	Other reserves £000	Profit and loss account £000	ESOP reserve £000	Total £000
At the beginning of the period as previously reported	10,678	9,520	6,504	(19)	26,683
Debtor for inter group dividends receivable not declared at 31 December 2004	–	–	(10,050)	–	(10,050)
Liability for 2004 final dividend not declared at 31 December 2004	–	–	8,119	–	8,119
At the beginning of the period as restated	10,678	9,520	4,573	(19)	24,752
Court approved capital reduction	(10,678)	(7,309)	29,005	–	11,018
Tender offer – Purchase of own shares	–	134	(24,168)	–	(24,034)
Retained profit for the period	–	–	10,382	–	10,382
Dividends paid	–	–	(8,119)	–	(8,119)
Sale of shares by the ESOP	–	–	(4)	13	9
At the end of the period	–	2,345	11,669	(6)	14,008

Other reserves comprise:

	31 December 2005 £000
Capital redemption reserve	134
Non-distributable dividends received from subsidiaries	2,211
	2,345

The share premium and capital redemption reserves were cancelled and transferred to the profit and loss account reserve following approval of the capital reduction proposal by the High Court on 14 September 2005.

Employee Share Ownership Plan (ESOP) Reserve

The Andrews Sykes Group plc 1998 Employee Share Ownership Plan (ESOP) sold 10,000 shares during the period for net consideration of £9,300. The ESOP did not purchase any shares during the period and the total number of shares held at 31 December 2005 was 5,164 (*31 December 2004: 15,164*). The market value of these shares at 31 December 2005 was £5,990 (*31 December 2004: £31,844*). Dividends on these shares have not been waived. The ongoing costs of the ESOP are borne by the Company.

22 Prior year adjustments

The total of the prior year adjustments arising from the application of FRS 17 – Retirement Benefits and FRS 21 – Events after the Balance Sheet date are analysed as follows:

The opening equity shareholders' funds at 27 December 2003 were restated as follows:

	Equity shareholders' funds	
	Group £000	Company £000
Equity shareholders' funds at 27 December 2003 as previously stated	17,101	40,476
Adoption of FRS 17 as at 27 December 2003	(6,104)	–
Liability for 2003 final dividend not declared at 27 December 2003	1,740	1,740
Asset for inter company dividends not declared at 27 December 2003	–	(9,840)
Total prior period adjustments	(4,364)	(8,100)
Equity shareholders' funds at 27 December 2003 as restated	12,737	32,376

The closing equity shareholders' funds at 31 December 2004 were restated as follows:

	Equity shareholders' funds	
	Group £000	Company £000
Equity shareholders' funds at 31 December 2004 as previously stated	13,269	38,281
Adoption of FRS 17 as at 31 December 2004	(6,288)	–
Liability for 2004 final dividend not declared at 31 December 2004	8,119	8,119
Asset for inter company dividends not declared at 31 December 2004	–	(10,050)
Total prior period adjustments	1,831	(1,931)
Equity shareholders' funds at 31 December 2004 as restated	15,100	36,350

The impact of adopting FRS 17 on the Group's current period profit and loss account is a credit of approximately £30,000. The impact of adopting FRS 21 on the Group's current period reserve movement is a charge of approximately £8.1 million.

The impact of adopting FRS 17 on the Company's current period profit and loss account is £Nil. The impact of adopting FRS 21 on the Company's current period reserve movement is a credit of approximately £1.9 million.

23 Minority interests (equity)

	31 December 2005 £000	31 December 2004 £000
Share of net assets in Group undertaking	**10**	10

24 Capital commitments and guarantees

There were no commitments for capital expenditure for the Group or Company at 31 December 2005 (*31 December 2004: £Nil*).

The Company has guaranteed certain property leases of subsidiary undertakings occupied for the purposes of the Group's trade. At 31 December 2005 the annual commitment under such leases totalled £298,000 (*31 December 2004: £298,000*), all expiring in five years or more.

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

25 Notes to the consolidated cash flow statement

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

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 (as restated see note 22) £000
Operating profit	11,404	7,889
Goodwill amortisation	14	14
Depreciation	4,280	5,489
Profit on sale of tangible fixed assets	(336)	(959)
Decrease in stocks	37	674
Increase in debtors	(591)	(29)
Decrease in creditors and provisions	(4,612)	(1,401)
Net cash inflow from operating activities	10,196	11,677

Net cash inflow from operating activities was reduced by £201,000 (52 weeks ended 31 December 2004: £Nil) in respect of exceptional onerous lease payments. The exceptional profit on disposal of subsidiary undertakings did not impact the operating cash flow.

(ii) Analysis of net debt

	As at 31 December 2005 £000	Cash flow £000	Disposal of subsidiaries excluding cash £000	Other non cash movements £000	As at 31 December 2004 £000
Cash	10,342	1,491	–	33	8,818
Bank deposit– maturity 1 to 7 days	–	(477)	–	–	477
Total cash at bank and in hand	10,342	1,014	–	33	9,295
Debt due in 1 year	(5,000)	6,000	1,225	(9,735)	(2,490)
Debt due after 1 year	(25,000)	(25,000)	–	9,735	(9,735)
Gross debt	(30,000)	(19,000)	1,225	–	(12,225)
Net debt	(19,658)	(17,986)	1,225	33	(2,930)

25 Notes to the consolidated cash flow statement *(continued)*

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

	52 weeks ended 31 December 2005 £000	53 weeks ended 31 December 2004 £000
Increase/(decrease) in cash in the period	**1,491**	(2,064)
Cash (inflow)/outflow from movement in debt and lease financing	**(19,000)**	3,749
Cash (inflow)/outflow from movement in liquid resources	**(477)**	1
Change in net debt resulting from cash flows	**(17,986)**	1,686
Debt disposed of with subsidiary undertaking	**1,225**	–
Translation differences	**33**	107
Movement in period	**(16,728)**	1,793
Opening net debt	**(2,930)**	(4,723)
Closing net debt	**(19,658)**	(2,930)

26 Other financial commitments

At 31 December 2005 the Group had annual commitments under non-cancellable operating leases as follows:

	31 December 2005		31 December 2004	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Expiring within one year	**142**	**27**	150	34
Expiring between two and five years inclusive	**206**	**35**	236	48
Expiring in five years or more	**479**	–	675	–
	827	**62**	1,061	82

Commitments for the Company are not significant.

27 Ultimate parent company

As at 26 April 2006 EOI SYKES Sarl, which is incorporated in Luxembourg, held 81.62% of the Company's ordinary share capital and is therefore the immediate parent company. The ultimate holding company is British Security Group Limited, a company incorporated in Bermuda. The ultimate controlling party is Mr J G Murray.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR ATTENTION

If you are in any doubt as to the action to be taken you should consult your Stockbroker, Solicitor, Accountant, or other professional advisor duly authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or transferred your holdings of one pence Ordinary Shares in Andrews Sykes Group plc, please pass this document to the Stockbroker, Bank or other agent through whom the sale was effected for transmission to the Purchaser or Transferee.

Notice is hereby given that the eighty third Annual General Meeting of Andrews Sykes Group plc will be held at Floor 5, Number 10, Bruton Street, London, W1J 6PX on 7 June 2006 at 10.30 am for the following purposes:

As ordinary business:

Ordinary resolutions

1 That the financial statements for the 52 weeks ended 31 December 2005 together with the report of the directors and of the auditors, be and they are hereby received and adopted.

2 The following directors who retire by rotation and offer themselves for re-election be and they are hereby re-elected:

(a) J C Pillois

(b) A A Bourne

Details of directors are set out on page 14 of the financial statements.

3 That Mr J J Murray, who was appointed as a director by the Board on 25 January 2006, retires in accordance with the articles of association and offers himself for re-election, be and is hereby re-elected.

4 That Deloitte & Touche LLP be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company at a remuneration to be fixed by the directors.

As special business:

Ordinary resolutions

5 That the directors, in substitution for all authorities previously conferred upon them (save to the extent that such authorities shall have been exercised) be and they are hereby authorised generally and unconditionally for the purposes of Section 80 of the Companies Act 1985 to allot or grant options over relevant securities (as therein defined) up to a maximum aggregate nominal amount of £66,851 such authority to expire at the end of the next Annual General Meeting of the Company save where the directors exercise such authority pursuant to an offer or agreement made prior to the date of such meeting.

6 That the general authority given by the Company to make market purchases (as defined by the Companies Act 1985 Section 163 (3)) of Ordinary Shares of one pence each in its capital, passed by the Company in general meeting on 29 May 1996 and last renewed on 8 June 2005 be, and it is hereby renewed, subject as follows:

6.1 the maximum number of shares which may be so acquired is 5,570,983 Ordinary Shares of one pence each;

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

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

6.4 the authority conferred by this resolution shall expire on 7 December 2007 or the date of the Annual General Meeting for the period ending 30 December 2006, whichever is the earlier.

Special resolution

7 That subject to the passing of resolution numbered 5 above the directors be and they are hereby generally and unconditionally authorised to allot equity securities (defined in Section 94(2) of the Companies Act 1985) pursuant to the authority conferred by the resolution numbered 5 above as if Section 89(1) of the said Act did not apply to any such allotment of equity securities and so that references to allotment in this resolution shall be construed in accordance with Section 94(3) of the said Act and the power hereby conferred shall enable the Company to make an offer or agreement before the expiry of this authority which would or might require equity securities to be allotted after the expiry of such authority provided that the authority hereby conferred shall be limited (a) to the allotment of equity securities in connection with a rights issue in favour of the holders of equity securities in proportion to their respective holdings of such securities or (as the case may be) in accordance with the rights attached hereto, but subject to such exclusions or arrangements as the directors shall deem necessary in relation to fractional entitlements or pursuant to the laws of any territory or requirements of any regulatory body or any Stock Exchange in any territory, and (b) the allotment (otherwise than pursuant to (a) of this provision) of equity securities up to an aggregate nominal amount of £66,851; this authority to expire at the end of the next Annual General Meeting of the Company save to the extent that the directors exercise such authority pursuant to an offer or agreement made prior to the date of such meeting.

Recommendation

Your Directors unanimously recommend the Ordinary Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting of the Company as they intend to do in respect of their own beneficial holdings amounting to 38,587,636 Ordinary Shares representing approximately 86.58% of the current Ordinary Shares. You are referred to the Chairman's statement, Financial review and Directors' report for an explanation for each resolution. In respect of resolution number 6 it is intended that any share purchases by the Company will only be made on the London Stock Exchange. This should not be taken to imply that Shares will be purchased. The Directors believe it is in the best interests of all the Shareholders that the Company should have the flexibility to make market purchases of its own Shares. The effect of such purchases will be to reduce the number of Shares in issue and the Directors would accordingly only make such purchases after considering the effect on earnings per share and the benefit for Shareholders.

By order of the board

M J Calderbank ACA
Company Secretary

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

26 April 2006.

Notes

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

2. (a) A member is entitled to appoint a proxy to attend and, on a poll, to vote on his or her behalf. A proxy need not be a member of the Company.
   (b) The appointment of the proxy does not preclude a member from attending the meeting and voting in person if he or she so wishes.
   (c) A Form of Proxy is enclosed for use by ordinary shareholders in relation to the meeting, which, to be effective, must be completed and deposited with the Company's registrars, LLoyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL at least 48 hours before the time appointed for holding the meeting.
   (d) To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast) members must be entered on the register of members of the Company by 6 pm on 5th June 2006. Changes to entries on the register of members after 6 pm on 5th June 2006, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Five Year History

	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	52 weeks ended 29 December 2001 £000
Turnover	**55,088**	62,680	68,252	70,544	84,184
Operating profit					
Operating profit (excluding exceptionals and goodwill charges)	**11,418**	12,775	14,729	12,329	13,399
Exceptional administration expenses	–	(4,872)	–	–	–
Goodwill amortisation and impairment	**(14)**	(14)	(14)	(55)	(44)
	11,404	7,889	14,715	12,274	13,355
Exceptional profit/(loss) on the disposal of businesses	**6,404**	(305)	598	–	–
Income from other participating interests	–	304	–	–	–
Profit on the disposal of property	–	–	–	–	336
Profit before interest	**17,808**	7,888	15,313	12,274	13,691
Interest	**(738)**	(718)	(684)	(308)	(1,439)
Profit before taxation	**17,070**	7,170	14,629	11,966	12,252
Taxation	**(2,943)**	(2,236)	(4,634)	(3,790)	(3,914)
Profit for the financial period	**14,127**	4,934	9,995	8,176	8,338
Dividends paid during the year	**(8,119)**	(2,320)	–	–	–
Total net debt	**(19,658)**	(2,930)	(4,723)	(9,751)	(9,529)
Basic earnings per share from continuing operations*	**15.24p**	8.13p	14.56p	10.35p	11.13p
Ordinary dividend per share paid in the year	**14.0p**	4.0p	–	–	–

*Defined as continuing operations as at 31 December 2005.

**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. The figures for the 52 weeks ended 29 December 2001 have not been restated for FRS 17 as the information is not readily available.

Andrews Heat4Hire

Andrews Air Conditioning

Sykes Pumps

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