ANDREWS SYKES GROUP PLC

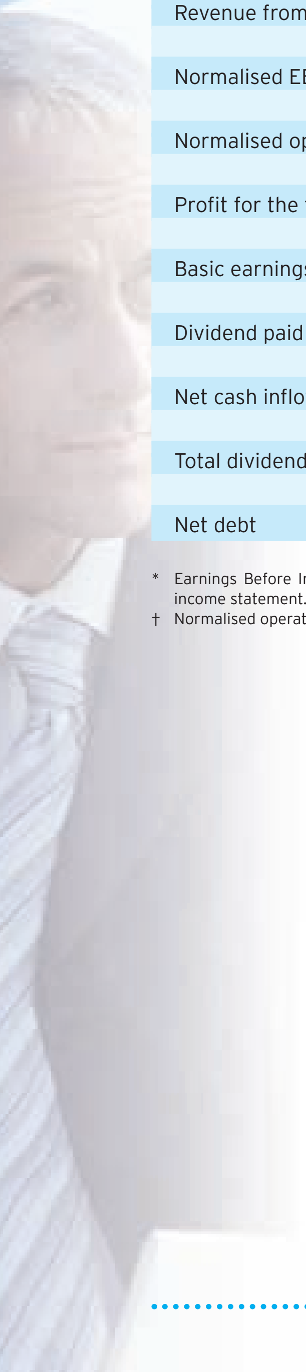
ANNUAL REPORT AND FINANCIAL STATEMENTS 2009

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

A THRIVING BUSINESS IN A DYNAMIC SECTOR

CONTENTS

SUMMARY OF RESULTS



	12 MONTHS ENDED 31 DECEMBER 2009 £'000	12 MONTHS ENDED 31 DECEMBER 2008 £'000
Revenue from continuing operations	**54,358**	67,394
Normalised EBITDA* from continuing operations	**17,368**	22,002
Normalised operating profit†	**12,937**	17,924
Profit for the financial period	**11,643**	11,056
Basic earnings per share from total operations	**26.30p**	24.85p
Dividend paid per equity share	**–**	33.60p
Net cash inflow from operating activities	**14,334**	10,589
Total dividends paid	**–**	14,970
Net debt	**2,808**	16,928

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

† Normalised operating profit, being operating profit before non-recurring costs as reconciled on the consolidated income statement.

CHAIRMAN'S STATEMENT

OVERVIEW AND FINANCIAL HIGHLIGHTS

Despite the worldwide economic downturn, I report that the group achieved a normalised operating profit* of £12.9 million for 2009 which is £5 million lower than 2008. It should be remembered that last year was a record for our group and the current year's performance is broadly comparable with the results achieved in 2007 during positive yearly economic growth.

Although trading conditions have been difficult, we have reduced net debt significantly from £16.9 million at the end of last year to £2.8 million at 31 December 2009.

Ongoing cost control, cash and working capital management have been priorities for this year. Group stock levels have been reduced by £3.1 million, capital expenditure has been carefully controlled; hire fleet asset utilisation, the fleets' condition and availability have all been maximised.

Cost control has been achieved mainly though efficiency savings without any adverse impact on the operational structure of the business. Although some redundancies were necessary no depots have been closed and our customer service level has been maintained. The group remains in a strong position ready to take advantage of any business opportunities whenever they arise.

OPERATING PERFORMANCE

The performance of our main hire and sales business in the UK and Northern Europe was adversely affected by the economic recession. The effect was mitigated by the development of niche markets together with continuing investment in our traditional businesses, this strategy will continue to be followed.

Our Middle East hire and sales business had another record operating profit following on from the previous record made in 2008 despite the economic downturn in the second half of 2009. At the moment the economic conditions remain difficult in the Middle East and consequently it is unlikely that we will be able to maintain the 2009 level of profitability in 2010. During the year credit control was strengthened by the appointment of an additional employee and customer repayment agreements have been entered into to facilitate the repayment of old debt.

The UK based air conditioning installation business had a better year turning an operating loss of £0.1 million into a profit of a similar amount. Management have reduced costs, streamlined the business and are looking forward to further improvements in 2010.

A more detailed review of this year's operating performance is given in the Operations Review within the Directors' Report.

PROFIT FOR THE FINANCIAL YEAR AND EARNINGS PER SHARE

Despite the above decline in normalised operating profit, the net profit after tax for the financial period has increased by £0.5 million to £11.6 million, a new record for our group. This is due to the following factors:

	£m
Profit for the 2008 financial period	11.1
Less:	
Decrease in normalised operating profit	(5.0)
Decrease in profit on sale of property	(0.3)
Add:	
Dividends received from other participating interests	1.0
Reduction in net finance costs	2.2
Reduction in charge for taxation	2.6
Profit for the 2009 financial period	**11.6**

Dividends received from other participating interests represents the receipt of three years of dividends from Oasis Sykes, our operation based in the Middle East.

The reduction in the net finance costs reflects both a significant reduction in net debt and a decrease in the average effective interest rate charge in the year.

The significant reduction in the tax charge is mainly due to the enactment of the 2009 Finance Act on 8 July 2009 following which the group no longer has to pay corporation tax on most dividends received from its overseas operating subsidiaries. This has resulted in both the release of a deferred tax reserve brought forward and no tax being payable on the current year's profits.

* Operating profit before non-recurring items as reconciled on the Consolidated Income Statement

The basic earnings per share has increased by 5.8% from 24.85 pence to 26.30 pence this year.

A more detailed review of the above factors is given in the Operations and Finance Review within the Directors' Report.

NET DEBT

Net debt has been reduced from £16.9 million at 1 January 2009 to £2.8 million by the period end. The movement can be reconciled as follows:

	£m
Opening net debt	16.9
Less:	
Cash inflow from operating activities	(14.3)
Sale of property	(0.4)
Dividends received from other participating interests	(1.0)
Add:	
Capital expenditure net of plant and equipment disposal proceeds	0.8
Other factors	0.8
Net debt as at 31 December 2009	**2.8**

This reflects the strong cash generating ability of the group.

SHARE BUYBACK PROGRAMME

The board continues to believe that shareholder value will be optimised by the purchase, where appropriate, of our own shares. Although no shares were purchased during the year under review, in previous periods shares were purchased for cancellation and these purchases enhanced earnings per share. At the forthcoming Annual General Meeting, 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.

OUTLOOK

The group's continuing strategy of investing in its traditional core products and services, the increase in non-seasonal business and investment in new technically advanced and environmentally friendly products proved to be beneficial in 2009 and will therefore be continued into 2010.

The group continues to face a difficult operating environment in all of its geographical markets, particularly the Middle East, and therefore 2010 will be challenging. Nevertheless the business is strong, the infrastructure remains fully in place with a hire fleet that has been well maintained and is in excellent condition. The board is therefore optimistic for further success in 2010.

J G Murray
Chairman

5 May 2010

DIRECTORS' REPORT

OPERATIONS REVIEW

UK AND NORTHERN EUROPE HIRE AND SALES BUSINESS

ANDREWS SYKES HIRE LTD

Our main UK trading subsidiary Andrews Sykes Hire experienced a challenging year, the major factor was the drop in construction activity across the country, with many new contracts suspended and several projects cancelled, the construction industry was badly affected by the poor UK economy. The climatic conditions throughout the year also had an adverse affect on the results, the dry weather throughout the spring and early summer reduced demand for pumping equipment, whilst the poor summer weather did little to stimulate demand for air conditioning equipment. However despite these difficult trading conditions the business continued to produce strong operating profits, although the results were below the previous year, which was a record performance, a satisfactory level of profit was achieved. During recent years we have worked hard to reduce our reliance on the construction sector by focusing on more stable industries, this strategy certainly supported the 2009 performance and enabled the company to report results that are much better than many of our competitors in the UK hire industry.

ANDREWS HEAT FOR HIRE

A cold period in January and February helped to produce a good start to the year, but by March the temperatures were very mild and this coupled with the slow down in the construction market, made trading conditions very difficult. Despite these difficulties the business continued to develop less weather driven applications and invest in new hire fleet equipment. The investments remain focused on new modern designs based on reduced emissions and improved fuel efficiency.

As the business entered 2010, the very cold weather conditions produced high levels of demand, which have in turn provided good trading conditions. Throughout 2009 we ensured that our hire fleet was well maintained and ready for action when demand increased, we have also extended our internal sales resource. These factors helped us to optimise the opportunity that the cold weather provided early in 2010 and enabled the business to produce a good start the year.

SYKES PUMPS

After a good start in the first quarter, a combination of the downturn in construction and the dry weather made trading conditions difficult throughout the remainder of the year. Although the overall pump hire performance for 2009 was disappointing a number of successes can be reported which provide an optimistic outlook for future trading.

During the year a number of our major accounts extended their contracts with us, this should provide a steady stream of revenue during the next 12 months. Internally we have strengthened and improved our sales team, this has enabled us to provide bespoke service levels to many of our major customers, this has been well received. Early in 2010 a number of these accounts are now planning increased levels of expenditure, which will provide significant increases in revenue for our pumping division. New marketing initiatives, combined with expected market improvements suggest that trading conditions for 2010 will be better, an increase in rainfall and a slow recovery from the construction sector will also assist and allows us to be optimistic for growth.

ANDREWS AIR CONDITIONING

We have continued to make progress with our specialist air conditioning products, these tend to be less weather related and used for IT, communications and other equipment cooling applications. Revenue from these sectors remains positive. To support this market we have designed and launched new improved products in 2009, which lead the market in many ways. Coupled with our 24/7 service, we have developed a unique offering for both planned and emergency applications.

Conversely the weather driven requirements for the small portable air conditioning hire units was poor. The summer was very mild and one of the worst on record for peak temperatures, it started late and finished early. We expect 2010 to provide much better trading conditions for air conditioning products, our website continues to improve with new functionality which now includes full on-line purchasing facility for our smaller units. The traffic and conversion from our website continues to improve.

During 2009 we have increased the focus on our drying and dehumidification products. This includes a new section on our website, increased marketing activity, new appointments and specialist training. This additional focus has already started to produce results in specialist applications, these tend to be longer term hire agreements and more attractive than the short-term construction type applications.

Once again the developments that have been made internally and an expectation for an improvement in market conditions allows us to be optimistic for progress in 2010.

ANDREWS CHILLERS

The results from our chiller hire business, was very similar in many ways to the air conditioning hire business. The more specialist units performed well with new applications and long-term hires. Our sales team continued to develop and improve throughout the year, this supports our long-term plans to offer highly technical solutions for temperature critical environments. To support these advances further investments were made to our hire fleet.

Similar to our air conditioning hire, the summer weather driven comfort-cooling demand was poor; this led to low utilisation for the small chillers and disappointing levels of revenue. With more investment planned for 2010 and our specialist sales team continuing to mature, we are optimistic for a good performance in 2010; this has been supported by a good start in the first quarter.

DIRECTORS' REPORT

OPERATIONS REVIEW (CONTINUED)

ANDREWS BOILERS

The boiler hire division produced a good result in 2009, continuing the year on year growth in recent years. The applications are very wide, from domestic heating to highly technical process applications. Further investments were made at both the start and the end of 2009 to grow our hire fleet and meet demand, utilisation remained high throughout the year and well into 2010. Our fleet remains the most modern in the UK and continues to develop in terms of range and design. With further development and investment planned for 2010 we expect to continue with the success of this division.

QUALITY AND ENVIRONMENTAL

Andrews Sykes has ISO9001 quality accreditation at all of its UK hire depots as well as the head office location, we take our quality standards seriously and carry out regular internal quality audits within our own qualified staff in addition to external auditors.

Following the ISO14001 accreditation in 2007 the company has continued with its commitment to improving environmental issues across the business, this includes regular environmental audits at our locations and ongoing product developments based on efficiency and environmental improvements.

HEALTH AND SAFETY

The company has continued with its commitment to an ongoing Health and Safety improvement programme, this provides our staff with a safe environment in which to work and provides our customers with safe products and solutions that have been risk assessed. This initiative is further enhanced with regular internal audits by our own fully qualified health and safety managers, along with training, induction and awareness programmes for all members of staff.

OUR DEPOTS

We are proud to report that no depot closures were necessary and continue with the same number of depots, this provides our customers with a local service nationwide. During the year we continued to upgrade our depot facilities with a number of major refurbishments completed.

OUR PEOPLE

During the year the company continued with its policy of training and development for all employees. By improving the skills of our staff the company aims to continue with the high level of staff retention we have currently and provide clear internal promotion opportunities. This has already benefited the business with a number of internal promotions in 2009. The business now runs a regular personal development reviews for all members of staff, where training and development plans are made for each individual. Formal two-way communications with staff has been improved during the year with more improvements planned for 2010.

TECHNOLOGY

During 2009 our new wide area network and telephony system was completed with significant operational advantages and reduced running costs this investment is now having an impact on the business with desk to desk direct communications internally across all depot locations. Further IT upgrades are now confirmed in 2010 that include server upgrades and call handling systems.

SUMMARY

Andrews Sykes Hire has continued to concentrate on its core product range of pumping, heating and cooling equipment, whilst focusing on markets that are less reliant on climatic conditions, but still be able to take advantage of any extremes of weather conditions whenever they arise. Through careful cost control and efficiency improvements the company has once again provided the group with a satisfactory profit contribution during a very challenging year in which both the economy and weather conditions were not favourable. Our hire fleet investment will continue to focus on modern products that have increased efficiency, environmental advantages and new technological developments. At the same time the business will also continue to carefully control its cost base to ensure that satisfactory levels of profits can continue to be achieved despite the difficult economic conditions that the UK is experiencing and without total reliance on severe weather conditions.

ANDREWS SYKES BV

Andrews Sykes BV is our long established hire business based in the Netherlands, having been established over 30 years ago the business now has three depots operating close to Rotterdam, Amsterdam and Eindhoven. This subsidiary operates in very close co-operation with the UK business and continues to prosper from this strong alliance. Hire fleet equipment is almost identical between the businesses, this allows the subsidiaries to rehire from each other and share new stock. The economy and weather conditions in Holland was very similar to the UK, after a good start to the year the downturn in construction activity coupled with the poor summer weather conditions, made the second half very challenging for this operation. Despite these market conditions the subsidiary produced a satisfactory profit result once again, whilst continuing to develop into new markets. Careful cost control and cash focus enabled this subsidiary to reduce debtors and reduce stocks during the year, therefore making significant cash contributions to the group. The business is focused on growing market share and has made good progress in establishing longer term hire agreements with a number of major accounts. The early part of 2010 has provided good trading opportunities for the business, with the very cold weather stimulating high demand for heating products. Although the construction sector does not show any major improvement this subsidiary continues to produce acceptable levels of profits and develops new markets.

ANDREWS SYKES BVBA

Having been established in 2007 this subsidiary continued to make good progress in 2009. Based in Brussels the business is supported by the Dutch subsidiary. This strong alliance has enabled the business to grow quickly over the past two years with substantial year on year revenue increases and is now making a positive contribution to the group results. The operation has become more self-sufficient over the past year and is now a major player in the local market. Trading in dual language the business now has its own website and literature for the Belgian market, the marketing and sales activities have improved significantly since the appointment of a new General manager during the year. During 2009 we have increased the number of staff and vehicles, the local hire fleet has grown substantially with a combination of new investment and fleet transfers from the UK and Holland. Further progress is planned for the subsidiary in 2010.

DIRECTORS' REPORT

OPERATIONS REVIEW (CONTINUED)

MIDDLE EAST HIRE AND SALES BUSINESS

خانصاحب سايكس
Khansaheb Sykes

Khansaheb Sykes is our long established dewatering and pump hire business, which is based in the UAE with locations in Sharjah, Dubai and Abu Dhabi. This subsidiary produced another record performance in 2009 following on from the previous record set in 2008. Market conditions changed dramatically during the year, at the start the economy and construction industry was booming, but by the end of the year the market was very different in Dubai, with many major projects being postponed or cancelled as funding ran out. Abu Dhabi has been less affected by the change in economy and we have seen more work coming from this Emirate as Dubai decreased. To assist this opportunity a new manager was appointed to develop our Abu Dhabi depot further, this was an internal transfer by a manager from our UK business. Another new appointment was a specialist dewatering contracts manager who also joined the business after many years experience in the UK and overseas. Further investment was made with the UAE hire fleet during the year, this included some high head pumps and some high flow pumps, these allow us to diverse into other pump hire applications away from dewatering and into sectors such as oil, process, water and waste. This reduces the reliance on the construction industry during uncertain times, high utilisation for these new products during the year has allowed us to continue this line of investment into 2010. The business also added a number of generators to the hire fleet this allow us to offer full turnkey packages for our submersible pumps range, utilisation has also been very high for these new additions. The Khansaheb Sykes subsidiary also sells and hires pumping equipment to a number of other Middle East markets via long established agents and distributors. The revenue to these other territories increased significantly during 2009 and we hope to grow these further in 2010 with the addition of a new business development role for the Middle East and North Africa. Despite the many successes that this business had in 2009 the UAE market continues to suffer from uncertainty and will provide tough market conditions in 2010.

UK INSTALLATIONS BUSINESS

ANDREWS
AIR CONDITIONING & REFRIGERATION

Andrews air conditioning and refrigeration is our fixed air conditioning service, maintenance and installation business. This subsidiary provides a specialist service to our customers who have permanently installed air conditioning systems. Despite the difficult economy and poor summer weather conditions this business made significant progress in 2009. After reporting an operating loss in 2008, the business was reshaped and produced a profit in 2009. The appointment of a new Divisional director early in the year, drove through a number of operational changes; these included cost reductions and efficiency improvements. The business split continues to move towards service work and is now less reliant on new installation work, service work is less weather driven and is easier to plan than the installation contracts, it also provides longevity as units require servicing for their entire working life. Recently new service management skills were added to the business which helps meet the demand created by the improvements made to our website, internal and external sales activity during 2009. With the business in good shape and the opportunities offered by refrigerant gas legislation, we are optimistic for further growth in 2010.

SUMMARY

2009 proved to be a challenging year for many parts of the Andrews Sykes Group. The downturn in world economy affected the construction industry much more severely than other sectors, despite our continual development in other sectors such a scale of decline in construction will always make a significant impact on our trading results. The UK and European businesses started to feel the impact early in the year and by then by the half year stage the economy in the Middle East followed.

Weather conditions were also unfavourable to our hire businesses with a dry mild spring followed by a summer that had very few days with high temperatures.

Despite the difficult economy and market conditions, the Andrews Sykes Group was able to report a number of successes once again and produced a very respectable level of profit considering. Careful cash control enabled the group to reduce their debt significantly during the year from £16.9 million to £2.8 million.

The business remains strong and the experience of our management team coupled with strong development plans allow us to be optimistic for more success for the UK and Europe throughout 2010, whilst the Middle East continues to be challenging.

Andrews Sykes continues to demonstrate its ability to provide good results without the reliance on extreme weather conditions. The group will continue to invest in new equipment, which will enable us to continue our strategy for organic growth primarily in the UK, Europe and the Middle East. The business will continue to develop new sales channels and propositions that will enable the group to take advantage of favourable market conditions and opportunities as they arise. At the same time the group will continue to carefully control its cost base to ensure that satisfactory levels of profits can be achieved even during difficult market conditions.

DIRECTORS' REPORT

FINANCIAL REVIEW

KEY PERFORMANCE INDICATORS (KPIs)

The KPIs are as follows:

	12 MONTHS ENDED 31 December 2009	12 MONTHS ENDED 31 December 2008
Average revenue per employee	**£112,500**	£136,000
Operating cash flow(1) as a percentage of operating assets(1) employed	**82.0%**	63.6%
Operating profit divided by net interest charge(2)	**10.5**	10.2
Net debt to equity percentage	**13.1%**	137.7%
Basic EPS from continuing operations (pence)	**26.30p**	24.85p

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

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

(2) Net interest charge per the income statement excluding exchange gains and losses on inter-company loans

The average revenue per employee and the operating cash flow as a percentage of operating assets employed are indicative ratios used to monitor the revenue generation of the group relative to its fixed resources. Despite a redundancy programme being initiated in the middle of 2009, the average revenue per employee fell due to the significant decline in revenue. However, operating cash flow as a percentage of operating assets improved significantly demonstrating both strong working capital management and improved levels of asset utilisation.

Operating profit divided by the net interest charge demonstrates the ability of the group to cover its external financing charges. The high ratios achieved in both periods indicate that the group is well able to service its external debt which is crucial in the current economic environment. The net debt to equity percentage is indicative of the group's strength and capacity for taking on additional finance.

The basic earnings per share (EPS) is the traditional ratio used by the group to monitor its performance relative to its equity base. This, in the long-term, ultimately drives the share price and gives a good indication of how well the directors are promoting the success of the company for the benefit of the members as a whole.

NORMALISED OPERATING PROFIT

The consolidated normalised operating profit (operating profit excluding non-recurring items as reconciled on the face of the income statement) was £12.9 million for the period under review, a decrease of £5 million compared with our record year in 2008. More details of this result are given in the operations review but it reflects the combined effects of the worldwide economic downturn and less than favourable weather conditions in Northern Europe. Consequently, turnover decreased by £13.0 million, or 19.3%, compared with last year and this, combined with the level of fixed costs, was the main reason for the 27.8% decrease in normalised operating profit. Nevertheless, this is still a satisfactory performance comparable with the results achieved in 2007. This demonstrates the underlying strength and diversification of our business which, thanks to our combined strategies of developing our less weather dependent niche market activities and ongoing cost control, has the ability to generate a satisfactory level of operating profit despite adverse external influences.

NON-RECURRING ITEMS
PROFIT ON THE SALE OF PROPERTY

Following the property relocations reported in the 2008 Financial Review, one of the remaining two vacant freehold premises, the Wolverhampton Hire Centre, was sold during the year generating a net profit of £273,000. This has been disclosed as a non-recurring item on the face of the income statement. The remaining surplus freehold property has a carrying value of £238,000 and it is included within assets held for sale as at 31 December 2009 as set out in note 22 to the financial statements. This property was sold after the end of the year for gross proceeds, before expenses, of £400,000 and the resulting profit will be reported in next year's financial statements.

INCOME FROM OTHER PARTICIPATING INTERESTS

During the current year the group received dividends totalling nearly £1 million, before £0.3 million withholding tax, from Oasis Sykes, our operation based in Saudi Arabia. This represents total dividends due for the three years ended 31 December 2008, the 2005 dividend being received in 2007. Dividend income continues to be accounted for on a received basis as the group is unable to exercise significant influence over Oasis Sykes.

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)

NET INTEREST CHARGE

The net interest charge for the current period is £899,000 compared with £3,106,000 in 2008. This can be analysed as follows:

	12 MONTHS ENDED 31 December 2009 £'000	12 MONTHS ENDED 31 December 2008 £'000
Interest charge on bank loans and overdrafts	**1,230**	2,140
Finance lease interest charge	**83**	94
Interest receivable	**(193)**	(673)
Fair value (gains) and losses on interest rate caps	**(53)**	83
Foreign exchange (gains) and losses on inter-company loans	**(360)**	1,300
Net IAS 19 pension interest charge	**192**	162
Total net interest charge	**899**	3,106

The decrease in the interest charge on bank loans and overdrafts reflects (i) a reduction of £5 million in the external bank loans in April 2009 from £34 million to £29 million and (ii) a decrease in the weighted average interest rate from 6.70% last year to 3.25% in the current period. The decline in interest receivable reflects a fall in the rate of interest received on deposit accounts from approximately 5% last year to an average of less than 1% in the current period.

The group's strategy is still to hold interest rate caps, currently in the range 5.5% to 6.5%, to limit the group's exposure to any significant increases in LIBOR. Further details of the interest rate caps held at the year end are given in note 29 to the consolidated financial statements.

Following the significant foreign exchange loss on inter-company loans last year that was due to the weakening of Sterling against both the UAE Dirham and the Euro, there was a relatively modest gain this year as Sterling recovered some of its previous losses.

The net IAS 19 pension interest charge has been calculated by the group's actuary based on the assumptions as set out in note 28 to the financial statements.

TAX ON PROFIT ON ORDINARY ACTIVITIES

The group's overall effective tax rate is 12.4% which is significantly below the standard effective tax rate in the UK for the current year of 28.0%. A summary of the factors giving rise to this reduction is given in the table below:

	£m
Profit before taxation	13.3
Theoretical tax charge at the UK effective tax rate of 28%	3.7
Release of deferred tax provision following the enactment of FA 2009	(1.2)
Effects of different tax rates of subsidiaries operating abroad	(0.9)
Total tax charge for the financial period	**1.6**

The 2009 Finance Act that was substantially enacted on 8 July 2009 exempted from corporation tax, on a prospective basis, most dividends declared by overseas subsidiaries and received in the UK. As a result of this change in tax legislation, a deferred tax provision of £1.2 million held at 31 December 2008 in respect of unremitted earnings from overseas undertakings has been released to the income statement in the current year.

The effect of the above Finance Act on profits earned in the current year is to reduce the tax charge by a further £0.9 million. Ignoring the one off benefit of the release of the brought forward £1.2 million deferred tax provision, the overall tax rate for 2009 is 21.6%.

A detailed reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by 28.0% and the actual current tax charge is given in note 11 to the consolidated financial statements.

EARNINGS PER SHARE

Despite the reduction in normalised operating profit compared with our record year in 2008, the basic EPS actually improved by 5.8% to 26.3 pence. This reflects (i) gross income from participating interests of nearly £1 million; (ii) a significant reduction in our net costs of finance; and (iii) a reduction in the group's effective tax rate. More details of each of these factors is given above.

Based on the year end mid-market share price of 97 pence, this gives an exceptionally low P/E ratio of 3.7.

CASH FLOW FROM OPERATING ACTIVITIES

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

	12 MONTHS ENDED 31 December 2009 £m	12 MONTHS ENDED 31 December 2008 £m
Operating profit	**13.2**	18.5
Profit on the sale of property	**(0.3)**	(0.6)
Depreciation and profit on the sale of plant and equipment	**4.4**	4.1
Normalised EBITDA*	**17.3**	22.0
Normal defined benefit pension scheme contributions	**(1.5)**	(1.5)
Special one off defined benefit pension scheme contribution	**–**	(1.7)
Interest paid	**(1.6)**	(2.5)
Tax paid	**(2.1)**	(2.5)
Net working capital movements	**2.2**	(3.2)
Net cash inflow from operating activities	**14.3**	10.6

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

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)

The group continues to generate strong operating cash flows.

As well as cost control, management of working capital has been a priority this year. The year-end stock balance has been reduced by £3.1 million compared with that held at 31 December 2008 without any adverse impact on the business operation. Collecting cash from our customers has proven to be a challenge this year, particularly in the Middle East, due to the economic recession.

Overall, however, the quality of our debt remains good. The average outstanding debtor days for our current unimpaired trade debtors at 31 December 2009 was 45 days compared with 40 days at the end of 2008.

During both the current and previous periods the group made a significant level of regular payments to the defined benefit pension scheme and these are discussed in more detail on pages 16 and 17.

NET DEBT

The group's net debt decreased from £16.9 million at 1 January 2009 to £2.8 million by the period end. The movement can be reconciled as follows:

	£m
Opening net debt	16.9
Significant inflows:	
Cash inflow from operating activities	(14.3)
Sale of property, plant and equipment	(1.3)
Dividends received from participating interests	(1.0)
Other factors	(0.2)
Significant outflows:	
Capital expenditure	1.7
Effect of foreign exchange rate changes	1.0
Closing net debt	**2.8**
Comprises:	
Bank loans	29.0
Finance lease obligations	0.9
Derivative financial instruments – Interest rate caps	0.1
Other financial assets – cash held on bank deposit	(9.0)
Cash at bank	(18.2)
Total net debt	**2.8**

The bank loan repayment profile is set out in note 25 to the financial statements. Interest is charged based on LIBOR plus a margin of between 0.65% and 1.25%.

Although the level of capital expenditure is relatively modest at £1.7 million this year compared with £4.1 million in the previous year, this has not had a detrimental impact on the business. During the economic recession cash management has been a priority and capital expenditure has been carefully controlled. Cutbacks have been made in non-essential areas, for example company vehicles, and hire fleet maintenance and utilisation have been prioritised. Capital expenditure has, however, been made when required. Items held in December 2008 stock totalling £1.2 million being capitalised this year in addition to the £1.7 million of cash purchases noted above.

RISK MANAGEMENT

The group's principal risks are as follows:

GOING CONCERN

The board remains satisfied with the group's funding and liquidity position. The group has external bank loans of £29 million and has operated both throughout the period under review and subsequently within its financial covenants. Consequently, the loans have been analysed between current and non-current liabilities in accordance with the agreed repayment profile.

Last year, primarily due to the extremely good performance of our business in the UAE, the group did breach the guarantor group covenant which specified that 80% of turnover and operating profit must be generated by the guarantor group, which excluded these operations. During the current year management have renegotiated the bank covenants and the guarantor group covenant has been removed. However, as additional security, our bank required the group to place £9 million in a ring fenced deposit account and this has been disclosed in other financial assets on the face of the consolidated balance sheet and in note 18 to the consolidated financial statements. On 30 April 2010, in accordance with the bank agreement, £6 million was withdrawn from the deposit account and used to finance the normal annual bank loan repayment of the same amount due on the same day. The remaining balance of £3 million can be used to partly finance the next normal bank loan repayment of £6 million due in April 2011.

In addition to the above loan and bank deposit account, the group has substantial cash resources which at 31 December 2009 amounted to £18.2 million. Profit and cash flow projections for 2010 and the first half of 2011, which have been prepared on a conservative basis taking into account reasonably possible changes in trading performance, indicate that the group will be profitable and generate positive cash flows after loan repayments. These forecasts and projections, indicate that the group should be able to operate within the current bank facility and associated covenants.

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

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

STRATEGIC RISKS

In common with all entities operating in a dynamic marketplace, the group faces a number of strategic risks. Management have developed long-term business plans to manage the impact of these risks to ensure that the group continues to deliver a satisfactory performance in future years. The main strategic risks faced by the business, together with the actions taken by management to mitigate their impact, are set out below.

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

In order to remain competitive management recognise the need to invest in appropriate IT equipment and software. Consequently, the communication network, website and data capture systems are all being constantly reviewed and updated to ensure they remain at the forefront of industry standards. The telecommunication system for its UK based operations was replaced during 2009 and during 2010 the group's main computer servers and call handling systems will be upgraded with technologically advanced products.

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

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)

of any extremes in weather conditions whenever they arise. This, combined with our policy of reducing fixed costs and linking them to a sustainable level of turnover, enables the group to achieve a satisfactory level of profits even in non-extreme weather conditions.

FINANCIAL RISKS

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

The key risks, which are discussed in more detail in note 34 to the consolidated financial statements, are:

- Interest rate risk
- Foreign exchange risk
- Credit risk
- Funding and liquidity

PENSION SCHEME SURPLUS

As set out in note 28 to the consolidated financial statements, as at 31 December 2009 the pension scheme assets were £28.9 million which, after deducting the present value of the pension scheme liabilities of £28.8 million, calculated in accordance with IAS 19, results in a small pre-tax surplus of £0.1 million. This asset has not been recognised in these financial statements.

Management continue to work with the pension scheme trustees to maximise the return from the pension scheme assets and to match that return with the pension scheme liabilities as they crystallise in order to minimise the exposure to the group. The net surplus or deficit is sensitive to changes in assumptions, which are at least in part influenced by changes in external market conditions, and therefore this area continues to be a high priority.

ANDREWS SYKES GROUP PENSION SCHEMES

DEFINED BENEFIT PENSION SCHEME

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

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

The group has adopted the requirements of IAS 19 – Employee Benefits and the scheme surplus/deficit has been calculated, in accordance with the rules set out in the standard, by an independent qualified actuary. The results were based on the last full actuarial valuation as at 31 December 2007 and have been rolled forward by an independent qualified actuary to 31 December 2009. The net surplus at the year-end amounted to £0.1 million before deferred tax but this has not been recognised in these financial statements.

The assumptions used by the actuary to calculate the deficit together with additional disclosures required by IAS 19, are set out in note 28 to the financial statements. In summary during the year the overall gross surplus has decreased from £0.3 million to £0.1 million as follows:

	£m
Opening IAS 19 surplus	0.3
Contributions paid by the group into the scheme – normal	1.5
Actuarial gain on scheme assets	1.0
Actuarial loss on scheme liabilities	(2.5)
Net finance charges	(0.2)
Closing surplus calculated by the scheme actuary	**0.1**
Asset not recognised	(0.1)
Closing IAS 19 surplus reflected in the accounts	**–**

Contributions of £10,000 per month are being made in accordance with the agreed schedule of contributions to cover expenses of the scheme until December 2010 when the next full actuarial funding valuation is due to be carried out. Management and the pension scheme trustees are drafting an agreement to provide that any payments that may be agreed under the revised schedule of contributions may, in the future, be paid into escrow. This is to protect the shareholders in the event that these contributions are not ultimately required by the pension scheme and to facilitate a subsequent repayment to the group. It is proposed that the balance on the escrow account will be reviewed at the date of each full actuarial valuation and will then be either (i) transferred to the pension scheme; (ii) held in escrow until the next valuation date; or (iii) repaid to the company dependent upon the results of this valuation.

DEFINED CONTRIBUTION PENSION SCHEME

A new pension scheme was introduced on 1 January 2003, the Andrews Sykes Stakeholder Pension Plan, for which the majority of UK employees are eligible. The scheme is managed on behalf of the group by Legal & General. The employers' contribution rates vary from 3% to 15%, the current average being 5.0%. The charge in the income statement in the current year amounts to £0.2 million. Employee contribution rates normally vary between 3% and 5% with the employees having the option of increasing their contributions after five years of membership. The contributions are used to purchase a specific fund for the individual employee with both gains and losses from changes in the fund's market value accruing to that employee.

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)

RECONCILIATION OF MOVEMENT IN THE GROUP SHAREHOLDERS' FUNDS

Group shareholders' funds have increased from £12.3 million at the beginning of the period to £21.4 million at 31 December 2009. The movement can be reconciled as follows:

	£m
Opening shareholders' funds	12.3
Profit for the financial period	11.6
IAS 19 actuarial losses net of deferred tax	(0.9)
Currency translation differences on foreign currency net investments	(1.6)
Closing shareholders' funds	**21.4**

The directors did not declare any interim dividends either during the financial period under review or subsequently. The directors do not recommend the payment of a final dividend. Details of interim dividends declared and paid during the previous financial period are given in note 37 to the consolidated financial statements.

SHARE BUYBACK PROGRAMME

During the current year the company did not purchase any shares for cancellation. However, it continues to be the company's strategy to have the ability to follow the share repurchase programme provided the necessary cash flows are available. Shares will only be bought back for cancellation provided they enhance earnings per share. Accordingly, at the next Annual General Meeting shareholders will be asked to vote in favour of a resolution to renew the general authority to make market purchases of up to 12.5% of the ordinary share capital in issue.

OTHER STATUTORY INFORMATION

PRINCIPAL ACTIVITIES

The principal activity of the group continues to be the hire, sale and installation of a range of equipment, including pumping, portable heating, air conditioning, drying and ventilation equipment. A review of the group's activities and an indication of likely future developments are set out in the Chairman's Statement, the Operations Review and Financial Review on pages 2 to 18.

RESULTS AND DIVIDENDS

The results for the financial period are set out in the consolidated income statement on page 25.

No interim dividends were declared in the current period or subsequently and the directors do not recommend the payment of a final dividend. Details of interim dividends declared for the previous financial period are given in note 37 of the consolidated financial statements.

DIRECTORS

The directors in office at 5 May 2010 are shown on page 22. No director was appointed or resigned during the period or subsequently.

In accordance with the Articles of Association, Mr RC King, Ms MC Leon and Mr X Mignolet retire by rotation and being eligible will offer themselves for re-election at the forthcoming AGM.

DIRECTORS' INTERESTS

Other than the beneficial interests disclosed below, no director in office at 31 December 2009 had any disclosable interest in share capital of the company or any subsidiary undertaking.

	Ordinary one pence shares	
	At 31 December 2009	At 31 December 2008
JG Murray	**1,292,913**	1,310,156
JJ Murray	**407,845**	407,845
JC Pillois	**409,206**	409,206
EDOA Sebag	**13,216**	13,216
PT Wood	**7,945**	7,945

There were no changes to the above shareholdings between 31 December 2009 and 5 May 2010.

SUBSTANTIAL SHAREHOLDINGS

At 5 May 2010 the company had been notified of the following interest of 3% or more in the company's issued ordinary share capital:

	Number	**Percentage**
EOI SYKES Sarl	36,377,213	82.17%

DIRECTORS' SHARE OPTIONS

None of the directors in office at 31 December 2009 held any options to subscribe for ordinary shares at either 31 December 2009 or 31 December 2008. There have been no changes in the directors' share options during the period from 31 December 2009 to 5 May 2010.

The mid-market price of the company's ordinary shares on 31 December 2009 was 97 pence. The highest and lowest mid-market prices during the 12 months ended 31 December 2009 were 120 pence and 54 pence respectively.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

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 group's average credit period taken for trade purchases is 52 days *(31 December 2008: 49 days)*. The parent company, Andrews Sykes Group plc, has no trade creditors.

SPECIAL BUSINESS

Four resolutions are to be proposed at the Annual General Meeting as special business, resolutions 6 and 7 as ordinary resolutions and resolutions 8 and 9 as special resolutions.

Two resolutions, numbered 6 and 8, will be proposed at the Annual General Meeting, the combined effect of which will be to confer powers on the directors to allot or grant options over ordinary shares up to a maximum nominal value of £66,402 as they see fit. If the resolutions are approved at the Annual General Meeting the directors will then be able to allot or grant options as aforesaid, otherwise than pro rata to existing shareholders, to motivate key employees and to reinforce the link between their personal interest and those of the shareholders.

Resolution number 7 would, if approved at the Annual General Meeting, renew the powers of the directors to make market purchases of the company's own shares of up to a maximum of 5,533,545 ordinary shares of one pence each representing 12.5% of the current ordinary issued share capital. This authority would then enable the directors to carry out the strategy of making own market purchases to increase shareholder value as set out in the Chairman's Statement and the Financial Review section of the Directors' Report.

Resolution number 9 proposes to adopt new Articles of Association. Following the completion of the implementation of the Companies Act 2006 in October last year, the company has taken the opportunity to review and update the Articles of Association to incorporate all the changes made by the new Companies Act and to remove outdated references. A copy of the proposed new Articles will be available for inspection by the members at the Annual General Meeting and on the Investor Relations page of our website for three weeks prior to the meeting.

PURCHASE OF OWN SHARES

During the year the company did not purchase any of its own ordinary one pence shares for cancellation. Accordingly, as at 5 May 2010 there remained outstanding general authority for the directors to purchase 5,533,545 ordinary one pence shares. The directors are seeking to renew the general authority in respect of 5,533,545 ordinary one pence shares as set out in resolution number 7.

FINANCIAL CALENDAR

The current financial year will end on 31 December 2010.

AUDITORS

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

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

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

On 21 October 2009 the group's previous auditors, Deloitte LLP, resigned and the directors subsequently appointed KPMG Audit Plc to fill the casual vacancy. KPMG Audit Plc have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the board.

JC Pillois French ACA
Finance Director
5 May 2010

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

DIRECTORS AND ADVISORS

Chairman

JG Murray
Age 90. Chairman of London Security plc, Nu Swift Limited and Ansul SA. Mr Murray has a long successful history in the industrial services sector.

Executive Directors

PT Wood, Managing Director.
Age 47. Industry specialist, having joined the group in August 1978. Appointed Director of Operations on 1 March 2006 and Group Managing Director on 5 December 2006.

JC Pillois M Econ. & Man. French ACA, Finance Director.
Age 53. Finance Director of London Security plc, Nu Swift Limited and Ansul S.A.

Non-executive Directors

JJ Murray MBA, Vice Chairman.
Age 43. Chairman of the Remuneration Committee. Executive Vice-Chairman of London Security plc, Nu Swift Limited and Ansul S.A.

FMB Gailer BSc, Senior Independent Non-executive.
Age 74. Chairman of the Audit Committee. Non-executive director of London Security plc.

RC King
Age 62. Non-executive director of London Security plc, Renovco Inc and a partner at Facility Service Association LLC.

MC Leon BS
Age 46. Non-executive director of London Security plc.

X Mignolet (HEC-Economics)
Age 45. Director of London Security plc, Ansul S.A and Importe S.A.

JP Murray
Age 41. Non-executive director of London Security plc.

EDOA Sebag MBA
Age 42. Director of London Security plc and Nu Swift Limited.

Company Secretary

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

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

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

Stockbroker and Nominated Advisor
Brewin Dolphin Securities
34 Lisbon Street
Leeds
LS1 4LX

Auditor
KPMG Audit Plc
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Bankers
Royal Bank of Scotland plc
National Westminster Bank plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANDREWS SYKES GROUP PLC

We have audited the financial statements of Andrews Sykes Group plc for the 12 months ended 31 December 2009 as set out on pages 25 to 81. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

As explained more fully in the Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the 12 months then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

DK Turner, Senior Statutory Auditor, for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

5 May 2010

CONSOLIDATED INCOME STATEMENT

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

	Note	**12 months ended 31 December 2009 £'000**	12 months ended 31 December 2008 £'000
Continuing operations			
Revenue	4	**54,358**	67,394
Cost of sales		**(23,218)**	(30,523)
Gross profit		**31,140**	36,871
Distribution costs		**(9,367)**	(10,144)
Administrative expenses – Recurring		**(8,836)**	(8,803)
– Non-recurring	8	**273**	559
Total administrative expenses		**(8,563)**	(8,244)
Operating profit		**13,210**	18,483
Normalised EBITDA*		**17,368**	22,002
Depreciation and impairment losses		**(4,964)**	(4,827)
Profit on the sale of plant and equipment		**533**	749
Normalised operating profit		**12,937**	17,924
Profit on the sale of property	8	**273**	559
Operating profit		**13,210**	18,483
Income from participating interests	16	**980**	–
Finance income	6	**1,944**	2,074
Finance costs	7	**(2,843)**	(5,180)
Profit before taxation	8	**13,291**	15,377
Taxation	11	**(1,648)**	(4,321)
Profit for the financial period attributable to equity holders of the parent		**11,643**	11,056

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

	Note	2009	2008
Earnings per share from continuing and total operations			
Basic	12	**26.30p**	24.85p
Diluted	12	**26.30p**	24.85p
Dividends paid per equity share	37	**–**	33.60p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE TOTAL INCOME

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

	Note	**12 months ended 31 December 2009 £'000**	12 months ended 31 December 2008 £'000
Profit for the financial period		**11,643**	11,056
Other comprehensive income:			
Currency translation differences on foreign currency net investments		**(1,602)**	4,223
Defined benefit plan actuarial gains and losses	28	**(1,308)**	(1,800)
Deferred tax on other comprehensive income	11	**366**	504
Other comprehensive income for the period net of tax		**(2,544)**	2,927
Total comprehensive income for the period		**9,099**	13,983

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2009

	Note	31 December 2009 £'000	31 December 2009 £'000	31 December 2008 £'000	31 December 2008 £'000
Non-current assets					
Property, plant and equipment	13		**13,697**		16,108
Lease prepayments	14		**59**		90
Trade investments	16		**164**		164
Deferred tax asset	17		**1,042**		–
Other financial assets – cash held on deposit	18		**3,000**		–
			17,962		16,362
Current assets					
Stocks	19	**4,865**		7,993	
Trade and other receivables	20	**13,295**		17,764	
Other financial assets – cash held on deposit	18	**6,000**		–	
Cash and cash equivalents	21	**18,150**		18,233	
Assets held for sale	22	**238**		405	
		42,548		44,395	
Current liabilities					
Trade and other payables	23	**(7,408)**		(11,833)	
Current tax liabilities	24	**(1,670)**		(1,371)	
Bank loans	25	**(6,000)**		(5,000)	
Obligations under finance leases	26	**(203)**		(217)	
Provisions	27	**(13)**		–	
Derivative financial instruments	29	**(23)**		–	
		(15,317)		(18,421)	
Net current assets			**27,231**		25,974
Total assets less current liabilities			**45,193**		42,336
Non-current liabilities					
Bank loans	25	**(23,000)**		(29,000)	
Obligations under finance leases	26	**(700)**		(836)	
Provisions	27	**(60)**		–	
Retirement benefit obligations	28	**–**		–	
Deferred tax liability	17	**–**		(90)	
Derivative financial instruments	29	**(32)**		(108)	
			(23,792)		(30,034)
Net assets			**21,401**		12,302
Equity					
Called-up share capital	30		**443**		443
Retained earnings	31		**17,828**		7,127
Translation reserve	31		**2,895**		4,497
Other reserves	31		**225**		225
Surplus attributable to equity holders of the parent			**21,391**		12,292
Minority interest			**10**		10
Total equity			**21,401**		12,302

These consolidated financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the Board of Directors on 5 May 2010 and were signed on its behalf by:

JC Pillois French ACA
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

	Note	**12 months ended 31 December 2009 £'000**	12 months ended 31 December 2008 £'000
Cash flows from operating activities			
Cash generated from operations	32	**18,081**	15,573
Interest paid		**(1,653)**	(2,484)
Net UK corporation tax paid		**(1,586)**	(1,836)
Withholding tax paid		**(329)**	(3)
Overseas tax paid		**(179)**	(661)
Net cash flow from operating activities		**14,334**	10,589
Investing activities			
Dividends received from participating interests (trade investments)		**980**	–
Movements in ring fenced bank deposit accounts		**(9,000)**	–
Sale of assets held for sale		**439**	656
Sale of plant and equipment		**813**	974
Purchase of property, plant and equipment		**(1,661)**	(5,082)
Interest received		**208**	808
Net cash flow from investing activities		**(8,221)**	(2,644)
Financing activities			
Loan repayments		**(5,000)**	(24,000)
New loans raised		**–**	34,000
Finance lease capital repayments		**(150)**	(308)
Equity dividends paid		**–**	(14,970)
Purchase of own shares		**–**	(259)
Net cash flow from financing activities		**(5,150)**	(5,537)
Net increase in cash and cash equivalents		**963**	2,408
Cash and cash equivalents at the beginning of the period	21	**18,233**	13,102
Effect of foreign exchange rate changes		**(1,046)**	2,723
Cash and cash equivalents at end of the period	21	**18,150**	18,233

Reconciliation of net cash flow to movement in net debt in the period

Net increase in cash and cash equivalents		**963**	2,408
Cash outflow from the decrease in debt		**5,150**	24,308
Movements in ring fenced bank deposit accounts		**9,000**	–
Cash inflow from the increase in loans		**–**	(34,000)
Non cash movements in respect of new finance leases		**–**	(14)
Non cash movements in the fair value of derivative instruments		**53**	(9)
Movement in net debt during the period		**15,166**	(7,307)
Opening net debt at the beginning of the period		**(16,928)**	(12,344)
Effect of foreign exchange rate changes		**(1,046)**	2,723
Closing net debt at the end of the period	33	**(2,808)**	(16,928)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

	Note	Share capital £'000	Retained earnings £'000	Trans-lation reserve £'000	Capital redemp-tion reserve £'000	UAE legal reserve £'000	Nether-lands capital reserve £'000	Total £'000	Minority interest £'000	Total equity £'000
		Attributable to equity holders of the parent company								
At 29 December 2007		446	12,595	274	134	79	9	13,537	10	13,547
Profit for the financial period		–	11,056	–	–	–	–	11,056	–	11,056
Other comprehensive income:										
Currency translation differences on foreign currency net investments		–	–	4,223	–	–	–	4,223	–	4,223
Defined benefit plan actuarial gains and losses net of tax		–	(1,296)	–	–	–	–	(1,296)	–	(1,296)
Total other comprehensive income		–	(1,296)	4,223	–	–	–	2,927	–	2,927
Transactions with owners recorded directly in equity:										
Purchase of own shares	31	(3)	(258)	–	3	–	–	(258)	–	(258)
Dividends paid	37	–	(14,970)	–	–	–	–	(14,970)	–	(14,970)
Total transactions with owners		(3)	(15,228)	–	3	–	–	(15,228)	–	(15,228)
At 31 December 2008		**443**	**7,127**	**4,497**	**137**	**79**	**9**	**12,292**	**10**	**12,302**
Profit for the financial period		**–**	**11,643**	**–**	**–**	**–**	**–**	**11,643**	**–**	**11,643**
Other comprehensive income:										
Currency translation differences on foreign currency net investments		**–**	**–**	**(1,602)**	**–**	**–**	**–**	**(1,602)**	**–**	**(1,602)**
Defined benefit plan actuarial gains and losses net of tax		**–**	**(942)**	**–**	**–**	**–**	**–**	**(942)**	**–**	**(942)**
Total other comprehensive income		**–**	**(942)**	**(1,602)**	**–**	**–**	**–**	**(2,544)**	**–**	**(2,544)**
At 31 December 2009		**443**	**17,828**	**2,895**	**137**	**79**	**9**	**21,391**	**10**	**21,401**

There were no transactions with owners recorded directly in equity during the 12 months ended 31 December 2009.

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

1 GENERAL INFORMATION

LEGAL STATUS AND COUNTRY OF INCORPORATION

Andrews Sykes Group plc, company number 00175912, is incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 22. The nature of the group's operations and its principal activities are set out in note 5 and in the Directors' Report on pages 4 to 18.

BASIS OF PREPARATION

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

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

i) Properties held at the date of transition to IFRS which are stated at deemed cost;
ii) Assets held for sale which are stated at the lower of (i) fair value less anticipated disposal costs and (ii) carrying value;
iii) Derivative financial instruments (including embedded derivatives) which are valued at fair value; and
iv) Pension scheme assets and liabilities calculated at fair value in accordance with IAS 19.

GOING CONCERN

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

Further information explaining why the directors believe that the group is a going concern is given in the financial review section of the Directors' Report on page 15.

ACCOUNTING PERIOD

The current period is for the 12 months ended 31 December 2009 and the comparative period is for the period from 30 December 2007 to 31 December 2008.

FUNCTIONAL AND PRESENTATIONAL CURRENCY

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

INITIAL ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

In addition, as permitted by IFRS 1, the disclosure requirements of IAS 19 concerning the history of experience gains and losses on defined benefit pension schemes have been disclosed prospectively from the transition date.

IFRS has only been applied to the group's consolidated financial statements. Accordingly, the parent company's financial statements, which are set out on pages 75 to 81, together with those of the UK subsidiary undertakings have been prepared in accordance with UK GAAP.

1 GENERAL INFORMATION (CONTINUED)

INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED FOR THE FIRST TIME IN 2009

Starting as of 1 January 2009, the group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments – IFRS 8.
- Presentation of financial statements – IAS 1 (revised)
- The limit on a defined benefit asset, minimum funding requirements and their interaction – IFRIC 14.
- Improving disclosures about financial instruments – IFRS 7 amended.

Determination and presentation of operating segments

As of 1 January 2009 the group determines and presents operating segments based on the information that internally is provided to the board of directors, who are collectively the group's chief operating decision makers. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the group's other components. An operating segment's operating results are reviewed regularly by the board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. An explanation of the group's reportable segments and the basis on which they have been selected is set out in note 5.

Presentation of financial statements

The group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive total income (CSOCTI). Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

The limit on a defined benefit asset, minimum funding requirements and their interaction

IFRIC 14 'The limit on a defined benefit asset, minimum funding requirements and their interaction' limits the amount of defined benefit pension assets which can be recognised on certain schemes where the group does not have an unconditional right to the refund of any surplus which may exist. This results in the derecognition of any surplus and the recognition of a liability for deficit funding arrangements. IFRIC 14 has no impact on profit or earnings per share and no changes were required to comparative information.

Improving disclosures about financial instruments

Amendments to IFRS 7 'Improving disclosures about financial instruments' in the current year has had a minimal impact on the financial statements.

FUTURE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1 (Amendment); Improved structure. Effective for periods commencing on or after 1 July 2009.

IFRS 2 (Amendment); Group cash settled share based payment transactions. Effective for accounting periods commencing on or after 1 January 2010.

IFRS 3 (Amendment); Business combinations and IAS 27; Consolidated and separate financial statements. Effective for periods commencing on or after 1 July 2009.

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

1 GENERAL INFORMATION (CONTINUED)

FUTURE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IAS 24 (Amendment) Related party transactions. Effective for accounting periods commencing on or after 1 January 2011.

IAS 32 (Amendment) Classification of rights issues. Effective for periods commencing on or after 1 February 2010.

IAS 39 (Amendment) and IFRIC 9 (Amendment) Embedded derivatives and eligible hedged items. Effective for periods commencing on or after 1 July 2009.

Annual improvements to IFRSs (2009). Effective for periods commencing on or after 1 January 2010.

IFRIC 14 (Amendment) Prepayments of a minimum funding requirement. Effective for periods commencing on or after 1 January 2011.

IFRIC 17 – Distributions of non-cash assets. Effective for accounting periods commencing on or after 1 July 2009.

IFRIC 18 – Transfers of assets from customers. Effective for accounting periods commencing on or after 1 July 2009.

IFRIC 19 – Extinguishing financial liabilities with equity instruments. Effective for accounting periods commencing on or after 1 July 2010.

Whilst work has not yet been completed on the above standards, the directors do not foresee any material impact on the financial statements of the group as a result of adopting these standards.

2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December 2009. Control is achieved where the company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

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

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

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

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

BUSINESS COMBINATIONS AND GOODWILL

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

Goodwill arising on consolidation represents the excess of consideration over the group's interest in the fair value of identified assets, liabilities and contingent liabilities recognised. Goodwill is recognised as an asset and is not amortised. It is reviewed for impairment annually as detailed in "impairment of non-financial assets" below.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS AND GOODWILL (continued)

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

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

INVESTMENTS IN ASSOCIATES AND TRADE INVESTMENTS

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASED ASSETS

Lessor accounting

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

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

Lessee accounting

Property leases are split into two elements, land and buildings, and each is considered in isolation. The land element is always classified as an operating lease and the building element is reviewed to determine if it is operating or finance in nature. Initial rental payments in respect of operating leases are included in current and non-current assets as appropriate and amortised to the income statement over the period of the lease. Ongoing rental payments are charged as an expense in the income statement on a straight line basis until the date of the next rent review. Finance leases are capitalised and depreciated in accordance with the accounting policy for property, plant and equipment.

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

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

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

Rental costs arising from operating leases are charged as an expense in the income statement on a straight line basis over the period of the lease.

NON-CURRENT ASSETS HELD FOR SALE

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED AND CURRENT TAXATION

The charge for taxation is based on the taxable profit or loss for the year and takes into account taxation deferred because of differences between the treatment of certain items for taxation and for accounting purposes. Full provision is made for the tax effects of these differences. Deferred tax is measured using tax rates that have been enacted, or substantively enacted, by the balance sheet date. Deferred tax assets and liabilities are not discounted.

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

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

STOCKS

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

FINANCIAL INSTRUMENTS

Recognition criteria, classification and initial carrying value

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

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

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Financial liabilities are normally classified as "other financial liabilities" and are initially measured at fair value, normally cost, net of transaction costs. The only financial liabilities currently held at "fair value through profit or loss" are those derivative instruments that are not designated and are not effective as hedging instruments.

Loans and receivables

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

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting

The group's borrowings are subject to floating rates based on LIBOR plus a margin of between 0.65% and 1.25%. The group uses financial derivatives to cap exposure to LIBOR throughout the period of the loan, further details of which are given in note 34.

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

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

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

Cash and cash equivalents

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

Impairment of financial assets

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

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

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

Other financial liabilities

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

Bank loans

Interest bearing bank loans are recorded at the proceeds received less capital repayments made. Finance charges are accounted for on an accruals basis in the income statement using the effective interest rate method. They are included within accruals to the extent that they are not settled in the period in which they arise.

PROVISIONS

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RETIREMENT BENEFIT COSTS

Defined benefit scheme

As disclosed in note 28, the group previously operated a defined benefit pension scheme for the majority of its employees. This scheme was closed to new entrants and all existing members became deferred members on 31 December 2002.

The net of the interest cost and the expected return on assets is shown within finance costs or finance income as appropriate. Settlement gains and losses are also included within the income statement, either within administration expenses or as part of a separate disclosure where material. Actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Total Income (CSOCTI).

The defined benefit scheme is funded with the assets of the scheme held separately in trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Full actuarial valuations are obtained triennially and are updated at each balance sheet date in accordance with IAS 19.

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

Defined contribution schemes

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

NET DEBT

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

REVENUE RECOGNITION

Revenue

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

Investment and interest income

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

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

FOREIGN CURRENCIES

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

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

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with IFRS 1, the translation reserve was set to zero at 1 January 2006, the date of transition to IFRS. Cumulative translation differences that are included within the translation reserve at the date of disposal of the relevant overseas company will be recognised in the income statement at that time.

OPERATING PROFIT

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

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

OTHER GAINS AND LOSSES

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

FINANCE COSTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

3 USE OF CRITICAL ACCOUNTING ASSUMPTIONS AND ESTIMATES

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

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

PENSION SCHEME ASSUMPTIONS AND MORTALITY TABLES

As set out in note 28, the carrying value of the defined benefit pension scheme is valued using actuarial valuations. These valuations are based on assumptions including the selection of the most appropriate mortality table for the profile of the members in the scheme and the financial assumptions concerning discount rates and inflation. All these are estimates of future events and are therefore uncertain. The choices are based on advice received from the scheme actuaries that are checked from time to time with benchmark surveys.

STOCK

Provision is made for those items of stock where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding future selling values, and is consequently a source of estimation uncertainty.

TRADE RECEIVABLES

An appropriate allowance for estimated irrecoverable trade receivables is derived where there is an identified event which, based on previous experience, is evidence of a potential reduction in the recoverability of future cash flows. This estimation is based on assumed collection rates which, although based on the group's historical experience of repayment patterns, remains inherently uncertain.

4 REVENUE

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

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Continuing operations		
Hire	**42,934**	51,575
Sales	**7,708**	10,904
Installations	**3,716**	4,915
Group consolidated revenue from the sale of goods and provision of services	**54,358**	67,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS

EXPLANATION

The group operates in the United Kingdom, Northern Europe (The Netherlands and Belgium) and the United Arab Emirates providing the hire and sale of a range of environmental control equipment. It also installs fixed air conditioning equipment within the United Kingdom. In 2008, the group also had a small operation based in America but this was closed with effect from 31 December 2008 and did not qualify as a discontinued operation on the grounds of materiality.

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

The group adopts a matrix style of reporting for its internal management accounts. Operating results are analysed (i) by statutory entity and (ii) by activity, i.e. hire, sales and installation. The activities of both hire and sales are further analysed by product, i.e. pumps, air treatment, heating, and chillers and boilers, the activity of the installation business all relating to air conditioning. These analyses are only performed to gross margin level as the integrated nature of the business does not permit a meaningful breakdown of either staff costs or overhead costs.

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

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

Activity	**Entity**	**Location**
Hire and sales	Andrews Sykes Hire Limited	United Kingdom
	Andrews Sykes BV	The Netherlands
	Andrews Sykes BVBA	Belgium
	Khansaheb Sykes LLC	United Arab Emirates
Installation	Andrews Air Conditioning & Refrigeration Limited	United Kingdom

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

The reportable segments are therefore:

Segment	**Incorporating the following operating entities**	**Location**
Hire and sales Northern Europe	Andrews Sykes Hire Limited	United Kingdom
	Andrews Sykes BV	The Netherlands
	Andrews Sykes BVBA	Belgium
Hire and sales Middle East	Khansaheb Sykes LLC	United Arab Emirates
Installation	Andrews Air Conditioning & Refrigeration Limited	United Kingdom

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

In addition, the property holding company, Andrews Sykes Properties, has been included within the Hire and Sales Northern Europe segment as it holds properties mainly for the use of Andrews Sykes Hire Limited. The comparative figures include the American business.

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

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

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

BUSINESS SEGMENTS

Income statement analysis

12 months ended 31 December 2009

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Sub total £'000	Eliminations £'000	Consolidated results £'000
Revenue						
External sales	39,519	11,123	3,716	54,358	–	54,358
Inter-segment sales	294	–	14	308	(308)	–
Total revenue	39,813	11,123	3,730	54,666	(308)	54,358
Segment result	11,078	3,180	82	14,340	(46)	14,294
Unallocated overheads and expenses						(1,084)
Operating profit						13,210
Income from other participating interests						980
Finance income						606
Finance costs						(1,505)
Profit before taxation						13,291
Taxation						(1,648)
Profit for the period from continuing and total operations						11,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

Balance sheet information

As at 31 December 2009

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Sub total £'000	Eliminations £'000	Consolidated results £'000
Segment assets	49,235	7,219	1,320	57,774	(285)	57,489
Trade investments						164
Deferred tax asset						1,042
Assets held for sale						238
Unallocated corporate assets						1,577
Consolidated total assets						60,510
Segment liabilities	(5,833)	(1,266)	(379)	(7,478)	285	(7,193)
Current tax liabilities						(1,670)
Bank loans						(29,000)
Obligations under finance leases						(903)
Derivative financial instruments						(55)
Unallocated corporate liabilities						(288)
Consolidated total liabilities						(39,109)

Other information

12 months ended 31 December 2009

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Sub total £'000	Eliminations £'000	Consolidated results £'000
Capital additions	2,149	735	1	2,885	–	2,885
Depreciation	4,047	880	37	4,964	–	4,964

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

Income statement analysis
12 months ended 31 December 2008

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Sub total £'000	Eliminations £'000	Consolidated results £'000
Revenue						
External sales	50,921	11,558	4,915	67,394	–	67,394
Inter-segment sales	298	–	11	309	(309)	–
Total revenue	51,219	11,558	4,926	67,703	(309)	67,394
Segment result	16,776	2,998	(107)	19,667	(46)	19,621
Unallocated overheads and expenses						(1,138)
Operating profit						18,483
Finance income						673
Finance costs						(3,779)
Profit before taxation						15,377
Taxation						(4,321)
Profit for the period from continuing and total operations						11,056

Balance sheet information
As at 31 December 2008

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Sub total £'000	Eliminations £'000	Consolidated results £'000
Segment assets	38,739	9,430	1,364	49,533	(333)	49,200
Trade investments						164
Assets held for sale						405
Unallocated corporate assets						10,988
Consolidated total assets						60,757
Segment liabilities	(8,279)	(2,794)	(636)	(11,709)	333	(11,376)
Current tax liabilities						(1,371)
Bank loans						(34,000)
Obligations under finance leases						(1,053)
Deferred tax liability						(90)
Derivative financial instruments						(108)
Unallocated corporate liabilities						(457)
Consolidated total liabilities						(48,455)

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FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

Other information

12 months ended 31 December 2008

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Sub total £'000	Eliminations £'000	Consolidated results £'000
Capital additions	4,470	669	6	5,145	–	5,145
Depreciation	4,393	357	77	4,827	–	4,827

GEOGRAPHICAL SEGMENTS

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

	By origin		By destination	
	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000	**12 months ended 31 December 2009 £'000**	12 months ended 31 December 2008 £'000
United Kingdom	**36,491**	48,649	**35,806**	47,211
Rest of Europe	**6,711**	6,969	**7,094**	7,883
Middle East and Africa	**11,123**	11,558	**11,130**	11,764
Rest of the World	**33**	218	**328**	536
	54,358	67,394	**54,358**	67,394

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

	Segment assets		Non-current assets	
	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000	**12 months ended 31 December 2009 £'000**	12 months ended 31 December 2008 £'000
United Kingdom	**45,460**	33,426	**11,055**	13,525
Rest of Europe	**4,810**	5,795	**1,945**	1,801
Middle East and Africa	**7,219**	9,430	**756**	802
Rest of the World	**–**	549	**–**	70
	57,489	49,200	**13,756**	16,198

6 FINANCE INCOME

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Expected return on pension scheme assets (note 28)	**1,338**	1,401
Interest receivable on bank deposit accounts	**193**	673
Fair value gains on interest rate swaps that do not qualify for hedge accounting	**53**	–
Inter-company foreign exchange gains	**360**	–
	1,944	2,074

7 FINANCE COSTS

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Interest charge on bank loans and overdrafts	**1,230**	2,140
Fair value losses on interest rate swaps that do not qualify for hedge accounting	**–**	83
Finance lease interest charge	**83**	94
Inter-company foreign exchange losses	**–**	1,300
Interest on pension scheme liabilities (note 28)	**1,530**	1,563
	2,843	5,180

8 PROFIT BEFORE TAXATION

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

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Net foreign exchange gains and losses	**118**	(54)
Bank charges	**143**	207
Depreciation of property, plant and equipment	**4,964**	4,827
Net foreign exchange gains and losses on inter-company financing	**(360)**	1,300
Profit on the sale of plant and equipment	**(533)**	(749)
Compensation receipts from third parties for lost or damaged plant and equipment	**(585)**	(698)
Operating lease rental payments:		
Property	**1,178**	1,103
Plant, machinery and motor vehicles	**644**	353
Auditors' remuneration (see note 9)	**158**	132
Staff costs (see note 10)	**13,403**	14,082
Non-recurring items:		
Profit on the sale of property	**(273)**	(559)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

9 AUDITORS' REMUNERATION

A more detailed analysis of auditors' remuneration on a worldwide basis is as follows:

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Fees payable to the company's auditors in respect of audit services:		
The audit of the consolidated accounts	**18**	25
The audit of the group's subsidiaries pursuant to legislation	**91**	100
Total audit fees	**109**	125
Fees payable to the company's auditors in respect of non-audit services:		
Accountancy services	**–**	7
Tax services	**23**	–
Pensions advice	**19**	–
Total non-audit fees	**42**	7
	151	132

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

10 EMPLOYEE INFORMATION

STAFF COSTS CHARGED IN THE INCOME STATEMENT

The average number of employees employed during the period was:

	12 months ended 31 December 2009 Number	12 months ended 31 December 2008 Number
Sales and distribution	**147**	146
Engineers	**217**	225
Managers and administration	**119**	125
	483	496

Staff costs, including directors' remuneration, amounted to:

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Wages and salaries	**11,847**	12,534
Redundancy and reorganisation	**61**	47
Social security costs	**1,173**	1,212
Other pension costs	**322**	289
	13,403	14,082

10 EMPLOYEE INFORMATION (CONTINUED)

KEY MANAGEMENT COMPENSATION

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

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Short-term employee benefits	**1,576**	1,775
Post employment benefits	**91**	83
Termination benefits	**14**	18
	1,681	1,876

DIRECTORS' EMOLUMENTS

Total directors' emoluments were as follows:

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Emoluments	**358**	500
Company contributions to a money purchase scheme	**23**	23
	381	523

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

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

	12 months ended 31 December 2009 Number	12 months ended 31 December 2008 Number
Defined contribution	**1**	1
Defined benefit	**1**	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

10 EMPLOYEE INFORMATION (CONTINUED)

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

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Emoluments	**191**	309
Company contributions to a money purchase scheme	**23**	23
	214	332

The highest paid director had an accrued annual pension of £18,035 *(31 December 2008: £17,190)*. No contributions were paid during the current or previous financial periods.

11 TAXATION

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Current tax		
UK corporation tax at 28.0% *(12 months ended 31 December 2008: 28.5%)*		
based on the taxable profit for the period	**1,735**	1,776
Adjustments to corporation tax in respect of prior periods	**(146)**	(29)
	1,589	1,747
Overseas tax based on the taxable profit for the period	**506**	639
Adjustments to overseas tax in respect of prior periods	**(10)**	(63)
Withholding tax	**329**	–
Total current tax charge	**2,414**	2,323
Deferred tax		
Deferred tax on the origination and reversal of temporary differences	**(837)**	1,916
Adjustments to deferred tax in respect of prior periods	**71**	82
Total deferred tax charge	**(766)**	1,998
Total tax charge for the financial period attributable to continuing operations	**1,648**	4,321

11 TAXATION (CONTINUED)

The tax charge for the financial period can be reconciled to the profit before tax per the income statement multiplied by the standard effective corporation tax rate in the UK of 28.0% *(12 months ended 31 December 2008: 28.5%)* as follows:

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Profit before taxation from continuing and total operations	**13,291**	15,377
Tax at the UK effective corporation tax rate of 28.0% *(12 months ended 31 December 2008: 28.5%)*	**3,721**	4,382
Effects of:		
Expenses not deductible for tax purposes	**179**	92
Capital gain sheltered by capital losses and indexation allowance	**(75)**	(130)
Effects of different tax rates of subsidiaries operating abroad	**(925)**	20
Non-taxable income from other participating interests	**(274)**	–
Withholding tax	**329**	–
Release of deferred tax provision following enactment of FA 2009	**(1,222)**	–
Effect of change in tax rate to 28%	**–**	(33)
Adjustments to tax charge in respect of previous periods	**(85)**	(10)
Total tax charge for the financial period	**1,648**	4,321

Deferred tax recognised in other comprehensive income

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Deferred tax credit on defined benefit plan actuarial gains and losses	**366**	504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

12 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

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

	12 months ended 31 December 2009 Total earnings £'000	**12 months ended 31 December 2009 Number of shares**
Basic earnings/weighted average number of shares	**11,643**	**44,268,365**
Basic earnings per ordinary share	**26.30p**	

	12 months ended 31 December 2008 Total earnings £'000	12 months ended 31 December 2008 Number of shares
Basic earnings/weighted average number of shares	11,056	44,493,594
Basic earnings per ordinary share	24.85p	

DILUTED EARNINGS PER SHARE

The average price of Andrews Sykes ordinary shares during the current period was less than the share option exercise price and therefore there is no difference between the basic and diluted earnings per share for the current year. There were no discontinued operations in either period.

The calculation of the diluted earnings per ordinary share last year was based on the profits and shares as set out in the table below:

	12 months ended 31 December 2008 Total earnings £'000	12 months ended 31 December 2008 Number of shares
Basic earnings/weighted average number of shares	11,056	44,493,594
Weighted average number of shares under option		15,000
Number of shares that would have been issued at fair value to satisfy above options		(13,602)
Earnings/diluted weighted average number of shares	11,056	44,494,992
Diluted earnings per ordinary share	24.85p	

13 PROPERTY, PLANT AND EQUIPMENT

	Property £'000	Equipment for hire £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
Cost					
As at 29 December 2007	5,336	31,698	4,866	4,814	46,714
Exchange differences	50	1,378	213	89	1,730
Additions	235	4,198	111	601	5,145
Disposals	(375)	(2,332)	(1,144)	(1,338)	(5,189)
As at 31 December 2008	5,246	34,942	4,046	4,166	48,400
Exchange differences	**(18)**	**(563)**	**(75)**	**(41)**	**(697)**
Additions	**7**	**2,788**	**5**	**85**	**2,885**
Disposals	**(6)**	**(2,463)**	**(751)**	**(279)**	**(3,499)**
Transfer from prepayments	**–**	**553**	**–**	**–**	**553**
As at 31 December 2009	**5,229**	**35,257**	**3,225**	**3,931**	**47,642**
Accumulated depreciation					
As at 29 December 2007	2,659	20,728	3,651	4,008	31,046
Exchange differences	41	1,076	156	82	1,355
Charge for the period	146	3,829	466	386	4,827
Disposals	(345)	(2,133)	(1,125)	(1,333)	(4,936)
As at 31 December 2008	2,501	23,500	3,148	3,143	32,292
Exchange differences	**(15)**	**(386)**	**(50)**	**(29)**	**(480)**
Charge for the period	**151**	**4,074**	**357**	**382**	**4,964**
Disposals	**(6)**	**(2,220)**	**(736)**	**(257)**	**(3,219)**
Transfer from prepayments	**–**	**388**	**–**	**–**	**388**
As at 31 December 2009	**2,631**	**25,356**	**2,719**	**3,239**	**33,945**
Carrying value					
At 31 December 2009	**2,598**	**9,901**	**506**	**692**	**13,697**
At 31 December 2008	2,745	11,442	898	1,023	16,108

At 31 December 2009, the group's carrying value of plant and machinery held under finance leases and similar agreements was £Nil *(31 December 2008: £14,000)*. The depreciation charged in the period on assets held under finance leases and similar agreements was £3,000 *(12 months ended 31 December 2008: £38,000)*.

At 31 December 2009 and 31 December 2008 the group did not have any non-cancellable contractual commitments for the acquisition of property, plant and equipment.

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

	31 December 2009 £'000	31 December 2008 £'000
Freehold land and buildings	**1,745**	1,766
Long leasehold buildings	**61**	67
Short leasehold buildings	**792**	912
	2,598	2,745

As disclosed in note 25, the group's bank loans are secured by fixed and floating charges over the group's assets including property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

14 LEASE PREPAYMENTS

	31 December 2009 £'000	31 December 2008 £'000
Long leasehold land prepayments:		
Total	**61**	97
Split:		
Non-current assets	**59**	90
Current assets	**2**	7
	61	97

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

15 SUBSIDIARIES

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

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

16 TRADE INVESTMENTS

	31 December 2009 £'000	31 December 2008 £'000
Cost and carrying amount	**164**	164

The above investment represents a 40% interest in the ordinary share capital of Oasis Sykes Limited, a company incorporated in Saudi Arabia and having an issued share capital of £410,000. The investment is not accounted for as an associate as the group does not and is unable to exercise significant influence, including decisions concerning the declaration and payments of dividends. The investment is stated at cost, as the shares do not have a quoted market price in an active market and the directors consider that the fair value cannot be reliably measured.

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

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Income from participating interests	**980**	–

17 DEFERRED TAX ASSET/(LIABILITY)

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

	Depreciation in excess of capital allowances £'000	Pension liability £'000	Unremitted overseas earnings £'000	Provisions and other short-term timing differences £'000	Total £'000
Asset/(liability) at 29 December 2007	69	354	(251)	1,232	1,404
Credited/(charged) to income statement	67	45	(971)	(1,139)	(1,998)
Credited to equity	–	504	–	–	504
Effect of pension payments in excess of actuarial charges	–	(903)	–	903	–
Asset/(liability) at 31 December 2008 at 28%	136	–	(1,222)	996	(90)
Credited/(charged) to income statement	**118**	**54**	**1,222**	**(628)**	**766**
Credited to equity	**–**	**366**	**–**	**–**	**366**
Effect of pension payments in excess of actuarial charges	**–**	**(420)**	**–**	**420**	**–**
Asset at 31 December 2009 at 28%	**254**	**–**	**–**	**788**	**1,042**

Deferred tax at 29 December 2007 was calculated using the rate of tax that was expected to apply when the timing differences reverse. With the exception of certain pension payments that were expected to reverse before 1 April 2008 at 30%, a 28% tax rate was used.

At 31 December 2009, the group had unused capital losses of approximately £1,950,000 *(31 December 2008: £2,200,000)* available for offset against future capital gains. The utilisation of capital losses is only recognised following the actual crystallisation of a taxable gain.

With the exception of the above, the group did not have any unrecognised deferred tax assets or liabilities as at 31 December 2009 or 31 December 2008.

Of the deferred tax asset as at 31 December 2009, £400,000 is expected to be recovered after more than 12 months.

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FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

18 OTHER FINANCIAL ASSETS – CASH HELD ON DEPOSIT

	31 December 2009 £'000	31 December 2008 £'000
Ring fenced bank deposit accounts	**9,000**	–
Split:		
Current assets	**6,000**	–
Non-current assets	**3,000**	–
	9,000	–

As explained in the financial review on page 15, the terms of the bank loan agreements were re-negotiated in December 2009 and as part of that process the above ring fenced bank deposit account was opened with RBS. The funds are held by the bank as additional security against the bank borrowings and interest on the deposit accounts accrues to the company.

On 30 April 2010, in accordance with the bank agreement, £6,000,000 was withdrawn from the deposit account and used to finance the normal annual bank loan repayment of the same amount due on the same day. The remaining balance of £3,000,000 can be used to partly finance the next normal annual bank loan repayment of £6,000,000 due in April 2011.

19 STOCKS

	31 December 2009 £'000	31 December 2008 £'000
Raw material and consumables	**96**	131
Work in progress	**4**	10
Finished goods	**4,765**	7,852
	4,865	7,993

As disclosed in note 25, the group's bank loans are secured by fixed and floating charges over the group's assets including stocks.

The cost of stocks recognised as an expense in the period was £12,179,000 *(12 months ended 31 December 2008: £18,027,000)* and the charge in the income statement for net realisable value provisions was £60,000 *(12 months ended 31 December 2008: £366,000).*

20 TRADE AND OTHER RECEIVABLES

	31 December 2009 £'000	31 December 2008 £'000
Trade debtors:		
Current unimpaired debtors	**6,555**	8,537
Overdue impaired debtors:		
Gross	**7,680**	8,878
Less allowance for doubtful debts	**(2,292)**	(1,309)
Net overdue trade debtors	**5,388**	7,569
Net trade debtors	**11,943**	16,106
Lease prepayments – long leasehold land premiums	**2**	7
Prepayments and accrued income	**1,153**	1,268
Other debtors	**197**	383
	13,295	17,764

No collateral is held in respect of overdue trade debtors.

Current unimpaired trade debtors represents amounts due from customers that are not overdue in accordance with the specific credit terms agreed with those customers. The average outstanding debtor days for current unimpaired trade debtors at 31 December 2009 is 45 days *(31 December 2008: 40 days)*.

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

	31 December 2009 £'000	31 December 2008 £'000
Not more than 3 months overdue	**4,054**	6,899
More than 3 months and not more than 6 months overdue	**745**	658
More than 6 months and not more than 12 months overdue	**471**	12
More than 12 months overdue	**118**	–
Net overdue trade debtors	**5,388**	7,569

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

	31 December 2009 £'000	31 December 2008 £'000
Balance at the beginning of the period	**1,309**	906
Foreign exchange difference	**(60)**	99
Net amounts written off during the period	**(244)**	(382)
Income statement charge	**1,287**	686
Balance at the end of the year	**2,292**	1,309

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

Information concerning credit, liquidity and market risks together with an analysis of monetary assets held in currencies other than pounds Sterling is given in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

21 CASH AND CASH EQUIVALENTS

	31 December 2009 £'000	31 December 2008 £'000
Cash at bank	**3,211**	7,229
Deposit accounts	**14,757**	10,699
Capital reduction trust account	**182**	305
	18,150	18,233

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

Deposit accounts comprise instant access interest bearing accounts and other short-term bank deposits with an original maturity of three months or less. Interest was received at an average floating rate of approximately 0.69% *(12 months ended 31 December 2008: 5.08%)*.

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 when the group is released from its obligations in the normal course of trading. Interest from the trust account accrued to the company at an average rate of 0.15% *(12 months ended 31 December 2008: 4.18%)*.

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

The amount of cash held in currencies other than Sterling as at 31 December 2009 and 31 December 2008 was not significant. Total monetary assets and liabilities denominated in foreign currencies are disclosed in note 34.

22 ASSETS HELD FOR SALE

The major classes of assets held for sale are as follows:

	31 December 2009 £'000	31 December 2008 £'000
Property, plant and equipment	**238**	405

The group has decided to close and sell certain depots and relocate its operations to alternative premises. This action does not result in a discontinued operation as defined by IFRS 5. The assets and liabilities were previously included within the UK and Northern Europe Hire and Sales business segment as set out in note 5.

23 TRADE AND OTHER PAYABLES

	31 December 2009 £'000	31 December 2008 £'000
Trade creditors	**2,977**	5,481
Amounts due to related parties	**2**	111
Other tax and social security	**852**	1,190
Accruals and deferred income	**3,459**	4,949
Other creditors	**118**	102
	7,408	11,833

Trade creditors, accruals and other creditors mainly comprise amounts outstanding from trade purchases and other normal business related costs. The average credit period taken for trade purchases is 52 days *(31 December 2008: 49 days)*.

Information concerning credit, liquidity and market risks together with an analysis of monetary liabilities held in currencies other than pounds Sterling is given in note 34.

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

24 CURRENT TAX LIABILITIES

	31 December 2009 £'000	31 December 2008 £'000
Corporation tax	**1,119**	1,116
Overseas tax (denominated in Euros)	**551**	255
	1,670	1,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

25 BANK LOANS

	31 December 2009 £'000	31 December 2008 £'000
The borrowings are repayable as follows:		
On demand or within one year	**6,000**	5,000
In the second year	**6,000**	6,000
In the third to fifth years inclusive	**17,000**	23,000
Total	**29,000**	34,000
Disclosed:		
Within current liabilities (on demand or within one year)	**6,000**	5,000
Within non-current liabilities	**23,000**	29,000
Total	**29,000**	34,000

The group's Sterling denominated bank loans are secured by fixed and floating charges over the assets of the group and by cross guarantees between group undertakings. The loans were refinanced during the previous year with the old loan being repaid on 13 May 2008 and new loans being drawn down on the same date. Capital repayments commenced on 30 April 2009 and will continue on an annual basis until 30 April 2013 when the loans will be repaid in full. The loans have been split between current and non-current liabilities in accordance with the bank agreement. There are no unsecured bank loans at either period end.

Interest is charged on a bi-annual basis on the group's borrowings based on LIBOR plus a margin of between 0.65% and 1.25% *(12 months ended 31 December 2008: 0.65% to 1.25%)*. As disclosed in note 29, the group has taken out interest rate caps to limit the exposure to LIBOR. The weighted average effective interest rate paid during the year was 3.25% *(12 months ended 31 December 2008: 6.70%)*. There are no fixed rate liabilities at either period end.

The directors consider that the fair value of the floating rate bank loans are not materially different from their book values. The estimated fair values of the interest rate caps have been included on the balance sheet as disclosed in note 29.

The maturity profile of the group's undrawn committed borrowing facilities at 31 December 2009 was:

	31 December 2009 £'000	31 December 2008 £'000
Expiring within one year	**–**	2,000

26 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	£'000	£'000	**£'000**	£'000
Amounts payable under finance leases:				
Within one year	**219**	233	**203**	217
In the second to fifth years inclusive	**655**	751	**513**	585
After five years	**319**	442	**187**	251
	1,193	1,426	**903**	1,053
Less future finance charges	**(290)**	(373)		
Present value of lease obligations	**903**	1,053		
Disclosed:				
Within current liabilities (payable within one year)			**203**	217
Within non-current liabilities			**700**	836
Total			**903**	1,053

As set out in the accounting policies, it is the group's policy to lease certain properties. The average lease term is 6.5 years *(31 December 2008: 7.5 years)*, the present value of the minimum leased payments has been calculated based on the group's weighted average cost of capital as the interest rates implicit in the leases are not known. Of the total present value of minimum lease payments, £903,000 *(31 December 2008: £1,039,000)* relates to properties and £Nil *(31 December 2008: £14,000)* relates to plant and equipment on lease purchase agreements all due within one year.

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

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

27 PROVISIONS

	Onerous leases
	£'000
At 31 December 2008	–
Charged to the income statement	73
At 31 December 2009	**73**

Disclosed:

	31 December 2009	31 December 2008
	£'000	£'000
Within current liabilities (payable within one year)	**13**	–
Within non-current liabilities	**60**	–
Total	**73**	–

An onerous lease provision was created during the current year in respect of a vacant property no longer used for the purposes of the group's trade. The lease expires in August 2015 and management are currently negotiating a potential lease assignment. The provision has not been discounted on the grounds of materiality.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

28 RETIREMENT BENEFIT OBLIGATIONS

DEFINED BENEFIT PENSION SCHEME

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

The group have been making additional contributions to remove the funding deficit in the group pension scheme. These contributions include both one-off and regular monthly payments, which were £125,000 per month during 2009, and are agreed with the trustees of the pension scheme. The current best estimate of employer contributions to be paid during the year commencing 1 January 2010 is £120,000.

As at 31 December 2009 the group had a net defined benefit pension scheme surplus, calculated in accordance with IAS 19 using the assumptions as set out below, of £74,000 (*31 December 2008: £275,000*). This asset has not been recognised in these financial statements.

Contributions of £10,000 per month are being made in accordance with the agreed schedule of contributions to cover expenses of the scheme until December 2010 when the next full actuarial funding valuation is due to be carried out. The directors and pension scheme trustees are drafting an agreement to provide that any monies that may be agreed under the revised schedule of contributions may, in the future, be paid into escrow. This is to protect the shareholders in the event that these contributions are not ultimately required by the pension scheme and to facilitate a subsequent repayment to the group. It is proposed that the balance on the escrow account will be reviewed at the date of each full actuarial valuation and will then be either (i) transferred to the pension scheme; (ii) held in escrow until the next valuation date; or (iii) repaid to the company dependent upon the results of this valuation.

ASSUMPTIONS

The last full actuarial valuation was carried out as at 31 December 2007. A qualified independent actuary has updated the results of 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 defined benefit obligation were as follows:

	31 December 2009	31 December 2008	29 December 2007	31 December 2006
Rate of increase in pensionable salaries	**N/A**	N/A	N/A	N/A
Rate of increase in pensions in payment	**3.40%**	3.00%	3.40%	3.00%
Discount rate applied to scheme liabilities	**5.80%**	6.00%	5.90%	5.40%
Inflation assumption	**3.60%**	3.00%	3.40%	3.00%

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics. The current mortality table used in the last three years is PA92YOBMC+2 (*31 December 2006: PA92C2020*).

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

	31 December 2009	31 December 2008	29 December 2007	31 December 2006
Male, current age 45	**21.3 years**	21.3 years	21.2 years	19.8 years
Female, current age 45	**24.1 years**	24.0 years	24.0 years	22.8 years

28 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	31 December 2009	31 December 2008	29 December 2007	31 December 2006
Long-term rate of return on:				
Equities	**7.50%**	7.50%	7.50%	7.50%
Corporate bonds	**5.40%**	5.50%	5.90%	5.40%
Gilts	**4.40%**	3.75%	4.50%	4.60%
Cash	**4.40%**	3.75%	4.50%	4.60%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice. The expected return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation.

VALUATIONS

The fair value of the scheme's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities which are derived from cash flow projections over long periods and are inherently uncertain, were as follows:

	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
UK equities	**8,839**	7,049	9,061	19,214
Corporate bonds	**14,732**	10,021	2,979	3,095
Gilts	**4,776**	9,077	13,434	10,972
Cash	**589**	293	439	164
Total fair value of plan assets	**28,936**	26,440	25,913	33,445
Present value of defined benefit obligation calculated in accordance with stated assumptions	**(28,862)**	(26,165)	(27,151)	(40,022)
Asset/(deficit) in the scheme calculated in accordance with stated assumptions	**74**	275	(1,238)	(6,577)
Net pension asset not recognised due to uncertainty over future recoverability	**(74)**	(275)	–	–
Pension liability recognised in the balance sheet	**–**	–	(1,238)	(6,577)

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FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

28 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
Fair value of plan assets at the start of the period	**26,440**	25,913	33,445	30,633
Expected return on plan assets	**1,338**	1,401	1,926	1,777
Actuarial gain/(loss) recognised in the consolidated statement of comprehensive total income (CSOCTI)	**992**	(2,764)	154	636
Employer contributions – normal	**1,500**	1,500	1,500	1,503
Employer contributions – transfer value exercise	**–**	–	1,880	–
Employer contributions – non-recurring	**–**	1,700	–	–
Benefits paid	**(1,334)**	(1,310)	(1,269)	(1,104)
Settlements and curtailments	**–**	–	(11,723)	–
Fair value of plan assets at the end of the period	**28,936**	26,440	25,913	33,445

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

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

	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
Present value of defined benefit funded obligation at the beginning of the period	**(26,165)**	(27,151)	(40,022)	(37,025)
Interest on defined benefit obligation	**(1,530)**	(1,563)	(1,888)	(1,824)
Actuarial (loss)/gain recognised in CSOCTI calculated in accordance with stated assumptions	**(2,501)**	1,239	145	(2,277)
Benefits paid	**1,334**	1,310	1,269	1,104
Settlements and curtailments	**–**	–	13,345	–
Present value of defined benefit obligation calculated in accordance with stated assumptions	**(28,862)**	(26,165)	(27,151)	(40,022)
Net pension asset not recognised	**(74)**	(275)	–	–
Present value of defined benefit funded obligation at the end of the period	**(28,936)**	(26,440)	(27,151)	(40,022)

28 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

AMOUNTS RECOGNISED IN THE INCOME STATEMENT:

	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
The amounts (charged)/credited in the income statement were:				
Expected return on pension scheme assets (note 6)	**1,338**	1,401	1,926	1,777
Interest on pension scheme liabilities (note 7)	**(1,530)**	(1,563)	(1,888)	(1,824)
Net pension interest (charge)/income	**(192)**	(162)	38	(47)
Settlements and curtailments	**–**	–	1,622	–
	(192)	(162)	1,660	(47)

ACTUARIAL GAINS AND LOSSES RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE TOTAL INCOME (CSOCTI)

	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
The amounts (charged)/credited in the CSOCTI were:				
Actual return less expected return on scheme assets	**992**	(2,764)	154	636
Experience gains and losses arising on plan obligation	**(421)**	(196)	424	(340)
Changes in demographic and financial assumptions underlying the present value of plan obligations	**(2,080)**	1,435	(279)	(1,937)
Actuarial (loss)/gain calculated in accordance with stated assumptions	**(1,509)**	(1,525)	299	(1,641)
Net pension asset not recognised	**(74)**	(275)	–	–
Reverse provision re non-recognition of pension scheme asset	**275**	–	–	–
Actuarial (loss)/gain recognised in the CSOCTI	**(1,308)**	(1,800)	299	(1,641)
Cumulative actuarial loss recognised in the CSOCTI	**(4,450)**	(3,142)	(1,342)	(1,641)

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

	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
Expected return on plan assets	**1,338**	1,401	1,926	1,777
Actuarial gain recognised in the CSOCTI representing the difference between expected and actual return on assets	**992**	(2,764)	154	636
Actual return on plan assets	**2,330**	(1,363)	2,080	2,413

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

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28 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

HISTORY OF EXPERIENCE GAINS AND LOSSES

	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
Difference between the expected and actual return on scheme assets:				
Amount	**992**	(2,764)	154	636
Percentage of scheme assets	**3.4%**	(10.5%)	0.6%	1.9%
Experience gains and losses arising on scheme liabilities:				
Amount	**(421)**	(196)	424	(340)
Percentage of present value of plan obligation	**(1.5%)**	(0.7%)	1.6%	(0.8%)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:				
Amount	**(2,080)**	1,435	(279)	(1,937)
Percentage of present value of plan obligation	**(7.2%)**	5.5%	(1.0%)	(4.8%)
Movement in net pension asset not recognised				
Amount	**201**	(275)	–	–
Percentage of present value of plan obligation	**0.7%**	(1.1%)	0.0%	0.0%
Total amount recognised in the CSOCTI:				
Amount	**(1,308)**	(1,800)	299	(1,641)
Percentage of present value of plan obligation	**(4.5%)**	(6.9%)	1.1%	(4.1%)

DEFINED CONTRIBUTION PENSION SCHEME

On 1 January 2003 a new pension scheme was introduced, the Andrews Sykes Stakeholder Pension Plan, to which the majority of UK employees are eligible. The scheme is managed on behalf of the group by Legal & General. Both the employer and employee contributions vary generally based upon the individual's length of service within the company. The employer's contribution rates vary from 3% to 15%, the current average being 5.0% (*12 months ended 31 December 2008: 4.9%*). The income statement charge in the current period amounted to £248,000 *(12 months ended 31 December 2008: £245,000)*.

OVERSEAS DEFINED CONTRIBUTION PENSION SCHEME ARRANGEMENTS

Overseas companies make their own pension arrangements, the charge for the period being £74,000 *(31 December 2008: £44,000)*.

No additional disclosure is given on the basis of materiality.

29 DERIVATIVE FINANCIAL INSTRUMENTS – LIABILITIES

Derivative financial instruments classified as liabilities in accordance with IAS 39 were as follows:

	31 December 2009 £'000	31 December 2008 £'000
Interest rate caps held for trading	**55**	108
Disclosed:		
Within current liabilities (payable within one year)	**23**	–
Within non-current liabilities	**32**	108
Total	**55**	108

With effect from 1 May 2008 interest is charged on a bi-annual basis on the group's borrowings based on LIBOR plus a margin of between 0.65% and 1.25%. Prior to this the margin was between 0.5% and 1.25%. The group has taken out the following interest rate caps to limit its exposure to increases in LIBOR. These instruments have been included in these financial statements as liabilities at fair value as set out below:

12 months ended 31 December 2009			
Maturity date	**LIBOR Cap**	**Principal £'000**	**Liability £'000**
31/10/2010	**5.50%**	**10,000**	**23**
31/10/2011	**6.50%**	**4,000**	**19**
30/04/2013	**6.25%**	**10,000**	**13**
		24,000	**55**

12 months ended 31 December 2008			
Maturity date	LIBOR Cap	Principal £'000	Liability £'000
31/10/2010	5.50%	15,000	41
31/10/2011	6.50%	4,000	30
30/04/2013	6.25%	10,000	37
		29,000	108

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30 CALLED-UP SHARE CAPITAL

	31 December 2009 £'000	31 December 2008 £'000
Issued and fully paid:		
44,268,365 ordinary shares of one pence each		
(*31 December 2008: 44,268,365 ordinary shares of one pence each*)	**443**	443

During the period the company did not purchase any shares for cancellation (*12 months ended 31 December 2008: 284,500 shares purchased for cancellation for a total consideration of £258,620*).

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

At 31 December 2009 and 31 December 2008 cash options to subscribe for ordinary shares under the executive share option scheme were held as follows:

			Number of one pence ordinary shares	
Date of Grant	**Date normally exercisable**	**Subscription price per share**	**31 December 2009**	31 December 2008
November 2001	November 2004 to October 2011	89.5 pence	**15,000**	15,000

No share options were granted, forfeited or expired during either the current or previous financial periods.

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

31 SHARE CAPITAL AND RESERVES

	Share capital £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000
At 29 December 2007	446	12,595	274	222	13,537
Total comprehensive income for the period	–	9,760	4,223	–	13,983
Purchase of own shares	(3)	(258)	–	3	(258)
Dividends paid	–	(14,970)	–	–	(14,970)
At 31 December 2008	443	7,127	4,497	225	12,292
Total comprehensive income for the period	**–**	**10,701**	**(1,602)**	**–**	**9,099**
At 31 December 2009	**443**	**17,828**	**2,895**	**225**	**21,391**

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

Other reserves comprise:

	31 December 2009 £'000	31 December 2008 £'000
Capital redemption reserve	**137**	137
UAE legal reserve	**79**	79
Netherlands capital reserve	**9**	9
	225	225

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 reserves of Euros 18,151 (NLG: 40,000).

The capital redemption reserve increased in 2008 by £3,000 due to the purchase and cancellation of 284,500 ordinary shares of 1p each during the period. There were no movements in any of the other reserves during either the current or preceding financial periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

32 CASH GENERATED FROM OPERATIONS

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Profit for the period attributable to equity shareholders	**11,643**	11,056
Adjustments for:		
Taxation charge	**1,648**	4,321
Finance costs	**2,843**	5,180
Finance income	**(1,944)**	(2,074)
Income from other participating interests	**(980)**	–
Profit on the sale of property, plant and equipment	**(806)**	(1,308)
Depreciation	**4,964**	4,827
Excess of normal pension contributions compared with service cost	**(1,500)**	(3,200)
Cash generated from operations before movements in working capital	**15,868**	18,802
Decrease/(increase) in stocks	**1,904**	(2,251)
Decrease/(increase) in trade and other receivables	**4,318**	(1,647)
(Decrease)/increase in trade and other payables	**(4,082)**	684
Increase/(decrease) in provisions	**73**	(15)
Cash generated from operations	**18,081**	15,573

33 ANALYSIS OF NET DEBT

	31 December 2009 £'000	31 December 2008 £'000
Cash and cash equivalents per consolidated cash flow statement and note 21	**18,150**	18,233
Other financial assets – cash held on deposit per note 18	**9,000**	–
	27,150	18,233
Bank loans per note 25	**(29,000)**	(34,000)
Obligations under finance leases per note 26	**(903)**	(1,053)
Derivative financial instruments per note 29	**(55)**	(108)
Gross debt	**(29,958)**	(35,161)
Net debt	**(2,808)**	(16,928)

34 FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The capital structure of the group consists of debt, which is analysed in note 33, and equity comprising issued share capital, reserves and retained earnings as disclosed in note 31. The gearing ratio is:

	31 December 2009 £'000	31 December 2008 £'000
Net debt per note 33	**2,808**	16,928
Equity attributable to equity holders of the parent company as per note 31	**21,391**	12,292
Net debt to equity percentage	**13.1%**	137.7%

SIGNIFICANT ACCOUNTING POLICIES

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

CATEGORIES OF FINANCIAL INSTRUMENTS

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

	31 December 2009 £'000	31 December 2008 £'000
Financial assets		
Available for sale assets – trade investment	**164**	164
Loans and receivables (including cash and cash equivalents):		
Trade debtors and amounts due by related parties	**11,943**	16,106
Other debtors	**197**	383
Other financial assets – cash held on deposit	**9,000**	–
Cash and cash equivalents	**18,150**	18,233
	39,290	34,722
	39,454	34,886
Financial liabilities		
Fair value through profit and loss – held for trading	**55**	108
Amortised cost:		
Trade creditors and amounts due to related parties	**2,979**	5,592
Accruals and other creditors	**6,099**	7,612
Loans	**29,000**	34,000
Finance lease obligations	**903**	1,053
	38,981	48,257
	39,036	48,365

FINANCIAL RISK MANAGEMENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

34 FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK

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

With effect from 1 May 2008 interest is charged on a bi-annual basis on the group's borrowings based on LIBOR plus a margin of between 0.65% and 1.25%. Prior to this the margin was between 0.5% and 1.25%. The total value of the loans, average LIBOR rate during the period, notional capital value of the interest rate cap agreements at the period end and effective cap rates were as follows:

		31 December 2009 £'000	31 December 2008 £'000
Total bank loans		**29,000**	34,000
Average bank loan agreement rate		**3.30%**	6.81%
Notional capital value of interest rate caps and effective cap rate:			
Cap to run to 31 October 2010	Notional capital value	**10,000**	15,000
	Capped interest rate	**5.50%**	5.50%
Cap to run to 31 October 2011	Notional capital value	**4,000**	4,000
	Capped interest rate	**6.50%**	6.50%
Cap to run to 30 April 2013	Notional capital value	**10,000**	10,000
	Capped interest rate	**6.25%**	6.25%

A 1% increase in the average bank loan agreement rate for the period would increase net bank loan interest after income from the derivative instruments by £310,000 *(12 months ended 31 December 2008: £143,000)*, a 1% decrease would decrease it by £350,000 *(12 months ended 31 December 2008: £338,000)*.

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

34 FINANCIAL INSTRUMENTS (CONTINUED)

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

	31 December 2009 £'000	31 December 2008 £'000
Assets denominated in:		
Euros	**1,836**	2,794
UAE Dirhams	**5,105**	6,394
Liabilities denominated in:		
Euros	**1,746**	1,556
UAE Dirhams	**1,266**	2,618

A 10% increase in the Euro:Sterling exchange rate would reduce the consolidated operating profit by £200,000 *(12 months ended 31 December 2008: £196,000)*. A 10% decrease would increase the consolidated operating profit by a similar amount.

A 10% increase in the Dirham:Sterling exchange rate would reduce the consolidated operating profit by £300,000 *(12 months ended 31 December 2008: £268,000)*. A 10% decrease would increase the consolidated operating profit by a similar amount.

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

CREDIT RISK

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

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

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

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

LIQUIDITY RISK MANAGEMENT

The group manages liquidity risk by maintaining adequate cash reserves, which at 31 December 2009 amounted to £18,150,000 *(31 December 2008: £18,233,000)*, by operating within its agreed banking facilities, by continuously monitoring forecast and actual cash flows, by matching the maturity profiles of monetary assets and liabilities and by monitoring and discussing its covenants with the bank. At 31 December 2009 the group had cash in ring fenced deposit accounts of £9,000,000 and last year the group had undrawn borrowing facilities of £2 million to further reduce liquidity risk. In view of the significant levels of cash and bank deposits held by the group, and the decrease in net debt from £16,928,000 at 31 December 2008 to £2,808,000 at 31 December 2009, the directors no longer believe that this borrowing facility is required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34 FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY AND INTEREST RISK TABLES

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

31 December 2009

	Weighted average interest rate	Due within 3 months £'000	Due 3 months to 1 year £'000	Due over 1 and less than 5 years £'000	Due after 5 years £'000	Future finance charges £'000	Total £'000
Non-interest bearing		6,309	2,769	–	–	–	9,078
Variable interest bank loans	3.25%	–	6,065	24,907	–	(1,972)	29,000
Fixed interest finance leases	8.00%	–	219	655	319	(290)	903
Total		6,309	9,053	25,562	319	(2,262)	38,981

31 December 2008

	Weighted average interest rate	Due within 3 months £'000	Due 3 months to 1 year £'000	Due over 1 and less than 5 years £'000	Due after 5 years £'000	Future finance charges £'000	Total £'000
Non-interest bearing		9,880	3,324	–	–	–	13,204
Variable interest bank loans	6.70%	–	5,112	35,008	–	(6,120)	34,000
Fixed interest finance leases	8.00%	–	233	751	442	(373)	1,053
Total		9,880	8,669	35,759	442	(6,493)	48,257

The value and maturity profile of the derivative financial liabilities as at 31 December 2009 and 31 December 2008 carried at fair value through the profit and loss account are disclosed in note 29. Fair value is measured based on a level 2 hierarchy as defined in IFRS 7. There were no derivative financial assets at either period end.

35 OPERATING LEASE ARRANGEMENTS

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

	Property		Plant, machinery and equipment	
	31 December 2009 £'000	31 December 2008 £'000	**31 December 2009 £'000**	31 December 2008 £'000
Amounts payable under operating leases:				
Within one year	**824**	769	**617**	557
In the second to fifth years inclusive	**2,362**	2,504	**706**	1,047
After five years	**2,300**	2,532	**–**	–
	5,486	5,805	**1,323**	1,604

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

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

36 RELATED PARTY TRANSACTIONS

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

TRADING TRANSACTIONS

During the year, the group entered into the following transactions with associated companies (London Security plc) on an arm's length basis:

	31 December 2009 £'000	31 December 2008 £'000
Sale of goods and services	**2**	46
Purchase of goods and services	**257**	256
Amounts owed to the group by associates	**–**	17
Amount owed by the group to associates	**2**	156

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

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

With the exception of management remuneration, which is disclosed in note 10 above, there were no transactions with key management personnel in either the current or previous financial periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

37 DIVIDEND PAYMENTS

The directors declared the following interim dividends in respect of the period ended 31 December 2008:

	Pence per share	£'000
Interim dividend declared on 26 March 2008 and paid to shareholders on the register as at 4 April 2008 on 18 April 2008	6.5	2,896
Interim dividend declared on 24 April 2008 and paid to shareholders on the register as at 2 May 2008 on 16 May 2008	27.1	12,074
	33.6	14,970

The above interim dividends were charged against reserves as shown in the consolidated statement of changes in equity and in note 31 to these financial statements.

No interim dividends were declared or paid during the current financial period and the directors do not recommend the payment of a final dividend for the period ended 31 December 2009.

38 ULTIMATE PARENT COMPANY

As at 5 May 2010 EOI Sykes Sarl, which is incorporated in Luxembourg, held 82.17% of the share capital of Andrews Sykes Group plc and is therefore the immediate parent company. The ultimate holding company is the Tristar Corporation, a company incorporated in the Republic of Panama. The Tristar Corporation is held jointly, in equal proportions, by the Ariane Trust and the Eden Trust and therefore the directors consider these trusts to be the ultimate controlling parties of Andrews Sykes Group plc.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2009

	Note	**31 December 2009** £'000	**31 December 2009** £'000	31 December 2008 £'000	31 December 2008 £'000
Fixed assets					
Investments	3		**31,975**		32,623
Current assets					
Debtors	4	**29,437**		10,564	
Cash at bank and in hand	5	**162**		10,785	
		29,599		21,349	
Creditors: Amounts falling due within one year	6	**(12,322)**		(13,433)	
Net current assets			**17,277**		7,916
Total assets less current liabilities			**49,252**		40,539
Creditors: Amounts falling due after more than one year	6		**(23,000)**		(29,000)
Provision for liabilities	8		**–**		(1,170)
Net assets			**26,252**		10,369
Capital and reserves					
Called-up share capital	9		**443**		443
Profit and loss account	10		**23,461**		7,578
Other reserves	10		**2,348**		2,348
Shareholders' funds	11		**26,252**		10,369

These financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the Board of Directors on 5 May 2010 and were signed on its behalf by:

JC Pillois French ACA
Finance Director

COMPANY ACCOUNTING POLICIES

1 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

GOING CONCERN

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

Further information explaining why the directors believe that the group as a whole is a going concern is given in the financial review section of the Directors' report on page 15.

INVESTMENTS

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

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

DEFERRED TAX

Deferred tax is provided in full on timing differences that result in an obligation to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax law enacted or substantively enacted. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on unremitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

CURRENT TAX

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

BORROWING COSTS

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

CASH FLOW STATEMENT

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

RELATED PARTY TRANSACTIONS

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

2 PROFIT FOR THE FINANCIAL PERIOD

As permitted by Section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the period. The profit for the financial period dealt with in the profit and loss account of the company was £15,883,000 *(12 months ended 31 December 2008: £4,709,000).*

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

3 FIXED ASSET INVESTMENTS

	Subsidiary undertakings shares £'000
Cost	
At the beginning and end of the period	**40,748**
Provisions	
At the beginning of the period	**8,125**
Charge during the period	**648**
At the end of the period	**8,773**
Net book value	
At 31 December 2009	**31,975**
At 31 December 2008	32,623

The company's principal subsidiary undertakings (* denotes directly owned by Andrews Sykes Group plc) as at 31 December 2009 were as follows:

Andrews Sykes Hire Limited*
Andrews Air Conditioning & Refrigeration Limited*
Climate Contingency Services Limited*
Andrews Sykes Investments Limited* (Intermediate holding company)
A.S. Group Management Limited* (Intermediate holding company)
Heat for Hire Limited* (Intermediate holding company)
Andrews Sykes Properties Limited* (Property holding company)
AS Holding B.V. (Netherlands, Intermediate holding company)
Khansaheb Sykes LLC (49%, United Arab Emirates)
Andrews Sykes B.V. (Netherlands)
Andrews Sykes BVBA (Belgium)

Unless otherwise indicated, all are incorporated in England and Wales and undertake hire, sales, service and/or installation of specialist environmental control products mainly in the country of incorporation. The group holds 100% of the ordinary share capital of all of the above, unless otherwise stated. 100% of the profits of Khansaheb Sykes LLC accrue to the group.

The provision charge during the period was required to write down the carrying value of an investment in a non-trading subsidiary to its underlying net asset value.

4 DEBTORS

	31 December 2009 £'000	31 December 2008 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	**28,047**	8,354
Corporation tax and group relief	**1,319**	2,179
Other debtors	**20**	30
Deferred tax (note 8)	**49**	–
Prepayments and accrued income	**2**	1
	29,437	10,564

NOTES TO THE COMPANY FINANCIAL STATEMENTS

5 CASH AT BANK AND IN HAND

	31 December 2009 £'000	31 December 2008 £'000
Cash at bank and in hand	**–**	10,500
Capital reduction trust account	**162**	285
	162	10,785

The capital reduction trust account was created by order of the High Court, as a condition of approving a 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.

6 CREDITORS

	31 December 2009 £'000	31 December 2008 £'000
Amounts falling due within one year:		
Bank loans and overdrafts	**6,222**	5,192
Amounts owed to group undertakings	**5,949**	7,785
Corporation tax	**–**	–
Other taxes and social security	**67**	–
Other creditors	**–**	–
Accruals and deferred income	**84**	456
	12,322	13,433

	31 December 2009 £'000	31 December 2008 £'000
Amounts falling due after more than one year:		
Bank loans	**23,000**	29,000
	23,000	29,000

Total company bank loans and overdrafts of £29,222,000 *(31 December 2008: £34,192,000)* are secured by fixed and floating charges on the assets of the group and by cross guarantees between group undertakings. There are no unsecured bank loans at either year end.

Of the company's bank loans falling due after more than one year, £6,000,000 *(31 December 2008: £6,000,000)* is repayable between one and two years and the balance is 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.

The maturity profile of the company's undrawn committed borrowing facilities available as at 31 December 2009 was:

	31 December 2009 £'000	31 December 2008 £'000
Expiring within one year	**–**	2,000

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

7 FINANCIAL INSTRUMENTS

The group's policies, objectives and exposure in respect of capital and financial (encompassing market, credit and liquidity) risk management are set out in note 34 of the consolidated financial statements and these are also applicable to the company. The fair value of interest rate caps held by the company at the balance sheet date is disclosed in note 29 to the consolidated financial statements.

8 PROVISION FOR LIABILITIES

	Deferred tax £'000
At the beginning of the period	1,170
Credit to profit and loss account	(1,219)
Transfer to debtors (note 4)	49
At the end of the period	**–**

The (asset)/liability for deferred taxation at 28% (*31 December 2008: 28%*) is analysed as follows:

	31 December 2009 £'000	31 December 2008 £'000
Unremitted overseas earnings	**–**	1,222
Other short-term timing differences	**(49)**	(52)
Net (asset)/liability at the period end	**(49)**	1,170

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2009

9 CALLED-UP SHARE CAPITAL

	31 December 2009 £'000	31 December 2008 £'000
Issued and fully paid:		
44,268,365 ordinary shares of one pence each		
(*31 December 2008: 44,268,365 ordinary shares of one pence each*)	**443**	443

During the period the company did not purchase any shares for cancellation (*12 months ended 31 December 2008: 284,500 shares purchased for cancellation for a total consideration of £258,620*).

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

At 31 December 2009 and 31 December 2008 cash options to subscribe for ordinary shares under the executive share option scheme were held as follows:

			Number of one pence ordinary shares	
Date of grant	**Date normally exercisable**	**Subscription price per share**	**31 December 2009**	31 December 2008
November 2001	November 2004 to October 2011	89.5 pence	**15,000**	15,000

No share options were granted, forfeited or expired during either the current or previous financial periods.

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

10 RESERVES

	Profit and loss account £'000	**Other reserves £'000**	**Total £'000**
At the beginning of the period	7,578	2,348	9,926
Profit for the period	**15,883**	**–**	**15,883**
At the end of the period	**23,461**	**2,348**	**25,809**

Other reserves comprise:

	31 December 2009 £'000
Capital redemption reserve	**137**
Non-distributable dividends received from subsidiaries	**2,211**
	2,348

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000
Profit for the financial period	**15,883**	4,709
Consideration for the purchase of own shares	**–**	(258)
Dividends declared and paid	**–**	(14,970)
Net increase/(decrease) in shareholders' funds	**15,883**	(10,519)
Shareholders' funds at the beginning of the period	**10,369**	20,888
Shareholders' funds at the end of the period	**26,252**	10,369

12 CAPITAL COMMITMENTS AND GUARANTEES

The company has guaranteed certain property leases of subsidiary undertakings occupied for the purposes of the group's trade. At 31 December 2009 the annual commitment under such leases totalled £101,850 *(31 December 2008: £99,500)*, all expiring in five years or more.

13 ULTIMATE PARENT COMPANY

As at 5 May 2010 EOI Sykes Sarl, which is incorporated in Luxembourg, held 82.17% of the share capital of Andrews Sykes Group plc and is therefore the immediate parent company. The ultimate holding company is the Tristar Corporation, a company incorporated in the Republic of Panama. The Tristar Corporation is held jointly, in equal proportions, by the Ariane Trust and the Eden Trust and therefore the directors consider these trusts to be the ultimate controlling parties of Andrews Sykes Group plc.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eighty seventh Annual General Meeting of Andrews Sykes Group plc will be held at Floor 5, 10 Bruton Street, London, W1J 6PX on 8 June 2010 at 10.30 a.m. for the following purposes:

AS ORDINARY BUSINESS:
ORDINARY RESOLUTIONS

1. That the financial statements for the 12 months ended 31 December 2009 together with the report of the directors and of the auditors, be and they are hereby received and adopted.
2. That Mr RC King, who retires by rotation and offers himself for re-election, be and is hereby re-elected.
3. That Ms MC Leon, who retires by rotation and offers herself for re-election, be and is hereby re-elected.
4. The Mr X Mignolet, who retires by rotation and offers himself for re-election, be and is hereby re-elected.
   Details of directors are set out on page 22 of the financial statements.
5. That KPMG Audit Plc be and are hereby reappointed as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which the accounts are laid before the Company at a remuneration to be fixed by the directors.

AS SPECIAL BUSINESS:
ORDINARY RESOLUTIONS

6. That the directors, in substitution for all authorities previously conferred upon them (save to the extent that such authorities shall have been exercised) be and they are hereby authorised generally and unconditionally for the purposes of Section 551 of the Companies Act 2006 to allot or grant options over relevant securities (as therein defined) up to a maximum aggregate nominal amount of £66,402 such authority to expire at the end of the next Annual General Meeting of the Company save where the directors exercise such authority pursuant to an offer or agreement made prior to the date of such meeting.

7. That the general authority given by the Company to make market purchases (as defined by Section 693(4) of the Companies Act 2006 (previously Section 163(3) of the Companies Act 1985)) of Ordinary Shares of one pence each in its capital, passed by the Company in general meeting on 29 May 1996 and last renewed on 30 July 2009 be, and it is hereby renewed, subject as follows:
   7.1 the maximum number of shares which may be so acquired is 5,533,545 Ordinary Shares of one pence each;
   7.2 the minimum price which may be paid for such shares is the nominal value of such shares;
   7.3 the maximum price which may be paid per share is a sum equal to 105% of the average of the market values of the Ordinary Shares of the Company in the Daily Official List of the Stock Exchange on the five business days immediately preceding the date of purchase;
   7.4 the authority conferred by this resolution shall expire on 30 June 2011 or the date of the Annual General Meeting for the period ending 31 December 2010 whichever is the earlier.

SPECIAL RESOLUTIONS

8. That subject to the passing of resolution numbered 6 above the directors be and they are hereby generally and unconditionally authorised to allot equity securities (defined in Section 560(1) of the Companies Act 2006) pursuant to the authority conferred by the resolution number 6 above as if Section 561(1) of the said Act did not apply to any such allotment of equity securities and so that references to allotment in this resolution shall be construed in accordance with Section 561(3) of the said Act and the power hereby conferred shall enable the Company to make an offer or agreement before the expiry of this authority which would or might require equity securities to be allotted after the expiry of such authority provided that the authority hereby conferred shall be limited (a) to the allotment of equity securities in connection with a rights issue in favour of the holders of equity securities in proportion to their respective holdings of such securities or (as the case maybe) 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 £66,402; 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.

9. That the draft set of Articles of Association as presented to the meeting be adopted by the Company in substitution for and to the exclusion of the company's existing Articles of Association.

RECOMMENDATION

Your directors unanimously recommend the Ordinary Shareholders to vote in favour of the Resolutions to be proposed at the Annual General Meeting of the company as they intend to do in respect of their own beneficial holdings amounting to 2,131,125 ordinary shares representing approximately 4.81% of the current ordinary shares. You are referred to the Directors' Report on page 20 for an explanation for each resolution to be considered as special business.

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

By order of the board

MJ Calderbank ACA
Company Secretary

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

5 May 2010

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.
   c A copy of the proposed new Articles of Association as referred to in resolution 9.
2. a. A member is entitled to appoint a proxy to attend and, on a poll, to vote on his or her behalf. A proxy need not be a member of the company.
   b. The appointment of the proxy does not preclude a member from attending the meeting and voting in person if he or she so wishes.
   c. A Form of Proxy is enclosed for use by ordinary shareholders in relation to the meeting, which, to be effective, must be completed and deposited with the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 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 6.00 p.m. on 6 June 2010. Changes to entries on the register of members after 6.00 p.m. on 6 June 2010 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

FIVE YEAR HISTORY

	IFRS				UKGAAP†
	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000	53 weeks ended 31 December 2006 £'000	12 months ended 31 December 2005 £'000
Revenue	**54,358**	67,394	57,846	59,768	55,088
Operating profit from continuing activities*					
Trading profit before exceptional and goodwill charges	**12,937**	17,924	14,630	15,696	11,342
Pension curtailment offer	**–**	–	(911)	–	–
Exceptional reorganisation and redundancy payments	**–**	–	–	(630)	–
Goodwill amortisation and impairment charges	**–**	–	(31)	–	(14)
Profit on the disposal of property	**273**	559	–	206	–
	13,210	18,483	13,688	15,272	11,328
Income from other participating interests	**980**	–	209	–	–
Net interest	**(899)**	(3,106)	(1,519)	(1,272)	(662)
Profit before taxation	**13,291**	15,377	12,378	14,000	10,666
Taxation	**(1,648)**	(4,321)	(3,829)	(4,150)	(2,838)
Profit for the financial period from continuing activities	**11,643**	11,056	8,549	9,850	7,828
(Loss)/profit on disposal of businesses after tax	**–**	–	–	(142)	6,299
Profit for the financial period	**11,643**	11,056	8,549	9,708	14,127
Dividends paid during the year	**–**	14,970	–	–	8,119
Basic earnings per share from continuing operations	**26.30p**	24.85p	19.19p	22.11p	15.24p
Ordinary dividend per share paid in the year	**–**	33.60p	–	–	14.0p

* Defined as at the end of each reporting period.

† Prior year periods are stated under UK GAAP as the transition to IFRS did not have a material impact on the reported profit. Presentational adjustments have been made where material.

ANDREWS SYKES GROUP PLC ANNUAL REPORT & FINANCIAL STATEMENTS 2009

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