

Andrews Sykes Group plc (“the group”)

Preliminary Results for the 12 months ended 31 December 2008

SUMMARY OF RESULTS

	12 months ended 31 December 2008	12 months ended 29 December 2007*
	£'000	£'000
Revenue from continuing operations	67,394	57,846
EBITDA** from continuing operations	22,002	18,588
Normalised operating profit***	17,924	14,599
Profit for the financial period	11,056	8,549
Basic earnings per share from continuing operations	24.85p	19.19p
Dividend paid per equity share	33.60p	-
Net cash inflow from operating activities	10,589	7,482
Total dividends paid	14,970	-
Net Debt	16,928	12,344

* Foreign exchange differences on inter-company loans have been re-categorised from administration expenses to finance costs

** Earnings Before Interest, Taxation, Depreciation, profit on the sale of fixed assets, Amortisation, impairment charges and non-recurring costs as reconciled on the consolidated income statement.

*** Normalised operating profit, being operating profit before non-recurring items as reconciled in the consolidated income statement.

Chairman’s Statement

Overview and financial highlights

The group achieved a normalised operating profit (operating profit before non-recurring items as reconciled on the consolidated income statement) of £17.9 million for 2008 which compares with £14.6 million last year, an increase of over 22%. This is another record for the group, beating the previous best of £15.7 million in 2006 by £2.2 million. This is an extremely creditable performance and management must be congratulated on this achievement.

This result highlights the fact that the group is now less weather dependent than ever before. It has been our strategy for some time to move away from this dependency and our group now has a diverse range of income streams thereby providing a solid base of revenue underpinning the business. This, combined with our ongoing strict cost control policy, ensures that we are able to deliver satisfactory results even in the face of less than favourable climatic conditions.

Our main trading subsidiary, Andrews Sykes Hire had a very successful year producing a record operating profit result despite a difficult summer period. It continues to expand its business in non-seasonal hire markets, particularly through its specialist hire division. It has continued to expand its presence in niche markets and these non-traditional businesses operate without undue influence from seasonal weather patterns.

We continue to support and develop our traditional business roots. The pumping division once again provided strong growth throughout the year with new contracts being signed with major national contractors and non-construction related end users.

We will continue to invest more in this business, as well as in our profitable air conditioning and heating hire divisions, in order that we are well placed to satisfy our customers' demands whenever they arise.

Our operation based in the UAE, Khansaheb Sykes LLC, produced an operating profit in excess of 20 million UAE Dirhams, more than four times the level achieved in 2007. Applying the 2008 exchange rates, this equates to approximately £2.9 million and is therefore a significant contribution to the group's overall performance. This performance is largely due to new local management that took charge during 2007 and the subsequent development of the business that took place under their charge.

Our operations in Northern Europe also performed well with our subsidiary in The Netherlands achieving an operating profit of €2.9 million, an increase of 11.3% compared with 2007. This was also a new record for this company.

The only disappointment was our air conditioning installation business in the UK, Andrews Air Conditioning and Refrigeration, that reported a small operating loss for the year. However, management are taking the opportunity to reduce costs and streamline the business making it ready to take advantage of any upturns in the market when they arise.

In summary 2008 was a very good year for the group and we are in a strong position to face the challenges that 2009 will inevitably present.

Dividend and pension scheme payments

During the first half of the year two interim dividends were paid that in total amounted to £15 million. Clearance was obtained from both the pensions regulator and the pension scheme trustees and as part of this process a special one-off payment of £1.7 million was made to the pension scheme. These payments were in part funded by an increase in borrowings of £10 million.

Net Debt

Mainly due to the above dividend and pension scheme payments, net debt has increased by £4.6 million from £12.3 million to £16.9 million this year. This is after the following significant cash outflows:

	£m
• Equity dividends	15.0
• Capital expenditure net of disposal proceeds	4.1
• Regular and non-recurring pension scheme payments	3.2
• Corporation tax payments	2.5
• Interest payments	<u>2.5</u>
Total	<u>27.3</u>

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. During the year under review the

company purchased 284,500 of its own one pence ordinary shares for cancellation at a cost of £258,620. This purchase enhanced earnings per share. At the forthcoming AGM, the board will request that shareholders vote in favour of a resolution to renew the authority to purchase up to 12.5% of the ordinary shares in issue.

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 successful in 2008 and will therefore be continued into 2009.

The board believes that 2009 will be a difficult year as the worldwide economic downturn continues to depress the markets within which the group operates. However, the group is financially strong, it is continuing to generate both good levels of profits and positive cash flows and therefore it will be well placed to take advantage of any upturns in the market, whenever that might be.

J G Murray
Chairman

17 June 2009

Consolidated Income Statement
For the 12 months ended 31 December 2008

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007* £'000
Continuing operations		
Revenue	67,394	57,846
Cost of sales	(30,523)	(25,816)
Gross profit	36,871	32,030
Distribution costs	(10,144)	(9,751)
Administrative expenses		
- Recurring	(8,803)	(7,680)
- Non-recurring	559	(911)
- Total	(8,244)	(8,591)
Operating profit	18,483	13,688
EBITDA**	22,002	18,588
Depreciation and impairment losses	(4,827)	(4,463)
Profit on the sale of plant and equipment	749	474
Normalised operating profit	17,924	14,599
Profit on the sale of property	559	-
Pension curtailment charge	-	(911)
Operating profit	18,483	13,688
Income from other participating interests	-	209
Finance income	673	624
Finance costs	(3,779)	(2,143)
Profit before taxation	15,377	12,378
Taxation	(4,321)	(3,829)
Profit for the financial period	11,056	8,549
There were no discontinued operations in either of the above periods.		
Earnings per share from continuing and total operations		
Basic (pence)	24.85p	19.19p
Diluted (pence)	24.85p	19.19p
Dividends paid per equity share (pence)	33.60p	0.00p

* Foreign exchange differences on inter-company loans have been re-categorised from administration expenses to finance costs

** Earnings Before Interest, Taxation, Depreciation, profit on the sale of fixed assets, Amortisation and impairment provisions and non-recurring costs.

**Consolidated Balance Sheet
As at 31 December 2008**

	31 December 2008		29 December 2007	
	£'000	£'000	£'000	£'000
Non-current assets				
Goodwill		-		-
Property, plant and equipment		16,108		15,668
Lease prepayments		90		96
Trade investments		164		164
Deferred tax asset		-		1,404
Derivative financial instruments		-		13
		16,362		17,345
Current assets				
Stocks	7,993		5,742	
Trade and other receivables	17,764		16,317	
Cash and cash equivalents	18,233		13,102	
Assets held for sale	405		494	
	44,395		35,655	
Current liabilities				
Trade and other payables	(11,833)		(11,371)	
Current tax liabilities	(1,371)		(1,370)	
Bank loans	(5,000)		(5,000)	
Obligations under finance leases	(217)		(415)	
Provisions	-		(15)	
	(18,421)		(18,171)	
Net current assets		25,974		17,484
Total assets less current liabilities		42,336		34,829
Non-current liabilities				
Bank loans	(29,000)		(19,000)	
Obligations under finance leases	(836)		(1,006)	
Retirement benefit obligations	-		(1,238)	
Deferred tax liability	(90)		-	
Derivative financial instruments	(108)		(38)	
		(30,034)		(21,282)
Net assets		12,302		13,547
Equity				
Called-up share capital		443		446
Retained earnings		7,127		12,595
Translation reserve		4,497		274
Other reserves		225		222
Surplus attributable to equity holders of the parent		12,292		13,537
Minority interest		10		10
Total equity		12,302		13,547

**Consolidated Cash Flow Statement
For the 12 months ended 31 December 2008**

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007* £'000
Cash flows from operating activities		
Cash generated from operations	15,573	11,626
Interest paid	(2,484)	(1,115)
Net UK corporation tax paid	(1,836)	(2,202)
Withholding tax (paid) / recovered	(3)	50
Overseas tax paid	(661)	(877)
Net cash flow from operating activities	10,589	7,482
Investing activities		
Dividends received from participating interests (trade investments)	-	209
Disposal costs paid less consideration received on prior year disposals	-	295
Sale of assets held for sale	656	-
Sale of plant and equipment	974	778
Purchase of property, plant and equipment	(5,082)	(5,346)
Interest received	808	440
Net cash flow from investing activities	(2,644)	(3,624)
Financing activities		
Loan repayments	(24,000)	(1,000)
New loans raised	34,000	-
Finance lease capital repayments	(308)	(141)
Equity dividends paid	(14,970)	-
Purchase of own shares	(259)	-
Net cash flow from financing activities	(5,537)	(1,141)
Net increase in cash and cash equivalents	2,408	2,717
Cash and cash equivalents at the beginning of the year	13,102	10,190
Effect of foreign exchange rate changes	2,723	195
Cash and cash equivalents at end of the year	18,233	13,102
Reconciliation of net cash flow to movement in net debt in the period		
Net increase in cash and cash equivalents	2,408	2,717
Cash outflow from the decrease in debt	24,308	1,141
Cash inflow from the increase in loans	(34,000)	-
Non cash movements in respect of new finance leases	(14)	(182)
Non cash movements in the fair value of derivative instruments	(9)	(48)
Movement in net debt during the period	(7,307)	3,628
Opening net debt at the beginning of the year	(12,344)	(16,167)
Effect of foreign exchange rate changes	2,723	195
Closing net debt at the end of the year	(16,928)	(12,344)

* Foreign exchange differences on inter-company loans amounting to £415,000 have been re-categorised to finance costs and are now included within 'effect of foreign exchange rate changes' to be consistent with the presentation in the current period.

Consolidated Statement of Recognised Income and Expense For the 12 months ended 31 December 2008

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Actual return less expected return on pension scheme assets	(2,764)	154
Experience gains and losses arising on plan obligation	(196)	424
Changes in demographic and financial assumptions underlying the present value of plan obligations	1,435	(279)
Net pension asset not recognised due to uncertainty over future recoverability	(275)	-
Currency translation differences on foreign currency net investments	4,223	595
Deferred tax on items posted directly to equity	504	(107)
Net income recognised directly in equity	2,927	787
Profit for the period attributable to parent's shareholders	11,056	8,549
Total recognised income and expense for the period attributable to equity holders of the parent	13,983	9,336

Movements on share capital and reserves For the 12 months ended 31 December 2008

	Share capital £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000
At 31 December 2006	446	3,854	(321)	222	4,201
Total recognised income and expense	-	8,741	595	-	9,336
At 29 December 2007	446	12,595	274	222	13,537
Total recognised income and expense	-	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

Notes

1. Basis of preparation

Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. Therefore the financial information set out above does not constitute the company's financial Statements for the 12 months ended 31 December 2008 or 29 December 2007, but is derived from those financial statements.

2. Going concern

The board remains satisfied with the group's funding and liquidity position. The group has external bank loans of £34 million and has, with the exception of the guarantor covenant discussed below, 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 which has been confirmed as being appropriate as at 31 December 2008 by the bank.

At the year end the group did breach the guarantor group covenant which specifies that 80% of turnover and operating profit must be generated by the guarantor group, which excludes our overseas operations in the UAE and The Netherlands. This was primarily due to the extremely good performance of our business in the UAE, as discussed in the operations review. The bank have, however, waived the breach and subsequent to the year end, the Netherlands operations have been included within the guarantor group for covenant purposes.

In addition to the loans the group has substantial cash resources which at 31 December 2008 amounted to £18.2 million. Profit and cash flow projections for 2009 and the first half of 2010, 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. In addition the group has an agreed unused overdraft facility of £2 million. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, and the measures reasonably available to the group, 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 together with a diverse base of operations across different geographical areas and industries. 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 have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 2008 Annual Report and Financial Statements and this preliminary announcement.

3. Distribution of Annual Report and Financial Statements

The group expects to distribute copies of the full Annual Report and Financial Statements that comply with IFRSs by the end of June 2009 following which copies will be available either from the registered office of the company; Premier House, Darlington Street, Wolverhampton, WV1 4JJ; or from the company's website; www.andrews-sykes.com. The Annual Report and Financial Statements for the 12 months ended 29 December 2007 have been delivered to the Registrar of Companies and those for the 12 months ended 31 December 2008 will be filed at Companies House following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention any matters by way of emphasis without qualifying their report and did not contain statements under s237(2) or (3) Companies Act 1985.

4. Date of Annual General Meeting

The group's Annual General Meeting will be held at 10.30 a.m. on Thursday 30th July 2009 at Floor 5, 10 Bruton Street, London, W1J 6PX.