



ANDREWS SYKES GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2012

A THRIVING BUSINESS IN A DYNAMIC SECTOR

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SUMMARY OF RESULTS

	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Revenue from continuing operations	58,380	53,838
Normalised EBITDA* from continuing operations	17,916	15,387
Normalised operating profit†	14,312	11,882
Profit on the sale of property	–	3,113
Profit after tax for the financial period	11,158	11,566
Basic earnings per share from total operations (pence)	26.39p	27.05p
Dividend paid per equity share (pence)	7.10p	6.60p
Net cash inflow from operating activities	12,768	11,606
Total dividends paid	3,001	2,818
Net funds	15,642	10,365

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

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

CHAIRMAN'S STATEMENT

OVERVIEW AND FINANCIAL HIGHLIGHTS

SUMMARY

The group's revenue for the year ended 31 December 2012 was £58.4 million, an increase of £4.6 million, or 8.4%, compared with the same period last year. This increase had a significant impact on normalised operating profit* which increased by £2.4 million from £11.9 million last year to £14.3 million in the year under review.

Last year's results benefitted from a non-recurring profit of £3.1 million on the sale of a freehold property. Consequently the basic earnings per share decreased slightly from 27.05p last year to 26.39p in the current period. Excluding the effect of this one-off sale the basic earnings per share would have shown an improvement of 6.15p, or approximately 30%, from last year's adjusted figure of 20.24p to this year's figure of 26.39p. This reflects the strong trading performance of the group this year.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £12.8 million, an improvement of £1.2 million compared with last year. Net funds increased from £10.4 million last year to £15.6 million at 31 December 2012 despite shareholder related cash outflows of £3.8 million on dividends and the purchase of own shares. External bank borrowings have been reduced by £6.0 million from £14.0 million at the start of the year to £8.0 million by the year end.

Cost control, cash and working capital management continue to be priorities for the group. Capital expenditure on the hire fleet increased slightly from £4.1 million in 2011 to £4.2 million this year and the group invested a further £1.1 million on property, plant and equipment. These actions will ensure that the group's infrastructure and revenue generating assets are sufficient to support future growth and profitability. Hire fleet utilisation, condition and availability continue to be the subjects of management focus.



OPERATING PERFORMANCE

The following table splits the results between the first and second half years:

	Turnover £'000	Normalised Operating profit* £'000
1st half 2012	28,570	6,448
1st half 2011	27,717	5,930
2nd half 2012	29,810	7,864
2nd half 2011	26,121	5,952
Total 2012	58,380	14,312
Total 2011	53,838	11,882

Our main hire and sales business in the UK and Europe has again faced challenging trading conditions throughout 2012 mainly as a result of unhelpful weather conditions but also due to the current economic conditions. Despite these factors, the operating profit of this business segment, excluding the non-recurring profit on the sale of property last year, increased from £12.0 million last year to £13.1 million in 2012.

The weather at the start of the year was mild but that was soon replaced by the arrival of a cold spell of weather in February and March which stimulated the demand for our heating products. The summer was one of the wettest on record which did not stimulate demand for our air conditioning business. However, it did help our UK pumping business which saw turnover return to a more normal level. This improvement in performance in the second half continued through the remainder of the year and into the start of 2013. Our long-established HVAC business in the Netherlands had a very successful year, returning a record performance in 2012.

The above again clearly demonstrates our ability to deliver acceptable profit levels even in times of unfavourable external influence and is due, in part, to the continuing development of non-weather dependent niche markets which continue to benefit the performance of our specialist hire divisions. We will continue to invest in and develop these businesses as well as our traditional core products and services.

* Operating profit before non-recurring items as reconciled on the consolidated income statement.

Despite difficult trading conditions for our Middle East hire and sales business sector, operating profit doubled from £0.6 million last year to £1.2 million in the year under review. This improvement, which occurred largely in the second half of the year, reflects improved trading conditions in the UAE as well as the development of additional income streams in the region.

Our fixed installation business sector had a very successful year mainly due to a significant contract for the supply of equipment in connection with the Olympic and Paralympic Games. The operating profit increased by £0.6 million from £0.3 million last year to £0.9 million in the current year. Excluding this contract, the business continues to perform broadly in line with last year albeit at relatively modest levels compared with the rest of the group.

PROFIT FOR THE FINANCIAL YEAR

Excluding the one-off benefit of the sale of property last year, the profit for this financial year of £11.2 million would have been £2.5 million higher than the equivalent figure of £8.7 million last year. This reflects the £2.4 million increase in normalised operating profit*, receipts of dividends from Oasis Sykes, our trade investment in Saudi Arabia, of £0.6 million, an increase in the tax charge of £0.6 million and a reduction in net interest payable of £0.1 million.

EQUITY DIVIDENDS PAID

The company declared an interim dividend of £3.0 million on 29 October 2012 and this was paid on 3 December 2012. The board continues the policy of returning value to shareholders whenever possible and accordingly the decision regarding an interim dividend for 2013 will be taken later in the year in the light of profitability and available cash resources.

NET FUNDS

At 31 December 2012 the group had net funds of £15.6 million compared with £10.4 million last year, an increase of £5.2 million despite a dividend of £3.0 million and cash outflows on share buybacks of £0.8 million.

RENEWAL OF BANK LOAN FACILITIES

The group's existing bank loan agreements expired on 30 April 2013. In order to safeguard the group's cash position and to ensure that the group has adequate liquid resources available to finance any business opportunities that may arise, a new loan of £8.0 million was taken out on the same day to finance the loan repayment. This new loan is for four years with annual repayments of £1.0 million commencing on 30 April 2014 and a final balloon payment of £5.0 million due on 30 April 2017.

SHARE BUYBACKS

During the current year the company purchased 426,506 ordinary shares for cancellation for a total consideration of £814,934. These purchases enhanced earnings per share and were for the benefit of all shareholders.

The board believes that it is in the best interest of shareholders if they have this authority in order that market purchases may be made in the right circumstances if the necessary funds are available. Accordingly, at the next Annual General Meeting, shareholders will be asked to vote in favour of a resolution to renew the general authority to make market purchases of up to 12.5% of the ordinary share capital in issue.

OUTLOOK

The group's policy of reducing its reliance on its traditional core products and services together with the increase in non-seasonal business and investment in new technologically advanced and environmentally friendly products will be continued into 2013.

The group continues to face challenges in all of its geographical markets but our business remains strong, cash generative and well developed, with positive net funds. Improvements have been seen in both the UK pumping business and the Middle East business sector but the one-off benefit of the Olympic Games will be difficult to replace. The board is therefore cautiously optimistic for further success in 2013.

JG Murray
Chairman

30 April 2013

* Operating profit before non-recurring items as reconciled on the consolidated income statement.

DIRECTORS' REPORT

OPERATIONS REVIEW

UK AND MAINLAND EUROPE HIRE AND SALES BUSINESS



Our main trading subsidiary Andrews Sykes Hire produced a positive result for the year with turnover ahead of the previous year by 5%, which resulted in an increased operating profit. The general market conditions in the UK remained challenging throughout the year, the construction sector continues to be difficult and without any significant sign of recovery. During 2012 the business benefitted from the London Olympic Games, with a number of very successful projects fulfilled for both the Olympic Games and also the Paralympic Games. The unusual weather conditions had an impact on the mix of business, the very wet and mild summer conditions had an adverse effect on our air conditioning related revenue; however the wet weather, which continued for the remainder of the year, had a positive effect on the Pump Hire business.

QUALITY AND ENVIRONMENTAL

Andrews Sykes has ISO 9001 quality accreditation at all of its UK hire depots as well as head office location; we take our quality standards seriously and carry out regular internal quality audits with our own qualified staff in addition to external auditors.

Following the ISO 14001 accreditation in 2007 the company has continued with its commitment to improving environmental issues across the business, including regular environmental audits at our locations and ongoing product developments based on efficiency and environmental improvements.



HEALTH AND SAFETY

The company is committed to an ongoing Health and Safety improvement programme, providing our staff with a safe environment in which to work and providing 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 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. The business operates regular personal development reviews for all members of staff, where training and development plans are made for each individual. Communication with our staff has once again been improved during the year.

OUR DEPOTS

In the first half of 2012 we opened our new London depot, although only a few hundred metres away from our previous site, the new property offers a much larger storage and workshop facility. The location is ideally positioned to service our customer base within the London area being only seven miles from the centre. In addition to our new flagship depot in London, we have continued to upgrade and refurbish our depots throughout the UK. We are pleased to report that no depots were closed during the year and towards the end of the year we opened a new depot in Inverness, which enables us to provide an improved level of service to our customers in the highlands of Scotland.

TECHNOLOGY

We continue to review our technology to ensure that the company has fast and reliable IT systems that provide excellent management tools. This was further enhanced by a new CRM programme which was implemented in the final quarter. In the first half of the year a new corporate website was launched which includes new features such as online ordering, live chat and enhanced usability; further development will continue throughout 2013.

SUMMARY

In 2012 Andrews Sykes Hire concentrated its efforts into developing its core product range of pumping, heating and cooling equipment. This subsidiary continues to focus its business development activities on markets that are less reliant on climatic conditions, whilst still being able to take advantage of favourable weather conditions whenever they arise. Through careful cost controls and efficiency improvement this business is able to provide the group with good profit contribution even when the economy and weather conditions are not entirely favourable. Further investments have been made to ensure that our hire fleet is kept up to date with both technical and environmental evolution; this enables us to provide our customers with unique and cost effective solutions. The business continues to demonstrate its ability to carefully control its cost base in line with market conditions, which ensures that acceptable levels of profits can be provided during difficult circumstances but also allows the business to expand its resources quickly as market conditions change.



DIRECTORS' REPORT

OPERATIONS REVIEW (CONTINUED)



In the Netherlands our long-established hire business Andrews Sykes BV had a successful year. Despite the downturn in construction activity the business produced a record result for the year. The cold weather conditions in February and our long term customer relationships helped enable this result. In fact all product groups showed an increase on the previous year which helped to produce a profit that was more than 50% ahead of 2011. Our new depot in the North East of Holland produced a positive result in its first full year of trading. Costs were managed well throughout the year and staff levels remained constant despite the upturn in revenue. Further hire fleet investments were made during the year and these were mainly focussed on our heating and boiler products. Our Dutch subsidiary operates in close cooperation with our UK operations and continues to prosper from this strong alliance. We also use our facilities in Holland to support our more recent developments in Belgium.



Andrews Sykes BVBA, our Belgian subsidiary which is based in Brussels, produced a positive growth in hire revenue during 2012. Throughout the year the business continued to make substantial investments in both the hire fleet equipment and also in additional staff. In fact, over Euro 500,000 was invested in our hire fleet in Belgium during the year. The increase in staff levels was focussed on sales growth within the French speaking region of Belgium, this has allowed the business to expand from its original base in the Flemish region. Although the business produced growth in terms of revenue the additional costs associated with the expansion resulted in an operating profit that was slightly below the previous year. These investments will provide a strong base from where our Belgian subsidiary can continue its successful growth. In the latter part of the year, the business took an opportunity to expand our coverage into Luxembourg where we had some early success and a level of revenue throughout the second half of the year. We are now planning to open a small depot in Luxembourg, which will enable us to offer an improved level of customer service.



Following the opening of our Italian subsidiary in 2011, the business produced a strong growth in 2012. The subsidiary produced a substantial increase in hire revenue when compared to the previous year and the growth of the business has been supported by further investment in terms of hire fleet assets and additional staff. Our location close to the centre of Milan has proved to be ideal to support our customers in Northern Italy. Plans are already in place to double the size of our depot and to develop the business further. More investments in staff and hire fleet are already in place for 2013 and we remain optimistic for the continued growth of this new business.



During 2012 we opened a new subsidiary in France. The new business is located in Lille and provides a perfect facility to supply our products and services into Northern France and also supports our existing operation in the south of Belgium. This operation will work in close cooperation with our Belgium and Luxembourg teams and will continue to expand further south in the near future. The business was fully established in December and trading commenced in January 2013. The group is optimistic about the growth potential in France and also into the French region of Switzerland where new depots are planned in the near future.

UK INSTALLATIONS BUSINESS

ANDREWS AIR CONDITIONING & REFRIGERATION

Andrews Air Conditioning and Refrigeration (AAC&R) is our UK based fixed air conditioning, service, maintenance and installation business. This subsidiary provides a specialist service to our customers who have or require permanently installed air conditioning systems. 2012 proved to be an exceptional year for this subsidiary. Although market conditions were particularly challenging for air conditioning contractors our business was very successful in providing cooling solutions for the London Olympic Games. The vast majority of this work was providing fixed air conditioning systems into temporary buildings, over 400 air conditioning systems were installed in a very short period of time in complicated applications. The combination of our fixed air conditioning capabilities and our hire operations enabled us to provide a unique solution to the organising committee. The equipment was all supplied on schedule, maintained 24/7 throughout the duration of the games and then recovered soon after the closing ceremony. The success gained through the Olympic projects enable the business to report an exceptional level of profit for 2012 which was three times more than the previous year. Without the Olympic Games project, 2012 would have been a difficult year for our fixed air conditioning business, the poor summer weather did little to generate new enquiries and general installation activity was disappointing throughout the year. During recent years more focus has been applied to developing our service and maintenance offering, which has proved to be far more resilient to market and weather influences. This year the business made some structural changes to the sales capability and has undertaken a number of major initiatives to grow revenue in the forthcoming year. Market conditions are expected to remain challenging during 2013, this business does require some beneficial summer weather to optimise its potential and we will not have the benefit of the Olympic Games revenue. The company continues to manage its cost base and employee efficiencies to the optimum, which enables acceptable results when market forces are against us, but also allows the business to optimise any opportunities that come our way should the weather or market conditions change. This was illustrated with the success achieved in 2012.



DIRECTORS' REPORT

OPERATIONS REVIEW (CONTINUED)

MIDDLE EAST HIRE AND SALES BUSINESS



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. During 2012 market conditions in the UAE continued to improve, following the recovery that was made during 2011. Our business was able to optimise the market conditions and produce hire revenue that was 35% ahead of 2011. This successful performance is a result of the improvements made in our operations during the past few years despite the challenging market conditions that have been experienced since 2009. The net profit produced by this subsidiary is more than double the previous year result and provides confidence for future growth within the region. Some of our core dewatering work, which is very much driven by construction activity, remains very competitive. Success has been achieved by diversification into non construction type applications where our extensive hire fleet and technical expertise can be optimised to the full. During the year a new division was formed in the UAE which specialises in climate rental equipment. Substantial investment was made in new hire fleet equipment and new specialist staff. This new division commenced trading in the second half of the year and has already produced a successful level of revenue. The climatic conditions in the UAE provide all year round opportunities for air conditioning and chiller hire; applications are extremely wide and varied, ranging from high profile corporate events to heavy industrial applications in the oil and gas sectors. The success that has been achieved in such a short period provides an optimistic approach with further investment planned for 2013. During the year the business prepared itself to expand our coverage into Saudi Arabia, the registration process has proved to be complicated and has taken more time than expected. During this period we have successfully carried out a number of projects in Saudi and have agreed local sponsorship arrangements with a new business partner. The registration process is now well underway and should enable the business to formally open up a new subsidiary in Saudi Arabia during the second half of 2013. The Khansaheb Sykes business acts as our supply base for our Middle East agents; this enables us to supply customers in Oman, Kuwait, Bahrain, and Qatar. The majority of this business is sales related and the revenue from these regions was slightly down from previous years. Towards the end of the year enquiry levels were running high and turnover had returned to previous levels. We expect to see further growth through these agents during 2013.



GROUP SUMMARY



The group provided a satisfactory level of success in 2012. Whilst the weather and economic conditions did little to assist our UK operations, the business was able to provide growth, with some assistance driven from the Olympic related projects. In mainland Europe our established businesses produced good results and our more recently developed businesses continued to grow. In the Middle East the economic recovery in Dubai coupled with a more stable political environment throughout the Gulf provided improved market conditions for our activities where we were able to report good improvements when compared to last year.

The overall normalised group operating profit* of £14.3 million is an increase of £2.4 million when compared to the 2011 results. Careful cash management enabled the group to increase its net funds from £10.4 million to £15.6 million.

The Andrews Sykes Business remains strong; the experience of our senior management team coupled with our development plans provides optimism for further growth in 2013. Although we will not benefit from the work generated by the Olympic Games, normal climatic conditions throughout the summer months could easily compensate for this revenue. Further growth is expected within Europe and the Middle East as we expand our coverage. The group continues to develop new sales channels and propositions which enable the business to optimise favourable market conditions and opportunities as they arise. At the same time the company continues to carefully control its cost base to ensure that satisfactory levels of profits can be achieved even during difficult market conditions.

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



DIRECTORS' REPORT

FINANCIAL REVIEW



KEY PERFORMANCE INDICATORS (KPIs)

The group's principal KPIs are as follows:

	12 months ended 31 December 2012	12 months ended 31 December 2011
Average revenue per employee	£124,000	£115,000
Operating cash flow ⁽¹⁾ as a percentage of operating assets ⁽¹⁾ employed	73.3%	73.1%
Operating profit divided by net interest charge ⁽²⁾	N/A	195.0
Net funds to equity percentage	38.3%	30.2%
Basic EPS from continuing operations (pence)	26.39p	27.05p

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 assets and 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. The average revenue per employee increased by nearly 8% compared with the previous year and this contributed to an improved underlying operating performance as the positive contribution from the additional business improved operating profit. Operating cash flow as a percentage of operating assets continues to be strong demonstrating both strong working capital management and high levels of asset utilisation.

Operating profit divided by the net interest charge demonstrates the ability of the group to cover its external financing charges. Further reduced levels of gross debt and positive net funds have resulted in net interest receivable⁽³⁾ this year, despite very low levels of interest received on monies on deposit. This, together with strong operating profit, clearly demonstrates that the group is well able to service its external debt which is crucial in the current economic environment.

The net funds to equity percentage is indicative of the group's strength and capacity for taking on additional finance as and when the need arises. A reconciliation of the movement in net funds during the year is provided on page 14.

The basic earnings per share (EPS) is the traditional ratio used by the group to monitor its performance relative to its equity base. This, in the long term, ultimately drives the share price and gives a good indication of how well the directors and staff are delivering the success of the company for the benefit of the members as a whole. Although the EPS fell slightly this year, last year's figure benefitted from the non-recurring profit on the sale of our Gallions Road property in London which amounted to £3,113,000 before tax. Excluding the effect of this one-off sale from last year's EPS, the basic EPS would have shown an improvement of 6.15p, or approximately 30%, from last year's adjusted figure of 20.24p to this year's EPS of 26.39p. This clearly demonstrates the strong underlying operating profit result achieved by the business in 2012.

NORMALISED OPERATING PROFIT⁽⁴⁾

The consolidated normalised operating profit was £14.3 million for the year under review, an increase of £2.4 million, or 20.2%, compared with last year's normalised operating profit of £11.9 million. More details of this result are given in the operations review but it reflects an improved performance from all our business segments.

The normalised operating profit of our main UK and Europe hire and sales business sector increased by £1.1 million, or 9.2%, from £12.0 million last year (business sector result of £15.1 million less

(3) Excluding exchange gains and losses on inter-company loans.

(4) Operating profit before non-recurring items as reconciled on the face of the consolidated income statement.

non-recurring profit on the sale of property of £3.1 million) to £13.1 million this year. This success is the more remarkable given that it was achieved against a background of a poor economic trading environment and despite the lack of any hot summer weather to stimulate our air conditioning business. The weather at the start of the year was mild but that was soon replaced by the arrival of a cold spell of weather in February and March which stimulated the demand for our heating products. The summer was one of the wettest on record and this, together with the continuing focus to develop non-weather dependent niche markets, helped our UK pumping business which saw turnover return to a more normal level. This improvement in performance continued through the remainder of the year and into the start of 2013. Our long-established HVAC business in the Netherlands had a very successful year returning a record performance. This year was the first full trading year for our newly established small Italian subsidiary and although, as expected, it returned a small loss for the year as a whole, turnover increased significantly in the second half of the year and we expect an improved performance in 2013.

Although trading conditions for our hire and sales business in the Middle East continued to be challenging, overall the operating profit of this business sector increased by £0.6 million, or 100%, from £0.6 million last year to £1.2 million in the year under review. This improvement, which occurred largely in the second half of the year, reflects improved trading conditions in the UAE as well as the development of additional income streams in the region. In addition, progress continues to be made on the collection of old debts with the consequent impact on the bad debt charge in the period.

Our fixed installation business had a very successful year due to a large one-off contract for the supply of equipment in connection with the Olympic and Paralympic Games. The operating profit of this business sector increased by £0.6 million, or 200%, from £0.3 million last year to £0.9 million in the current year. However, excluding this contract, the business continues to perform broadly in line with last year albeit at relatively modest levels compared with the rest of the group.

Unallocated overheads and expenses decreased slightly from £1.0 million last year to £0.9 million in the year under review.

The directors consider that the group's trading performance was creditable given the adverse economic conditions, and the lack of even a reasonable summer in Northern Europe to stimulate our air conditioning hire and sales business. The strong performance clearly demonstrated the strength, diversity and resilience of our business. Our continuing strategy of developing niche markets combined with heavy concentration on cost control means that the group has the ability to generate a satisfactory level of profits despite adverse market conditions.

NON-RECURRING ITEMS

PROFIT ON THE SALE OF PROPERTY

Last year the group sold the freehold of one of its main UK depots, based in Gallions Road, London, to a property developer. Gross proceeds were £3.7 million and this resulted in a profit on disposal of £3.1 million. This has been disclosed as a separate non-recurring item on the face of the income statement.

The group purchased a replacement local freehold property in Peninsular Way for £2.7 million and the relocation was successfully completed within our financial budgets and timescales during the first half of the year. Approximately 50% of last year's net cash inflow of £1.0 million has been spent on capital improvements this year and the group now has a much improved and enlarged operating base from which to serve its customers in London and the South East of England.

INCOME FROM TRADE INVESTMENTS

During the year the group received two dividends from Oasis Sykes, our investment in Saudi Arabia. The first, a dividend in respect of the 2010 financial year, was received in February 2012 and amounted to £265,000 less withholding tax of £76,000. The second, a dividend in respect of the 2011 financial year, was received in December 2012 and amounted to £327,000 less withholding tax of £64,000. No dividend was received in 2011. Dividend income continues to be accounted for on a cash 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 year is £32,000 compared with £92,000 in 2011. This can be analysed as follows:

	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Interest charge on bank loans and overdrafts	212	316
Finance lease interest charge	88	61
Interest receivable	(201)	(196)
Fair value gains on interest rate caps	(23)	(26)
Foreign exchange losses on inter-company loans	81	15
Net IAS 19 pension interest credit	(125)	(78)
Total net interest charge	32	92

The decrease in the interest charge on bank loans and overdrafts is mainly due to a reduction of £6.0 million in the external bank loans in April 2012 from £14.0 million to £8.0 million. The weighted average interest rate charged on the bank loans has remained virtually unchanged at 1.79% this year compared with 1.80% last year. The average rate of interest receivable on short term bank deposits also remained almost unchanged from last year's rate of 0.8% reflecting the current low level of deposit rates available, particularly to incorporated entities. As at 31 December 2012 the group had cash balances of £24,108,000, slightly below the balance at 31 December 2011 of £24,986,000.

Throughout 2012 the group continued to hold interest rate caps, currently at 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 27 to the consolidated financial statements.

There was a relatively modest foreign exchange loss on inter-company loans again this year. The group's policy continues to be to not hedge its international assets with respect to foreign currency balance sheet translation exposure.

The net IAS 19 pension interest credit has been calculated by the group's actuary based on the assumptions as set out in note 18 to the financial statements. However, as noted in the defined benefit pension scheme section below, IAS 19 has been revised and, with effect for accounting periods commencing on or after 1 January 2013, the expected return on assets included within the income statement cannot exceed the interest charge on the scheme's liabilities. Accordingly, in future periods, there will no longer be a net pension scheme interest credit in the income statement.

TAX ON PROFIT ON ORDINARY ACTIVITIES

The group's overall effective tax rate is 25.0% which is above the standard effective tax rate in the UK for the current year of 24.5%. A summary of the factors giving rise to this increase is given in the table below:

	£m
Profit before taxation	14.9
Theoretical tax charge at the UK effective tax rate of 24.5%	3.6
Effects of different tax rates of subsidiaries operating abroad	(0.2)
Non-taxable income from trade investments	(0.1)
Withholding tax	0.1
Effect of change in rate of corporation tax	0.1
Non-tax deductible expenses, overseas tax losses and other factors	0.2
Total tax charge for the financial year	3.7

A detailed reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by 24.5% and the actual current tax charge is given in note 11 to the consolidated financial statements.

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn

Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

BASIC EARNINGS PER SHARE (EPS)

Although the EPS fell slightly this year, last year's figure benefitted from the non-recurring profit on the sale of property which amounted to £3,113,000 before tax. Excluding the effect of this one-off sale from last year's EPS, the basic EPS would have shown an improvement of 6.15p, or approximately 30%, from last year's adjusted figure of 20.24p to this year's EPS of 26.39p. This reflects the strong trading performance of the group this year.

Based on a year end mid-market share price of 210 pence, the basic EPS gives a price to earnings ratio of 7.96.

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 2012	12 months ended 31 December 2011
	£m	£m
Operating profit	14.3	15.0
Profit on the sale of property	–	(3.1)
Depreciation and profit on the sale of plant and equipment	3.6	3.5
Normalised EBITDA*	17.9	15.4
Normal defined benefit pension scheme contributions	(0.8)	(0.1)
Interest paid	(0.3)	(0.4)
Tax paid	(3.5)	(3.8)
Net working capital movements	(0.5)	0.5
Net cash inflow from operating activities	12.8	11.6

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

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)



The group continues to generate strong operating cash flows.

As well as cost control, management of working capital continues to be a priority. Collecting cash from our customers continues to receive management focus, particularly in the Middle East, due to the economic recession where it is generally acknowledged that cash collection is a major problem.

Across the group generally, attention continues to be made to reduce the level of old debt. Average debtor days for current unimpaired debts decreased from 52 days in 2011 to 39 days this year. In 2012 debts written off against the bad debt provision were only £20,000 compared with £0.5 million last year and there was a net release of £125,000 to the income statement from the bad debt provision, which was calculated on a consistent basis each year, compared with a charge of £282,000 last year. These factors

illustrate that the quality of debtors has improved this year in many areas. Total debtors absorbed £0.5 million of working capital in 2012 partly due to a 15% increase in turnover in the last quarter of 2012 compared with 2011.

After adjusting for items capitalised out of opening stock, stock movements have absorbed £0.2 million of working capital. This was offset by a £0.2 million cash inflow from creditors.

Following the agreement of the triennial recalculation of the pension scheme funding deficit as at 31 December 2010 in March 2012, a revised schedule of contributions and recovery plan has been agreed with the pension scheme trustees. In accordance with this agreement employer contributions of £840,000 have been made by the group to the pension scheme in 2012. This is discussed in more detail on page 17.

NET FUNDS

Despite shareholder related cash outflows of £3.8 million on dividends and the purchase of own shares, net funds increased by £5.2 million from £10.4 million at 31 December 2011 to £15.6 million at 31 December 2012. The movement can be reconciled as follows:

	£m
Opening net funds	10.4
Significant inflows:	
Cash inflow from operating activities	12.8
Dividends received from trade investments	0.6
Sale of plant and equipment	0.6
Significant outflows:	
Capital expenditure – property	(0.3)
Capital expenditure – plant and equipment	(4.4)
Equity dividends paid	(3.0)
Purchase of own shares	(0.8)
Other factors	(0.3)
Closing net funds	15.6
Comprises:	
Bank loans	(8.0)
Finance lease obligations	(0.5)
Cash at bank	24.1
Total net funds	15.6

The bank loan repayment profile is set out in note 24 to the financial statements. Interest is charged based on LIBOR plus a margin of between 0.65% and 1.25%.

Management has been careful to ensure that the hire fleet is up to date and well maintained in order to meet customer demand. Total cash spent on plant and equipment has increased from £3.9 million last year to £4.4 million this year. In addition £0.6 million of items held in stock at December 2011 have also been capitalised this year (2011: £0.7 million). Capital expenditure has been concentrated on hire fleet assets with high levels of utilisation and good rates of return as well as business development opportunities. Savings continue to be made in non-essential areas and hire fleet maintenance and utilisation have been prioritised.

RENEWAL OF BANK LOAN FACILITIES

In accordance with the bank loan agreements, the bank loan of £8,000,000 that was outstanding as at 31 December 2012 was repaid in full on 30 April 2013. In order to safeguard the group's cash position and to ensure that the group has adequate liquid resources available to finance any business opportunities that may arise, a new loan of £8,000,000 was taken out with the group's existing bankers, Royal Bank of Scotland, on the same day. This new loan is for four years with annual repayments of £1.0 million commencing on 30 April 2014 and a final balloon payment of £5.0 million due on 30 April 2017. Interest will be charged at LIBOR plus 1.2% plus mandatory costs.

RISK MANAGEMENT

The group's principal risks are as follows:

GOING CONCERN

The board remains satisfied with the group's funding and liquidity position. The group has operated throughout the 2011 and 2012 financial years and until the date of signing these accounts within its financial covenants. Consequently the loans have been analysed between current and non-current liabilities in accordance with the agreed repayment profile.

Both loan capital and interest payments have been made in accordance with the bank agreement. In April 2012 the group made the agreed bank loan repayment of £6.0 million and accordingly total bank loans have been reduced from £14.0 million at the beginning of the year to £8.0 million as at 31 December 2012. In April 2013 the final loan repayment under the existing loans of £8.0 million was made and this was financed by a new loan from the group's existing bankers of the same amount. Details of the

new loan are set out above and the group's profit and cash flow projections indicate that the financial covenants included within the new loan agreement will be met for the foreseeable future.

The group continues to have substantial cash resources which at 31 December 2012 amounted to £24.1 million compared with £25.0 million as at 31 December 2011. Profit and cash flow projections for 2013 and 2014, 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 new bank facility agreement entered into in April 2013 and all associated covenants will be met.

The board considers that the group has considerable financial resources and a wide operational base. As a consequence, the board believes that the group is well placed to manage its business risks successfully, as demonstrated by the current year's result, despite 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, the board continues to adopt the going concern basis when preparing this Annual Report and Financial Statements.

STRATEGIC RISKS

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

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

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)

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

The potential impact of the weather has been reduced over the past few years by the expansion of our non-weather related business. The group also has a diverse product range of pumps, heaters and air conditioning and environmental control equipment which enables it to take maximum advantage of 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 32 to the consolidated financial statements, are:

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

PENSION SCHEME SURPLUS

As set out in note 18 to the consolidated financial statements, as at 31 December 2012 the pension scheme assets were £34.2 million which, after deducting the present value of the pension scheme liabilities of £32.4 million, calculated in accordance with IAS 19, results in a pre-tax surplus of £1.8 million. When assessing the appropriateness of the recognition of this surplus, the directors have considered the guidance in IAS 19 – IFRIC 14 and have concluded that because of the rights upon wind-up it is appropriate to recognise this asset in the financial statements.



Management continues to work with the pension scheme trustees to maximise the return from the pension scheme assets and to match that return with the pension scheme liabilities as they crystallise in order to minimise the exposure to the group. The net surplus or deficit is sensitive to changes in assumptions, which are at least in part influenced by changes in external market conditions, and therefore this area continues to be 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 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 2010 and have been rolled forward by an independent qualified actuary to 31 December 2012. The net surplus, before deferred tax, at the year end amounted to £1.8 million (2011: £1.6 million) and this has been recognised as a separate item, within non-current assets, on the face of the consolidated balance sheet.

A reconciliation of the asset at the beginning of the year of £1.6 million to the asset as at 31 December 2012 of £1.8 million is as follows:

	£m
Opening IAS 19 surplus recognised in the financial statements	1.6
Contributions paid by the group into the scheme	0.8
Actual return less expected return on scheme assets	1.7
Actuarial loss on scheme liabilities	(2.4)
Net finance income	0.1
Closing IAS 19 surplus recognised in the financial statements	1.8

From 1 January 2011, the government amended the basis for statutory increases to deferred pensions and pensions in payment. Such increases are now based on inflation measured by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). Having reviewed the scheme rules and considered the impact of changes on this pension scheme, the directors consider that future increases to all deferred pensions and Guaranteed Minimum Pensions accrued between 6 April 1988 and 5 April 1997 and currently in payment will be based on CPI rather than RPI. Accordingly, this assumption was adopted for the first time as at 31 December 2010 and has continued to be applied in subsequent years.

Other assumptions adopted by the directors, including mortality assumptions and discount rates, used to arrive at the above surplus are set out in note 18 to the financial statements.

During March 2012 the December 2010 funding valuation was agreed by management with the pension scheme trustees and accordingly an updated "Schedule of Contributions" and "Recovery Plan" were put into place. These provide that the group will pay an expense allowance of £120,000 per annum and will also make additional contributions to the pension scheme of £720,000 in 2012, £840,000 in 2013, £960,000 in 2014 and £720,000 per annum thereafter until 31 December 2018, or until the funding shortfall has been eliminated if sooner, subject to review at the next actuarial funding valuation due as at 31 December 2013. The above contributions are to be made on a monthly basis and were backdated to 1 January 2012. Accordingly, total employer contributions of £840,000 were made by the group to the pension scheme in 2012.

IMPACT OF IAS 19 (REVISED)

The International Accounting Standards Board (IASB) has revised IAS 19 and its adoption is mandatory for accounting periods beginning on or after 1 January 2013; early adoption is permitted.

The group has elected not to adopt IAS 19 (revised) in these financial statements and therefore it will be adopted for the first time next year. The main changes of the revised standard affect the accounting requirements for defined benefit pension schemes. Under the revised standard the following changes will have an impact on the group's results:

- Pension scheme administration costs and the costs of managing the plan assets are reported as operating expenses and not as a deduction from the expected return on assets within finance income.
- Interest income included within finance income can no longer be calculated based on the expected return from the pension scheme's assets but is restricted to the discount rate as used to discount the pension scheme's liabilities.

In addition the "corridor" method of accounting for certain actuarial gains and losses permitted by the current standard has been removed, interest on service costs can no longer be included in finance costs and an interest charge is required on any adjustment required by IFRIC 14. However, none of these changes have any impact on the group's results for the current year.

If IAS 19 (revised) had been adopted by the group in this year's financial statements, operating profit would have been reduced by £91,000, interest income would have been reduced by £27,000 and the net defined pension scheme actuarial losses (before the impact of deferred tax) recognised in the statement of comprehensive total income would have been reduced by £118,000. There would have been no change to the net pension scheme surplus of £1,809,000 had IAS 19 (revised) been adopted as at 31 December 2012.

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)



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 5.35%. The

charge in the income statement in the current year amounts to £241,000. 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.

RECONCILIATION OF MOVEMENT IN GROUP SHAREHOLDERS' FUNDS

Group shareholders' funds have increased from £34.4 million at the beginning of the year to £40.9 million at 31 December 2012. The movement can be reconciled as follows:

	£m
Opening shareholders' funds	34.4
Profit for the financial period	11.2
IAS 19 actuarial losses net of deferred tax	(0.6)
Interim dividends declared and paid during the year	(3.0)
Purchase of own shares	(0.8)
Currency translation differences on foreign currency net investments	(0.3)
Closing shareholders' funds	40.9

The directors declared an interim dividend of 7.1 pence per ordinary share on 29 October 2012. This was paid on 3 December 2012 to shareholders on the register on 9 November 2012.

An analysis of the net IAS 19 actuarial losses of £0.8 million, before an attributable deferred tax credit of £0.2 million, is given in note 18 to the consolidated financial statements. Details of the purchase of own shares are given in the share buyback programme below.

SHARE BUYBACKS

During the current year the company purchased 426,506 ordinary shares for cancellation for a total consideration of £814,934. Of this amount, £Nil (2011: £10,622) remained unpaid at the year end. The purchases represent 1.00% of the shares in issue as at the beginning of the year. These purchases enhanced earnings per share and were for the benefit of all shareholders. So far the company has not purchased any of its own shares for cancellation during 2013.

At the next Annual General Meeting shareholders will be asked to vote in favour of a resolution to renew the general authority to make market purchases of up to 12.5% of the ordinary share capital in issue. Any purchases will only be made on the London Stock Exchange and they will only be bought back for cancellation provided they enhance earnings per share. If this resolution is passed it should not be taken to imply that shares will be purchased but the board believes that it is in the best interest of shareholders if they have this authority in order that market purchases may be made in the right circumstances if the necessary funds are available.

OTHER STATUTORY INFORMATION

PRINCIPAL ACTIVITY

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

The directors declared an interim dividend of 7.1 pence (2011: 6.6 pence) per ordinary share on 29 October 2012. This was paid on 3 December 2012 to shareholders on the register on 9 November 2012. The total dividend paid amounted to £3,000,608 (2011: £2,818,173). The directors do not recommend the payment of a final dividend (2010: £Nil).

DIRECTORS

The directors in office at 30 April 2013 are shown on page 22. No director was appointed or resigned during the year or subsequently.

In accordance with the Articles of Association, Ms MC Leon and Mr EDOA Sebag retire by rotation and being eligible will offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS

Other than the beneficial interests disclosed below, no director in office at 31 December 2012 had any disclosable interests in share capital of the company or any subsidiary undertaking.

	Ordinary one pence shares	
	At 31 December 2012	At 31 December 2011
JG Murray	1,292,913	1,292,913
JJ Murray	410,845	410,845
PT Wood	7,945	7,945

There were no changes to the above shareholdings between 31 December 2012 and 30 April 2013.

SUBSTANTIAL SHAREHOLDINGS

At 30 April 2013 the company had been notified of the following interest of 3% or more in the company's issued ordinary share capital:

EOI Sykes Sarl	36,377,213	86.08%
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DIRECTORS' SHARE OPTIONS

None of the directors in office at 31 December 2012 held any options to subscribe for ordinary shares at either 31 December 2012 or 31 December 2011. There have been no changes in the directors' share options during the period from 31 December 2012 to 30 April 2013.

The mid-market price of the company's ordinary shares on 31 December 2012 was £2.10. The highest and lowest mid-market prices during the 12 months ended 31 December 2012 were £2.13 and £1.70 respectively.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONTINUED)

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 35 days (2011: 41 days). The parent company, Andrews Sykes Group plc, has no trade creditors.

SPECIAL BUSINESS

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

Two resolutions, numbered 5 and 7, will be proposed at the Annual General Meeting, the combined effect of which will be to confer powers on the directors to allot or grant options over ordinary shares up to a maximum nominal value of £63,393 as they see fit. If the resolutions are approved at the Annual General Meeting the directors will then be able to allot or grant options as aforesaid, otherwise than pro rata to existing shareholders, to motivate key employees and to reinforce the link between their personal interest and those of the shareholders.

Resolution number 6 would, if approved at the Annual General Meeting, renew the powers of the directors to make market purchases of the company's own shares of up to a maximum of 5,282,760 ordinary shares of one pence each representing 12.5% of the current ordinary issued share capital. This authority would then enable the directors to carry out the strategy of making own market purchases to increase shareholder value as set out in the Chairman's Statement and the Financial Review section of the Directors' Report on page 18.

PURCHASE OF OWN SHARES

During the 2012 financial year the company purchased 426,506 ordinary shares for cancellation under the general authority granted at the Annual General Meeting held on 7 June 2011. As at 30 April 2012 there remained an outstanding general authority for the directors to purchase 5,282,760 ordinary one pence shares that were granted at the Annual General Meeting held on 12 June 2012. The directors are seeking to renew the general authority in respect of 5,282,760 ordinary one pence shares as set out in resolution number 6.

FINANCIAL CALENDAR

The current financial year will end on 31 December 2013.

AUDITOR

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

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

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

KPMG Audit Plc has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the board.

M Gailer
Director

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

30 April 2013

DIRECTORS AND ADVISORS

Chairman

JG Murray

Age 93. Chairman of London Security plc, Nu Swift Limited and Ansul S.A. Mr Murray has a long successful history in the industrial services sector.

Executive director

PT Wood, Managing Director

Age 50. Industry specialist, having joined the group in August 1978. Appointed Director of Operations on 1 March 2006 and Group Managing Director on 5 December 2006.

Non-executive directors

JJ Murray MBA

Non-executive Vice-Chairman, Chairman of the Remuneration Committee. Age 46. Executive Vice-Chairman of London Security plc, Nu Swift Limited and Ansul S.A.

M Gailer BSc

Senior Independent Non-executive, Chairman of the Audit Committee. Age 77. Non-executive director of London Security plc.

MC Leon BS

Age 49. Non-executive director of London Security plc.

X Mignolet (HEC-Economics)

Age 48. Director of London Security plc, Ansul S.A. and Importe S.A.

JP Murray

Age 44. Non-executive director of London Security plc.

EDOA Sebag MBA

Age 44. 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

WH Ireland Limited
24 Martin Lane
London
EC4R 0DR

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 directors' 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 AUDITOR'S REPORT TO THE MEMBERS OF ANDREWS SYKES GROUP PLC

We have audited the financial statements of Andrews Sykes Group plc for the year ended 31 December 2012 set out on pages 25 to 76. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 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, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 <http://www.frc.org.uk/auditscopeukprivate>.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the 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.

**Darren Turner, Senior Statutory Auditor, for and on behalf of
KPMG Audit Plc, Statutory Auditor**

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

30 April 2013

CONSOLIDATED INCOME STATEMENT

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

	Note	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Continuing operations			
Revenue	4	58,380	53,838
Cost of sales		(25,455)	(23,873)
Gross profit		32,925	29,965
Distribution costs		(10,088)	(9,317)
Administrative expenses – Recurring		(8,525)	(8,766)
– Non-recurring	8	–	3,113
Total administrative expenses		(8,525)	(5,653)
Operating profit		14,312	14,995
Normalised EBITDA*		17,916	15,387
Depreciation and impairment losses		(4,006)	(3,911)
Profit on the sale of plant and equipment		402	406
Normalised operating profit		14,312	11,882
Profit on the sale of property	8	–	3,113
Operating profit		14,312	14,995
Income from trade investments	16	592	–
Finance income	6	1,750	1,850
Finance costs	7	(1,782)	(1,942)
Profit before taxation	8	14,872	14,903
Taxation	11	(3,714)	(3,337)
Profit for the financial period attributable to equity holders of the parent		11,158	11,566
There were no discontinued operations in either of the above periods.			
Earnings per share from continuing and total operations			
Basic (pence)	12	26.39p	27.05p
Diluted (pence)	12	26.39p	27.05p
Dividends paid per equity share (pence)	35	7.10p	6.60p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE TOTAL INCOME

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

		12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
	Note		
Profit for the financial period		11,158	11,566
Other comprehensive charges:			
Currency translation differences on foreign currency net investments		(335)	(184)
Defined benefit plan actuarial gains and losses	18	(785)	(559)
Deferred tax on other comprehensive charges	11	233	184
Other comprehensive charges for the period net of tax		(887)	(559)
Total comprehensive income for the period		10,271	11,007

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012

		31 December 2012		31 December 2011	
	Note	£'000	£'000	£'000	£'000
Non-current assets					
Property, plant and equipment	13		15,522		14,486
Lease prepayments	14		55		57
Trade investments	16		164		164
Deferred tax asset	17		609		760
Retirement benefit pension surplus	18		1,809		1,629
			18,159		17,096
Current assets					
Stocks	19	3,197		3,561	
Trade and other receivables	20	15,248		14,775	
Overseas tax (denominated in Euros)		–		19	
Cash and cash equivalents	21	24,108		24,986	
		42,553		43,341	
Current liabilities					
Trade and other payables	22	(9,881)		(9,696)	
Current tax liabilities	23	(1,492)		(1,689)	
Bank loans	24	(8,000)		(6,000)	
Obligations under finance leases	25	(124)		(203)	
Provisions	26	(13)		(13)	
		(19,510)		(17,601)	
Net current assets			23,043		25,740
Total assets less current liabilities			41,202		42,836
Non-current liabilities					
Bank loans	24	–		(8,000)	
Obligations under finance leases	25	(342)		(395)	
Provisions	26	(21)		(34)	
Derivative financial instruments	27	–		(23)	
			(363)		(8,452)
Net assets			40,839		34,384
Equity					
Called-up share capital	28		423		427
Share premium	29		13		13
Retained earnings	29		37,825		31,035
Translation reserve	29		2,323		2,658
Other reserves	29		245		241
Surplus attributable to equity holders of the parent			40,829		34,374
Minority interest			10		10
Total equity			40,839		34,384

These consolidated financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the board of directors on 30 April 2013 and were signed on its behalf by:

JJ Murray
Vice-Chairman

CONSOLIDATED CASH FLOW STATEMENT

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

	Note	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Cash flows from operating activities			
Cash generated from operations	30	16,602	15,766
Interest paid		(326)	(385)
Net UK corporation tax paid		(2,543)	(3,191)
Withholding tax paid		(140)	–
Overseas tax paid		(825)	(584)
Net cash flow from operating activities		12,768	11,606
Investing activities			
Dividends received from trade investments		592	–
Sale of property, plant and equipment		559	4,221
Purchase of property, plant and equipment		(4,715)	(6,582)
Interest received		193	311
Net cash flow from investing activities		(3,371)	(2,050)
Financing activities			
Loan repayments		(6,000)	(6,000)
Finance lease capital repayments		(132)	(158)
Equity dividends paid		(3,001)	(2,818)
Purchase of own shares		(825)	(1,121)
Issue of new shares		–	13
Net cash flow from financing activities		(9,958)	(10,084)
Net decrease in cash and cash equivalents		(561)	(528)
Cash and cash equivalents at the beginning of the period	21	24,986	25,709
Effect of foreign exchange rate changes		(317)	(195)
Cash and cash equivalents at end of the period	21	24,108	24,986
Reconciliation of net cash flow to movement in net funds in the period			
Net decrease in cash and cash equivalents		(561)	(528)
Cash outflow from the decrease in debt		6,132	6,158
Non-cash movements in the fair value of derivative instruments		23	25
Movement in net funds during the period		5,594	5,655
Opening net funds at the beginning of the period		10,365	4,905
Effect of foreign exchange rate changes		(317)	(195)
Closing net funds at the end of the period	31	15,642	10,365

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

Attributable to equity holders of the parent company										
Note	Share capital	Share premium	Retained earnings	Trans- lation reserve	Capital redemp- tion reserve	UAE legal reserve	Nether- lands capital reserve	Total	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2010	431	–	23,607	2,842	149	79	9	27,117	10	27,127
Profit for the financial period	–	–	11,566	–	–	–	–	11,566	–	11,566
Other comprehensive charges:										
Currency translation differences on foreign currency net investments	–	–	–	(184)	–	–	–	(184)	–	(184)
Defined benefit plan actuarial gains and losses net of tax	–	–	(375)	–	–	–	–	(375)	–	(375)
Total other comprehensive charges	–	–	(375)	(184)	–	–	–	(559)	–	(559)
Transactions with owners recorded directly in equity:										
Purchase of own shares	29	(4)	–	(945)	–	4	–	(945)	–	(945)
Issue of shares		–	13	–	–	–	–	13	–	13
Dividends paid	35	–	–	(2,818)	–	–	–	(2,818)	–	(2,818)
Total transactions with owners	(4)	13	(3,763)	–	4	–	–	(3,750)	–	(3,750)
At 31 December 2011	427	13	31,035	2,658	153	79	9	34,374	10	34,384
Profit for the financial period	–	–	11,158	–	–	–	–	11,158	–	11,158
Other comprehensive charges:										
Currency translation differences on foreign currency net investments	–	–	–	(335)	–	–	–	(335)	–	(335)
Defined benefit plan actuarial gains and losses net of tax	–	–	(552)	–	–	–	–	(552)	–	(552)
Total other comprehensive charges	–	–	(552)	(335)	–	–	–	(887)	–	(887)
Transactions with owners recorded directly in equity:										
Purchase of own shares	29	(4)	–	(815)	–	4	–	(815)	–	(815)
Dividends paid	35	–	–	(3,001)	–	–	–	(3,001)	–	(3,001)
Total transactions with owners	(4)	–	(3,816)	–	4	–	–	(3,816)	–	(3,816)
At 31 December 2012	423	13	37,825	2,323	157	79	9	40,829	10	40,839

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

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 21.

BASIS OF PREPARATION

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

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

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

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 2012 and the comparative period is for the 12 months ended 31 December 2011.

FUNCTIONAL AND PRESENTATIONAL CURRENCY

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

INITIAL ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

IFRS has only been applied to the group's consolidated financial statements. Accordingly, the parent company's financial statements, which are set out on pages 70 to 76, together with those of the UK subsidiary undertakings have been prepared in accordance with UK GAAP.

1 GENERAL INFORMATION (CONTINUED)

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ADOPTED FOR THE FIRST TIME IN 2012

Where relevant, the group has adopted the following IFRS statements as adopted by the European Union for the first time this year:

- Amendments to IAS 12: Taxation – Recovery of underlying deferred tax assets.
- Amendments to IFRS 7: Financial Instruments: Disclosures – Transfers of Financial Assets.

The adoption of the above standards and interpretations has had a minimal impact on the current year's financial statements. There have been no changes to the prior year comparative figures as a result of the new standards and interpretations.

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:

- Amendments to IAS 1: Presentation of items of other comprehensive income. Effective for accounting periods commencing on or after 1 July 2012.
- Amendments to IAS 19: Employee Benefits. Effective for accounting periods commencing on or after 1 January 2013.
- Amendments to IAS 27: Separate Financial Statements. Effective for accounting periods commencing on or after 1 January 2013.
- Amendments to IAS 28: Investments in Associates and Joint Ventures. Effective for accounting periods commencing on or after 1 January 2013.
- Amendment to IFRS 1: Government grants. Effective for accounting periods commencing on or after 1 January 2013.
- Amendments to IFRS 7: Financial Instruments: Disclosures and offsetting. Disclosure requirements effective for accounting periods commencing on or after 1 January 2013, offsetting requirements effective for accounting periods commencing on or after 1 January 2014.
- IFRS 9 (New Standard): Financial Instruments. Effective for accounting periods commencing on or after 1 January 2015.
- IFRS 10 (New Standard): Consolidated Financial Statements. Effective for accounting periods commencing on or after 1 January 2013.
- IFRS 11 (New Standard): Joint Arrangements. Effective for accounting periods commencing on or after 1 January 2013.
- IFRS 12 (New Standard): Disclosure of Interests in Other Entities. Effective for accounting periods commencing on or after 1 January 2013.
- IFRS 13 (New Standard): Fair Value Measurement. Effective for accounting periods commencing on or after 1 January 2013.
- IFRIC 20 (New Interpretation): Stripping Costs in the Production Phase of a Surface Mine. Effective for accounting periods commencing on or after 1 January 2013.
- Annual improvements to IFRSs effective for accounting periods commencing on or after 1 January 2013.

Whilst work has not yet been completed on the above standards, with the exception of the impact of IAS 19 (revised) the directors do not currently foresee any material impact on the financial statements of the group as a result of adopting these standards.

The group has elected not to early adopt IAS 19 (revised) in these financial statements and therefore it will be adopted for the first time next year. The main changes of the revised standard affect the accounting requirements for defined benefit pension schemes. Under the revised standard the following changes will have an impact on the group's results:

- Pension scheme administration costs and the costs of managing the plan assets are reported as operating expenses and not as a deduction from the expected return on assets within finance income.
- Interest income included within finance income can no longer be calculated based on the expected return from the pension scheme's assets but is restricted to the discount rate as used to discount the pension scheme's liabilities.

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

1 GENERAL INFORMATION (CONTINUED)

In addition, the “corridor” method of accounting for certain actuarial gains and losses permitted by the current standard has been removed, interest on service costs can no longer be included in finance costs and an interest charge is required on any adjustment required by IFRIC 14. However, none of these changes have any impact on the group's results for the current year.

If IAS 19 (revised) had been adopted by the group in this year's financial statements, operating profit would have been reduced by £91,000, interest income would have been reduced by £27,000 and the net defined pension scheme actuarial losses (before the impact of deferred tax) recognised in the statement of comprehensive total income would have been reduced by £118,000. There would have been no change to the net pension scheme surplus of £1,809,000 had IAS 19 (revised) been adopted as at 31 December 2012.

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 2012. 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 period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Motor vehicles	33%
Plant and machinery	20% to 25%
Fixtures and fittings	7.5% to 33%
	20%

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

LEASED ASSETS

Lessor accounting

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

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

Lessee accounting

Initial rental payments in respect of operating leases are included in current and non-current assets as appropriate and amortised to the income statement over the period of the lease. Ongoing rental payments are charged as an expense in the income statement on a straight-line basis until the date of the next rent review. Finance leases are capitalised and depreciated in accordance with the accounting policy for property, plant and equipment.

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

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 they are immediately available for sale in their current condition and their carrying value will be recovered through a sale transaction which is highly probable to be completed within 12 months of the initial classification. Assets held for sale are valued at the lower of carrying amount at the date of initial classification and fair value less costs to sell.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

DEFERRED AND CURRENT TAXATION

The charge for taxation is based on the taxable profit or loss for the period and takes into account taxation deferred because of differences between the treatment of certain items for taxation and for accounting purposes. Full provision is made for the tax effects of these differences. Deferred tax is measured at the rates expected to apply when the timing differences reverse applying tax rates that have been enacted, or substantively enacted, by the balance sheet date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities. Deferred tax assets and liabilities are not discounted.

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 time frame established by the market concerned. Financial assets are classified as “loans and receivables”, “held to maturity” investments, “available for sale” investments or “assets at fair value through the profit and loss” depending upon the nature and purpose of the financial asset. The classification is determined at the time of the initial recognition.

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Financial liabilities are normally classified as “other financial liabilities” and are initially measured at fair value, normally cost, net of transaction costs. 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 remeasured at amortised cost using the effective interest rate method. Allowances for irrecoverable amounts, which are dealt with in the income statement, are calculated based on the difference between the asset’s carrying amount and the present value of estimated future cash flows, calculated based on past default experience, discounted at the effective interest rate computed at initial recognition where material.

Derivative financial instruments and hedge accounting

The group’s 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 27.

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

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 remeasured 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.

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Other financial liabilities

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

Bank loans

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

PROVISIONS

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

RETIREMENT BENEFIT COSTS

Defined benefit scheme

As disclosed in note 18 the group previously operated a defined benefit pension scheme for the majority of its employees. This scheme was closed to new entrants and all existing members became deferred members on 31 December 2002.

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

The group has elected not to early adopt revised IAS 19 – Employee benefits and therefore the impact of the revised standard will be reflected in next year's financial statements. The impact on these financial statements had the revised standard been adopted is disclosed in note 1 on page 32.

Defined contribution schemes

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET FUNDS

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

REVENUE RECOGNITION

Revenue

Revenue represents the fair value of the consideration received and receivable for the hire, sale and installation of environmental control products after deducting trade discounts and volume rebates. Revenue is recognised for sales on despatch of goods and for short term hire items on a straight-line basis over the period of the hire. 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.

In accordance with IFRS 1, the translation reserve was set to zero at 1 January 2006, the date of transition to IFRS. Cumulative translation differences that are included within the translation reserve at the date of disposal of the relevant overseas company are recognised as a transfer to retained earnings at that time.

OPERATING PROFIT

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

Normalised operating profit is the same as the above but excludes non-recurring items, for example profit on the sale of property. 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 2012

3 USE OF CRITICAL ACCOUNTING ASSUMPTIONS AND ESTIMATES

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

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

PENSION SCHEME ASSUMPTIONS AND MORTALITY TABLES

As set out in note 18, the carrying value of the defined benefit pension scheme is calculated using actuarial valuations. These valuations are based on assumptions including the selection of the most appropriate mortality table for the profile of the members in the scheme and the financial assumptions concerning discount rates and inflation. All these are estimates of future events and are therefore uncertain. The choices are based on advice received from the scheme actuaries that are checked from time to time with benchmark surveys. Sensitivity analysis regarding the financial assumptions concerning discount rates and inflation is provided in note 18 on page 55.

When assessing the appropriateness of the recognition of a surplus, the directors have considered the guidance in IAS 19 - IFRIC 14 and have concluded that because of the rights upon wind-up it is appropriate to recognise the asset in the consolidated financial statements.

4 REVENUE

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

	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Continuing operations		
Hire	47,453	42,213
Sales	6,083	7,457
Installations	4,844	4,168
Group consolidated revenue from the sale of goods and provision of services	58,380	53,838

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS

EXPLANATION

The group operates in the United Kingdom, Europe (the Netherlands and Belgium) and the United Arab Emirates providing the hire and sale of a range of environmental control equipment. It also provides similar services through a small subsidiary in Northern Italy and installs fixed air conditioning equipment within the United Kingdom. A new subsidiary, Andrews Sykes Climat Location SAS, has been registered in France during 2012 and it commenced trading in January 2013.

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

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

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5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

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

Activity	Entity	Location
Hire and sales	Andrews Sykes Hire Limited	United Kingdom
	Andrews Sykes BV	The Netherlands
	Andrews Sykes BVBA	Belgium
	Nolo Climat S.R.L.	Italy
	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. The Italian hire and sales business is currently very small and has not been shown as a separate business segment on the grounds of materiality. However, the operation based in the United Arab Emirates, whilst similar in many ways, faces significantly different risks due to the local environment in which it operates. The installation business operates in a different manner and regulatory environment to the rest of the group.

The reportable segments are therefore:

Segment	Incorporating the following operating entities	Location
Hire and sales Europe	Andrews Sykes Hire Limited	United Kingdom
	Andrews Sykes Properties Limited	United Kingdom
	Andrews Sykes BV	The Netherlands
	Andrews Sykes BVBA	Belgium
	Nolo Climat S.R.L.	Italy
Hire and sales Middle East	Khansaheb Sykes LLC	United Arab Emirates
Installation	Andrews Air Conditioning & Refrigeration Limited	United Kingdom

The property holding company, Andrews Sykes Properties Limited, has been included within the Hire and Sales Europe segment as it holds properties mainly for the use of Andrews Sykes Hire Limited.

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

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

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

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

BUSINESS SEGMENTS

Income statement analysis

12 months ended 31 December 2012

	Hire & sales UK & Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Revenue						
External sales	46,225	7,311	4,844	58,380	–	58,380
Inter-segment sales	101	–	34	135	(135)	–
Total revenue	46,326	7,311	4,878	58,515	(135)	58,380
Segment result	13,094	1,192	975	15,261	(20)	15,241
Unallocated overheads and expenses						(929)
Operating profit						14,312
Income from trade investments						592
Finance income						1,750
Finance costs						(1,782)
Profit before taxation						14,872
Taxation						(3,714)
Profit for the period from continuing and total operations						11,158

Balance sheet information

As at 31 December 2012

	Hire & sales UK & Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Segment assets	50,931	5,861	2,773	59,565	(2,135)	57,430
Trade investments						164
Deferred tax asset						609
Retirement benefit pension surplus						1,809
Unallocated corporate assets						700
Consolidated total assets						60,712
Segment liabilities	(9,728)	(1,491)	(527)	(11,746)	2,135	(9,611)
Current tax liabilities						(1,492)
Bank loans						(8,000)
Obligations under finance leases						(466)
Unallocated corporate liabilities						(304)
Consolidated total liabilities						(19,873)

Other information

12 months ended 31 December 2012

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Capital additions	4,064	1,233	1	5,298	–	5,298
Depreciation	3,479	524	3	4,006	–	4,006

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5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

Income statement analysis

12 months ended 31 December 2011

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Revenue						
External sales	42,878	6,791	4,169	53,838	–	53,838
Inter-segment sales	144	–	5	149	(149)	–
Total revenue	43,022	6,791	4,174	53,987	(149)	53,838
Segment result	15,112	593	309	16,014	(22)	15,992
Unallocated overheads and expenses						(997)
Operating profit						14,995
Finance income						1,850
Finance costs						(1,942)
Profit before taxation						14,903
Taxation						(3,337)
Profit for the period from continuing and total operations						11,566

Balance sheet information

As at 31 December 2011

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Segment assets	51,346	5,239	2,046	58,631	(1,021)	57,610
Trade investments						164
Deferred tax asset						760
Retirement benefit pension surplus						1,629
Overseas tax (denominated in Euros)						19
Unallocated corporate assets						255
Consolidated total assets						60,437
Segment liabilities	(8,649)	(1,143)	(571)	(10,363)	1,021	(9,342)
Current tax liabilities						(1,689)
Bank loans						(14,000)
Obligations under finance leases						(598)
Derivative financial instruments						(23)
Unallocated corporate liabilities						(401)
Consolidated total liabilities						(26,053)

Other information

12 months ended 31 December 2011

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Capital additions	6,862	436	10	7,308	–	7,308
Depreciation	3,497	407	7	3,911	–	3,911

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

GEOGRAPHICAL SEGMENTS

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

	By origin		By destination	
	12 months ended	12 months ended	12 months ended	12 months ended
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
United Kingdom	40,166	38,292	39,595	37,390
Rest of Europe	10,903	8,755	11,204	9,176
Middle East and Africa	7,311	6,791	7,312	6,797
Rest of the World	–	–	269	475
	58,380	53,838	58,380	53,838

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 that by physical location of the assets.

	Segment assets		Non-current assets	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
United Kingdom	40,440	43,916	11,392	11,093
Rest of Europe	11,129	8,455	2,823	2,766
Middle East and Africa	5,861	5,239	1,362	684
	57,430	57,610	15,577	14,543

6 FINANCE INCOME

	12 months ended	12 months ended
	31 December	31 December
	2012	2011
	£'000	£'000
Expected return on pension scheme assets (note 18)	1,526	1,628
Interest receivable on bank deposit accounts	201	196
Fair value gains on interest rate swaps that do not qualify for hedge accounting	23	26
	1,750	1,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7 FINANCE COSTS

	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Interest charge on bank loans and overdrafts	212	316
Finance lease interest charge	88	61
Inter-company foreign exchange losses	81	15
Interest on pension scheme liabilities (note 18)	1,401	1,550
	1,782	1,942

8 PROFIT BEFORE TAXATION

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

	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Net foreign exchange trading gains and losses	22	34
Bank charges	63	90
Depreciation of property, plant and equipment	4,006	3,911
Net foreign exchange gains and losses on inter-company financing (note 7)	81	15
Profit on the sale of plant and equipment	(402)	(406)
Compensation receipts from third parties for lost or damaged plant and equipment	(1,297)	(961)
Operating lease rental payments:		
Property	1,169	1,143
Plant, machinery and motor vehicles	878	943
Auditor's remuneration (see note 9)	211	228
Staff costs (see note 10)	14,770	14,149
Non-recurring items:		
Profit on the sale of property	–	(3,113)

9 AUDITOR'S REMUNERATION

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

	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Fees payable to the company's auditor in respect of audit services:		
The audit of the consolidated accounts	20	19
The audit of the group's subsidiaries pursuant to legislation	117	106
Total audit fees	137	125
Fees payable to the company's auditor in respect of non-audit services:		
Other services pursuant to legislation	5	2
Tax compliance services	63	70
Pensions advice	–	4
Other assurance services – legal	6	27
Total non-audit fees	74	103
	211	228

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

10 EMPLOYEE INFORMATION

STAFF COSTS CHARGED IN THE INCOME STATEMENT

The average number of employees employed during the year was:

	12 months ended 31 December 2012 Number	12 months ended 31 December 2011 Number
Sales and distribution	162	157
Engineers	199	198
Managers and administration	111	113
	472	468

Staff costs, including directors' remuneration, amounted to:

	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Wages and salaries	12,945	12,404
Redundancy	65	47
Social security costs	1,390	1,318
Other pension costs	370	380
	14,770	14,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

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 2012 £'000	12 months ended 31 December 2011 £'000
Short term employee benefits	1,899	1,721
Post employment benefits – Pensions	128	132
Termination benefits	–	25
	2,027	1,878

DIRECTORS' EMOLUMENTS

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

Director	12 months ended 31 December 2012			12 months ended 31 December 2011		
	Emoluments £'000	Pension scheme £'000	Total contributions £'000	Emoluments £'000	Pension scheme £'000	Total contributions £'000
M Gailer	29	–	29	27	–	27
MC Leon	20	–	20	20	–	20
JJ Murray	38	–	38	38	–	38
JP Murray	20	–	20	20	–	20
JC Pillois (resigned 21 December 2011)	–	–	–	20	–	20
PT Wood (highest paid director)	345	26	371	236	26	262
	452	26	478	361	26	387

JC Pillois continued to receive his monthly salary from his date of resignation until 31 March 2013 as a termination benefit. The total cost of these emoluments was reserved in the 2011 financial statements. No other director received any emoluments for services provided to the group in either accounting period.

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

10 EMPLOYEE INFORMATION (CONTINUED)

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

	12 months ended 31 December 2012 Number	12 months ended 31 December 2011 Number
Defined contribution	1	1
Defined benefit	1	1

The highest paid director had an accrued annual pension under the defined benefit pension scheme of £19,838 (2011: £18,436); no contributions were paid during the current or previous financial years.

11 TAXATION

	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Current tax		
UK corporation tax at 24.5% (2011: 26.5%) based on the taxable profit for the year	2,580	2,694
Adjustments to corporation tax in respect of prior periods	(245)	(32)
	2,335	2,662
Overseas tax based on the taxable profit for the year	813	536
Adjustments to overseas tax in respect of prior periods	42	(6)
Withholding tax	140	–
Total current tax charge	3,330	3,192
Deferred tax		
Deferred tax on the origination and reversal of temporary differences	191	161
Adjustments to deferred tax in respect of prior periods	193	(16)
Total deferred tax charge (note 17)	384	145
Total tax charge for the financial period attributable to continuing operations	3,714	3,337

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11 TAXATION (CONTINUED)

The tax charge for the financial year can be reconciled to the profit before tax per the income statement multiplied by the standard effective corporation tax rate in the UK of 24.5% (2011: 26.5%) as follows:

	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Profit before taxation from continuing and total operations	14,872	14,903
Tax at the UK effective corporation tax rate of 24.5% (2011: 26.5%)	3,644	3,949
Effects of:		
Expenses not deductible for tax purposes	122	123
Capital gain sheltered by capital losses and indexation allowance	–	(636)
Effects of different tax rates of subsidiaries operating abroad	(217)	(186)
Movement in overseas trading losses	71	46
Non-taxable income from trade investments	(145)	–
Withholding tax	140	–
Effect of change in tax rate to 23% (2011: 25%)	109	95
Adjustments to tax charge in respect of previous periods	(10)	(54)
Total tax charge for the financial period	3,714	3,337

DEFERRED TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Deferred tax credit on defined benefit plan actuarial gains and losses	(233)	(184)

MATTERS AFFECTING FUTURE TAX CHARGES

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

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 2012	
	Total earnings £'000	Number of shares
Basic earnings/weighted average number of shares	11,158	42,279,853
Basic earnings per ordinary share (pence)	26.39p	

	12 months ended 31 December 2011	
	Total earnings £'000	Number of shares
Basic earnings/weighted average number of shares	11,566	42,754,198
Basic earnings per ordinary share (pence)	27.05p	

DILUTED EARNINGS PER SHARE

The calculation of the diluted earnings per ordinary share last year is based on the profits and shares as set out in the table below. There were no dilutive instruments outstanding during 2012 and there were no discontinued operations in either period.

	12 months ended 31 December 2011	
	Total earnings £'000	Number of shares
Basic earnings/weighted average number of shares	11,566	42,754,198
Weighted average number of shares under option		3,802
Number of shares that would have been issued at fair value to satisfy above options		(1,771)
Earnings/diluted weighted average number of shares	11,566	42,756,229
Diluted earnings per ordinary share (pence)	27.05p	

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13 PROPERTY, PLANT AND EQUIPMENT

	Property £'000	Equipment for hire £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
Cost					
As at 31 December 2010	5,203	35,023	2,671	3,909	46,806
Exchange differences	(5)	(108)	(13)	(7)	(133)
Additions	2,735	4,123	190	261	7,309
Disposals	(591)	(1,624)	(562)	(22)	(2,799)
As at 31 December 2011	7,342	37,414	2,286	4,141	51,183
Exchange differences	(6)	(278)	(21)	(19)	(324)
Additions	323	4,165	255	555	5,298
Disposals	(840)	(1,385)	(566)	(55)	(2,846)
As at 31 December 2012	6,819	39,916	1,954	4,622	53,311
Accumulated depreciation					
As at 31 December 2010	2,739	26,622	2,283	3,345	34,989
Exchange differences	(5)	(84)	(12)	(5)	(106)
Charge for the period	155	3,281	205	270	3,911
Disposals	(20)	(1,495)	(560)	(22)	(2,097)
As at 31 December 2011	2,869	28,324	1,916	3,588	36,697
Exchange differences	(5)	(191)	(14)	(15)	(225)
Charge for the period	164	3,376	152	314	4,006
Disposals	(840)	(1,229)	(565)	(55)	(2,689)
As at 31 December 2012	2,188	30,280	1,489	3,832	37,789
Carrying value					
At 31 December 2012	4,631	9,636	465	790	15,522
At 31 December 2011	4,473	9,090	370	553	14,486

At 31 December 2012 and 31 December 2011 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 2012 £'000	31 December 2011 £'000
Freehold land and buildings	4,110	3,961
Long leasehold buildings	57	58
Short leasehold buildings	464	454
	4,631	4,473

As disclosed in note 24, the group's bank loans are secured by fixed and floating charges over the group's assets including property, plant and equipment.

14 LEASE PREPAYMENTS

	31 December 2012 £'000	31 December 2011 £'000
Long leasehold land prepayments:		
Total	57	59
Split:		
Non-current assets	55	57
Current assets	2	2
	57	59

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 and control of the company. The 51% shareholder has waived his right to receive the 10% profit share and therefore the group has consolidated 100% of the company's results for the year.

16 TRADE INVESTMENTS

	31 December 2012 £'000	31 December 2011 £'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 2012 £'000	12 months ended 31 December 2011 £'000
Income from trade investments	592	–

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17 DEFERRED TAX ASSET

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

	Depreciation in excess of capital allowances £'000	Pension surplus £'000	Provisions and other short term timing differences £'000	Total £'000
Asset/(liability) at 31 December 2010 at 27% (see note below)	331	(538)	928	721
Charged to income statement	(26)	(21)	(98)	(145)
Credited to equity	–	184	–	184
Effect of pension payments in excess of actuarial charges	–	(32)	32	–
Asset/(liability) at 31 December 2011 at 25% (see note below)	305	(407)	862	760
Charged to income statement	15	(31)	(368)	(384)
Credited to equity	–	233	–	233
Effect of pension payments in excess of actuarial charges	–	(211)	211	–
Asset/(liability) at 31 December 2012 at 23% (see note below)	320	(416)	705	609

Deferred tax has been calculated using the substantively enacted tax rate that is expected to apply when the timing differences reverse. With the exception of certain pension payments that are expected to reverse before 1 April 2013 at 24% (2011: 26%), a 23% (2011: 25%) tax rate has been used.

The group does not have any unused capital losses or any unrecognised deferred tax assets or liabilities at either the current or previous year end.

The deferred tax asset as at 31 December 2012, excluding the liability on the pension surplus, is £1,025,000 (2011: £1,167,000). Of this amount, approximately £750,000 (2011: £520,000) is expected to be recovered after more than 12 months.

18 RETIREMENT BENEFIT PENSION SCHEMES

DEFINED BENEFIT PENSION SCHEME

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

The group has been making additional contributions to remove the funding deficit in the group pension scheme. These contributions totalled £840,000 during 2012 and were agreed in advance with the trustees of the pension scheme.

As at 31 December 2012 the group had a net defined benefit pension scheme surplus, calculated in accordance with IAS 19 using the assumptions as set out below, of £1,809,000 (2011: £1,629,000). This asset has been recognised in these financial statements as the directors are satisfied that it is recoverable in accordance with IFRIC 14.

Following the triennial recalculation of the funding deficit as at 31 December 2010 a revised schedule of contributions and recovery plan was agreed with the pension scheme trustees in March 2012. Based on this schedule of contributions, which was effective from 1 January 2011, the best estimate of the employer contributions to be paid during the year commencing 1 January 2013 is £960,000. The next triennial funding valuation is due as at 31 December 2013 but, until such time as this has been agreed, the group's monthly contributions to the pension scheme will be increased to £90,000 for 2014 and then reduced to £70,000 until December 2018 or until the funding deficit has been eliminated if sooner.

18 RETIREMENT BENEFIT PENSION SCHEMES (CONTINUED)

ASSUMPTIONS

The last full actuarial valuation was carried out as at 31 December 2010. A qualified independent actuary has updated the results of this valuation to calculate the surplus as disclosed below.

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

	31 December 2012	31 December 2011	31 December 2010	31 December 2009	31 December 2008
Rate of increase in pensionable salaries	N/A	N/A	N/A	N/A	N/A
Rate of increase in pensions in payment	2.90%	2.90%	3.30%	3.40%	3.00%
Discount rate applied to scheme liabilities	4.30%	4.80%	5.50%	5.80%	6.00%
Inflation assumption – RPI	3.00%	3.00%	3.50%	3.60%	3.00%
Inflation assumption – CPI for the first 6 years	2.00%	2.00%	2.50%	N/A	N/A
Inflation assumption – CPI after the first 6 years	2.00%	2.00%	3.00%	N/A	N/A

From 1 January 2011, the government amended the basis for statutory increases to deferred pensions and pensions in payment. Such increases are now based on inflation measured by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). Having reviewed the scheme rules and considered the impact of the change on this pension scheme, the directors consider that future increases to all deferred pensions and Guaranteed Minimum Pensions accrued between 6 April 1988 and 5 April 1997 and currently in payment will be based on CPI rather than RPI. Accordingly, this assumption has been adopted as at 31 December 2012, 2011 and 2010; in prior years it was assumed that such pension increases would be linked to RPI. It has been assumed in all years that all other pension increases will be linked to RPI.

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics. The current mortality table used is 110% SINA CMI2011 (2011: 110% SINA CMI2010; 2010 and prior: PA92YOBMC+2).

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 2012	31 December 2011	31 December 2010	31 December 2009	31 December 2008
Male, current age 45	22.6 years	22.8 years	21.3 years	21.3 years	21.3 years
Female, current age 45	23.9 years	23.9 years	24.1 years	24.1 years	24.0 years

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

	31 December 2012	31 December 2011	31 December 2010	31 December 2009	31 December 2008
Long term rate of return on:					
Equities	7.80%	7.70%	7.60%	7.50%	7.50%
Corporate bonds	4.30%	4.80%	5.00%	5.40%	5.50%
Gilts	2.30%	2.50%	4.00%	4.40%	3.75%
Cash	2.30%	2.50%	4.00%	4.40%	3.75%

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.

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FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

18 RETIREMENT BENEFIT PENSION SCHEMES (CONTINUED)

Valuations

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

	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000
UK equities	10,321	9,247	9,972	8,839	7,049
Corporate bonds	17,550	15,693	15,335	14,732	10,021
Gilts	6,233	6,240	5,136	4,776	9,077
Cash	91	267	290	589	293
Total fair value of plan assets	34,195	31,447	30,733	28,936	26,440
Present value of defined benefit obligation	(32,386)	(29,818)	(28,743)	(28,862)	(26,165)
Scheme surplus calculated in accordance with stated assumptions	1,809	1,629	1,990	74	275
Net pension surplus not recognised	–	–	–	(74)	(275)
Pension surplus recognised in the balance sheet	1,809	1,629	1,990	–	–

The movement in the fair value of the scheme's assets over the year is as follows:

	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000
Fair value of plan assets at the start of the period	31,447	30,733	28,936	26,440	25,913
Expected return on plan assets	1,526	1,628	1,546	1,338	1,401
Actuarial gain/(loss) recognised in the CSOCTI*	1,676	104	1,309	992	(2,764)
Employer contributions – normal	840	120	120	1,500	1,500
Employer contributions – non-recurring	–	–	–	–	1,700
Benefits paid	(1,294)	(1,138)	(1,178)	(1,334)	(1,310)
Fair value of plan assets at the end of the period	34,195	31,447	30,733	28,936	26,440

* Consolidated Statement of Comprehensive Total Income.

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 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000
Present value of defined benefit funded obligation at the beginning of the period	(29,818)	(28,743)	(28,862)	(26,165)	(27,151)
Interest on defined benefit obligation	(1,401)	(1,550)	(1,640)	(1,530)	(1,563)
Actuarial (loss)/gain recognised in the CSOCTI*	(2,461)	(663)	581	(2,501)	1,239
Benefits paid	1,294	1,138	1,178	1,334	1,310
Present value of defined benefit obligation	(32,386)	(29,818)	(28,743)	(28,862)	(26,165)
Net pension surplus not recognised	–	–	–	(74)	(275)
Present value of defined benefit funded obligation at the end of the period	(32,386)	(29,818)	(28,743)	(28,936)	(26,440)

* Consolidated Statement of Comprehensive Total Income.

18 RETIREMENT BENEFIT PENSION SCHEMES (CONTINUED)

Sensitivity analysis

The key financial assumptions are the discount rate applied to the scheme liabilities and the inflation assumptions (RPI and CPI).

A 0.1% increase in the discount rate applied to the scheme liabilities and a 0.1% increase in the inflation assumptions would reduce/increase the present value of the defined benefit obligation by approximately £0.5 million and £0.4 million respectively. A 0.1% decrease in these assumptions would increase/reduce the present value of the defined benefit obligation by a similar amount.

Amounts recognised in the income statement

	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000
The amounts credited/(charged) in the income statement were:					
Expected return on pension scheme assets (note 6)	1,526	1,628	1,546	1,338	1,401
Interest on pension scheme liabilities (note 7)	(1,401)	(1,550)	(1,640)	(1,530)	(1,563)
Net pension income/(charge)	125	78	(94)	(192)	(162)

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

	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000
The amounts credited/(charged) in the CSOCTI* were:					
Actual return less expected return on scheme assets	1,676	104	1,309	992	(2,764)
Experience gains and losses arising on plan obligation	(278)	(260)	498	(421)	(196)
Changes in demographic and financial assumptions underlying the present value of plan obligations	(2,183)	(403)	83	(2,080)	1,435
Actuarial (loss)/gain calculated in accordance with stated assumptions	(785)	(559)	1,890	(1,509)	(1,525)
Net pension surplus not recognised	–	–	–	(74)	(275)
Reverse provision re non-recognition of pension scheme surplus	–	–	74	275	–
Actuarial (loss)/gain recognised in the CSOCTI*	(785)	(559)	1,964	(1,308)	(1,800)
Cumulative actuarial loss recognised in the CSOCTI*	(3,830)	(3,045)	(2,486)	(4,450)	(3,142)

* Consolidated Statement of Comprehensive Total Income.

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18 RETIREMENT BENEFIT PENSION SCHEMES (CONTINUED)

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

	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000
Expected return on plan assets	1,526	1,628	1,546	1,338	1,401
Actuarial gain/(loss) recognised in the CSOCTI* representing the difference between expected and actual return on assets	1,676	104	1,309	992	(2,764)
Actual return on plan assets	3,202	1,732	2,855	2,330	(1,363)

* Consolidated Statement of Comprehensive Total Income.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. 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.

History of experience gains and losses

	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000
Difference between the expected and actual return on scheme assets:					
Amount	1,676	104	1,309	992	(2,764)
Percentage of scheme assets	4.9%	0.3%	4.3%	3.4%	(10.5%)

Experience gains and losses arising on scheme liabilities:

Amount	(278)	(260)	498	(421)	(196)
Percentage of present value of plan obligation	(0.9%)	(0.9%)	1.7%	(1.5%)	(0.7%)

Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:

Amount	(2,183)	(403)	83	(2,080)	1,435
Percentage of present value of plan obligation	(6.7%)	(1.4%)	0.3%	(7.2%)	5.5%

Movement in net pension asset not recognised:

Amount	–	–	74	201	(275)
Percentage of present value of plan obligation	0.0%	0.0%	0.3%	0.7%	(1.1%)

Total amount recognised in the CSOCTI:*

Amount	(785)	(559)	1,964	(1,308)	(1,800)
Percentage of present value of plan obligation	(2.4%)	(1.9%)	6.8%	(4.5%)	(6.9%)

* Consolidated Statement of Comprehensive Total Income.

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 5.35% (2011: 5.3%). The income statement charge in the current period amounted to £241,000 (2011: £268,000).

OVERSEAS DEFINED CONTRIBUTION PENSION SCHEME ARRANGEMENTS

Overseas companies make their own pension arrangements, the charge for the period being £129,000 (2011: £112,000). No additional disclosure is given on the basis of materiality.

19 STOCKS

	31 December 2012 £'000	31 December 2011 £'000
Raw material and consumables	44	63
Work in progress	10	11
Finished goods	3,143	3,487
	3,197	3,561

As disclosed in note 24, the group's bank loans are secured by fixed and floating charges over the group's assets including stocks.

The cost of stock recognised as an expense in the year was £15,901,000 (2011: £13,656,000) and the charge in the income statement for net realisable value provisions was £128,000 (2011: £142,000).

20 TRADE AND OTHER RECEIVABLES

	31 December 2012 £'000	31 December 2011 £'000
Trade debtors:		
Current unimpaired debtors	7,661	8,845
Overdue impaired debtors:		
Gross	8,747	6,859
Less allowance for doubtful debts	(2,543)	(2,769)
Net overdue trade debtors	6,204	4,090
Net trade debtors	13,865	12,935
Amounts due from related parties	27	23
Lease prepayments – long leasehold land premiums	2	2
Prepayments and accrued income	1,113	994
Other debtors	241	821
	15,248	14,775

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 2012 is 39 days (2011: 52 days).

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

	31 December 2012 £'000	31 December 2011 £'000
Not more than 3 months overdue	5,198	2,733
More than 3 months and not more than 6 months overdue	448	752
More than 6 months and not more than 12 months overdue	322	392
More than 12 months overdue	236	213
Net overdue trade debtors	6,204	4,090

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20 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2012 £'000	31 December 2011 £'000
Balance at the beginning of the period	2,769	2,987
Foreign exchange difference	(81)	11
Net amounts written off during the period	(20)	(511)
Income statement (credit)/charge	(125)	282
Balance at the end of the period	2,543	2,769

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 32.

21 CASH AND CASH EQUIVALENTS

	31 December 2012 £'000	31 December 2011 £'000
Cash at bank	2,490	2,293
Deposit accounts	21,589	22,511
Capital reduction trust account	29	182
	24,108	24,986

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 0.85% (2011: 0.55%).

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 0.01% (2011: 0.01%).

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

Total cash balances and other monetary assets and liabilities denominated in foreign currencies are disclosed in note 32.

22 TRADE AND OTHER PAYABLES

	31 December 2012 £'000	31 December 2011 £'000
Trade creditors	3,328	3,331
Amounts due to related parties	36	32
Other tax and social security	1,314	1,914
Accruals and deferred income	4,782	4,069
Other creditors	421	350
	9,881	9,696

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 35 days (2011: 41 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 32.

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

23 CURRENT TAX LIABILITIES

	31 December 2012 £'000	31 December 2011 £'000
Corporation tax	1,481	1,689
Overseas tax (denominated in Euros)	11	–
	1,492	1,689

24 BANK LOANS

	31 December 2012 £'000	31 December 2011 £'000
The borrowings are repayable as follows:		
On demand or within one year	8,000	6,000
In the second year	–	8,000
Total	8,000	14,000
Disclosed:		
Within current liabilities (on demand or within one year)	8,000	6,000
Within non-current liabilities	–	8,000
Total	8,000	14,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 BANK LOANS (CONTINUED)

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 originally drawn down on 13 May 2008 and capital repayments commenced on 30 April 2009 with an additional voluntary early repayment of £3 million being made during 2010.

Repayments continued on an annual basis until 30 April 2013 when, in accordance with the bank loan agreement, the bank loan of £8,000,000 was repaid. On the same day a new loan agreement was entered into for £8,000,000 which is repayable in full by April 2017. Further details of the new bank loan agreement are given in the financial review within the directors' report on page 15.

During 2012 interest was charged on a biannual basis on the group's borrowings based on LIBOR plus a margin of between 0.65% and 1.25% (2011: 0.65% to 1.25%). As disclosed in note 27, 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 1.79% (2011: 1.80%). There are no fixed rate liabilities at either year 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 27.

There were no undrawn committed borrowing facilities at either year end.

25 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of Minimum lease payments	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Amounts payable under finance leases:				
Within one year	134	219	124	203
In the second to fifth years inclusive	426	442	332	336
After five years	16	94	10	59
	576	755	466	598
Less future finance charges	(110)	(157)		
Present value of lease obligations	466	598		
Disclosed:				
Within current liabilities (payable within one year)			124	203
Within non-current liabilities			342	395
Total			466	598

As set out in the accounting policies, it is the group's policy to lease certain properties. The average lease term is 3.5 years (2011: 4.5 years); the present value of the minimum leased payments has been calculated based on the group's historic weighted average cost of capital at date of initial capitalisation as the interest rates implicit in the lease are not known. All of the above relate to property leases in both periods.

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

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

26 PROVISIONS

	Onerous leases £'000
At 31 December 2011	47
Release of provision in the year	(13)
At 31 December 2012	34

Disclosed:

	31 December 2012 £'000	31 December 2011 £'000
Within current liabilities (payable within one year)	13	13
Within non-current liabilities	21	34
Total	34	47

An onerous lease provision was created in previous years in respect of a vacant property no longer used for the purposes of the group's trade. The property has been sub-let and a provision is held to cover the potential rent due until the lease expires in August 2015 in the event that the sub-tenant defaults on the rental payments. The provision is released to the income statement as the maximum exposure reduces. The provision has not been discounted on the grounds of materiality.

27 DERIVATIVE FINANCIAL INSTRUMENTS – LIABILITIES

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

	31 December 2012 £'000	31 December 2011 £'000
Interest rate caps held for trading	–	23
Disclosed:		
Within current liabilities (payable within one year)	–	–
Within non-current liabilities	–	23
Total	–	23

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27 DERIVATIVE FINANCIAL INSTRUMENTS – LIABILITIES (CONTINUED)

During 2012 interest was charged on a biannual basis on the group's borrowings based on LIBOR plus a margin of between 0.65% 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 2012			
Maturity date	LIBOR Cap	Principal £'000	Liability £'000
30/4/2013	6.25%	10,000	–
		10,000	–

12 months ended 31 December 2011			
Maturity date	LIBOR Cap	Principal £'000	Liability £'000
30/4/2013	6.25%	10,000	23
		10,000	23

28 CALLED-UP SHARE CAPITAL

	31 December 2012 £'000	31 December 2011 £'000
Issued and fully paid:		
42,262,082 ordinary shares of one pence each		
(2011: 42,688,588 ordinary shares of one pence each)	423	427

During the year the company purchased 426,506 ordinary shares of 1p each (2011: 442,216) for cancellation for a total consideration of £814,934 (2011: £944,791).

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

No share options were granted, forfeited or expired during either the current or previous financial year. There were no outstanding share options at the end of either the current or previous financial year.

During the previous year, 15,000 share options were exercised at 89.5 pence per share and the company issued 15,000 new shares at a premium of £13,275 to satisfy these options. No share options were exercised and no shares were issued in the current financial year.

29 SHARE CAPITAL AND RESERVES

	Share capital £'000	Share premium £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000
At 31 December 2010	431	–	23,607	2,842	237	27,117
Total comprehensive income for the period	–	–	11,191	(184)	–	11,007
Issue of new shares	–	13	–	–	–	13
Purchase of own shares	(4)	–	(945)	–	4	(945)
Dividends paid	–	–	(2,818)	–	–	(2,818)
At 31 December 2011	427	13	31,035	2,658	241	34,374
Total comprehensive income for the period	–	–	10,606	(335)	–	10,271
Purchase of own shares	(4)	–	(815)	–	4	(815)
Dividends paid	–	–	(3,001)	–	–	(3,001)
At 31 December 2012	423	13	37,825	2,323	245	40,829

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

Other reserves comprise:

	31 December 2012 £'000	31 December 2011 £'000
Capital redemption reserve	157	153
UAE legal reserve	79	79
Netherlands capital reserve	9	9
	245	241

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

The capital redemption reserve increased during the current period by £4,265 (2011: £4,422) due to the purchase and cancellation of 426,506 ordinary shares of 1p each (2011: 442,216) for an aggregate consideration of £814,934 (2011: £944,791). There were no movements in any of the other reserves during the current or previous financial periods.

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30 CASH GENERATED FROM OPERATIONS

	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Profit for the period attributable to equity shareholders	11,158	11,566
Adjustments for:		
Taxation charge	3,714	3,337
Finance costs	1,782	1,942
Finance income	(1,750)	(1,850)
Income from trade investments	(592)	–
Profit on the sale of property, plant and equipment	(402)	(3,519)
Depreciation	4,006	3,911
Excess of normal pension contributions compared with service cost	(840)	(120)
Cash generated from operations before movements in working capital	17,076	15,267
Movement in stocks	(246)	(229)
Movement in trade and other receivables	(462)	999
Movement in trade and other payables	247	(258)
Movement in provisions	(13)	(13)
Cash generated from operations	16,602	15,766

31 ANALYSIS OF NET FUNDS

	31 December 2012 £'000	31 December 2011 £'000
Cash and cash equivalents per consolidated cash flow statement and note 21	24,108	24,986
Gross funds	24,108	24,986
Bank loans per note 24	(8,000)	(14,000)
Obligations under finance leases per note 25	(466)	(598)
Derivative financial instruments per note 27	–	(23)
Gross debt	(8,466)	(14,621)
Net funds	15,642	10,365

32 FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the group consists of net funds, which are analysed in note 31, and equity comprising issued share capital, reserves and retained earnings as disclosed in note 29. The net funds to equity percentage is:

	31 December 2012 £'000	31 December 2011 £'000
Net funds per note 31	15,642	10,365
Equity attributable to equity holders of the parent company as per note 29	40,829	34,374
Net funds to equity percentage	38.3%	30.2%

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 2012 £'000	31 December 2011 £'000
Financial assets		
Available for sale assets – trade investments	164	164
Loans and receivables (including cash and cash equivalents):		
Trade debtors and amounts due by related parties	13,892	12,958
Other debtors	241	821
Cash and cash equivalents	24,108	24,986
	38,241	38,765
	38,405	38,929
Financial liabilities		
Fair value through profit and loss – held for trading	–	23
Amortised cost:		
Trade creditors and amounts due to related parties	3,364	3,363
Accruals and other creditors	8,009	8,022
Loans	8,000	14,000
Finance lease obligations	466	598
	19,839	25,983
	19,839	26,006

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.

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32 FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK

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

Interest is charged on a biannual basis on the group's borrowings based on LIBOR plus a margin of between 0.65% 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 2012 £'000	31 December 2011 £'000
Total bank loans	8,000	14,000
Average bank loan agreement rate	1.79%	1.80%
Notional capital value of interest rate caps and effective cap rate:		
Cap to run to 30 April 2013	Notional capital value Capped interest rate	10,000 6.25%
		10,000 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 £100,000 (2011: £160,000); a 1% decrease would decrease it by £100,000 (2011: £160,000).

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.

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

	31 December 2012 £'000	31 December 2011 £'000
Financial assets (excluding cash) denominated in:		
Euros	3,178	2,303
UAE Dirhams	3,061	2,824
Cash denominated in:		
Euros	4,586	2,551
UAE Dirhams	764	844
Liabilities denominated in:		
Euros	1,501	1,035
UAE Dirhams	1,491	1,143

A 10% increase in the Euro: Sterling exchange rate would reduce the consolidated operating profit by £365,000 (2011: £350,000). 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 £105,000 (2011: £50,000). 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.

32 FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK

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

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

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

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

LIQUIDITY RISK MANAGEMENT

The group manages liquidity risk by maintaining adequate cash reserves, which at 31 December 2012 amounted to £24,108,000 (2011: £24,986,000), by operating within its agreed banking facilities, by continuously monitoring forecast and actual cash flows, by matching the maturity profiles of monetary assets and liabilities and by monitoring and discussing its covenants with the bank.

In view of the significant levels of cash reserves held by the group and the increase in net funds from £10,365,000 at 31 December 2011 to £15,642,000 at 31 December 2012, the directors believe that additional unutilised borrowing facilities are not required.

LIQUIDITY AND INTEREST RISK TABLES

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

31 December 2012

	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	N/A	7,757	3,616	–	–	–	11,373
Variable interest bank loans	1.79%	–	8,048	–	–	(48)	8,000
Fixed interest finance leases	8.00%	33	101	426	16	(110)	466
Total		7,790	11,765	426	16	(158)	19,839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

32 FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2011

	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	N/A	7,959	3,426	–	–	–	11,385
Variable interest bank loans	1.80%	–	6,036	8,192	–	(228)	14,000
Fixed interest finance leases	8.00%	55	164	442	94	(157)	598
Total		8,014	9,626	8,634	94	(385)	25,983

The value and maturity profile of the derivative financial liabilities as at 31 December 2012 and 31 December 2011 carried at fair value through the profit and loss account are disclosed in note 27. Fair value is based on level 2 hierarchy as defined in IFRS 7. There were no derivative financial assets at either period end.

33 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 2012 £'000	31 December 2011 £'000	31 December 2012 £'000	31 December 2011 £'000
Amounts payable under operating leases:				
Within one year	991	941	774	860
In the second to fifth years inclusive	2,399	2,044	1,407	1,093
After five years	1,205	1,541	35	–
	4,595	4,526	2,216	1,953

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.

34 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 on an arm's length basis:

	31 December 2012 £'000	31 December 2011 £'000
Sale of goods and services to associates within the London Security plc group	17	166
Purchase of goods and services from associates within the London Security plc group	212	240
Amounts owed to the group by associates	24	23
Amount owed by the group to associates	36	31

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.

35 DIVIDEND PAYMENTS

The directors declared the following interim dividend in respect of the period ended 31 December 2012:

	12 months ended 31 December 2012		12 months ended 31 December 2011	
	Pence per share	Total dividend paid £'000	Pence per share	Total dividend paid £'000
Interim dividend declared on 29 October 2012 (2011: 8 November 2011) and paid to shareholders on the register as at 9 November 2012 (2011: 18 November 2011) on 3 December 2012 (2011: 1 December 2011)	7.10p	3,001	6.60p	2,818

The above interim dividend was charged against reserves as shown in the consolidated statement of changes in equity and in note 29 to these financial statements.

The directors do not recommend the payment of a final dividend (2011: £Nil).

36 ULTIMATE PARENT COMPANY

As at 30 April 2013 EOI Sykes Sarl, which is incorporated in Luxembourg, held 86.08% of the share capital of Andrews Sykes Group plc and is therefore the immediate parent company. The ultimate holding company is the Tristar Corporation, a company incorporated in the Republic of Panama. The Tristar Corporation is held jointly, in equal proportions, by the Ariane Trust and the Eden Trust and therefore the directors consider these trusts to be the ultimate controlling parties of Andrews Sykes Group plc.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2012

	Note	31 December 2012		31 December 2011	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	3		32,040		32,097
Current assets					
Debtors	4	21,105		21,494	
Cash at bank and in hand	5	270		162	
		21,375		21,656	
Creditors: Amounts falling due within one year	6	(13,698)		(12,177)	
Net current assets			7,677		9,479
Total assets less current liabilities			39,717		41,576
Creditors: Amounts falling due after more than one year	6		-		(8,000)
Provisions	7		(25)		(27)
Net assets			39,692		33,549
Capital and reserves					
Called-up share capital	9		423		427
Share premium	10		13		13
Profit and loss account	10		36,888		30,745
Other reserves	10		2,368		2,364
Shareholders' funds	11		39,692		33,549

These financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the board of directors on 30 April 2013 and were signed on its behalf by:

JJ Murray
Vice-Chairman

COMPANY ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

2 PROFIT FOR THE FINANCIAL PERIOD

As permitted by Section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the period. The profit for the financial period dealt with in the profit and loss account of the company was £9,959,000 (2011: £6,425,000).

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	8,651
Charge for the period	57
At the end of the period	8,708
Net book value	
At 31 December 2012	32,040
At 31 December 2011	32,097

The company's principal subsidiary undertakings (* denotes directly owned by Andrews Sykes Group plc) as at 31 December 2012 were as follows:

Andrews Sykes Hire Limited *

Andrews Air Conditioning & Refrigeration Limited *

Sykes Pumps International Limited (Overseas sales of specialist environmental control products)

Andrews Sykes Investments Limited * (Intermediate holding company)

A.S. Group Management Limited * (Intermediate holding company)

Andrews Sykes International Limited * (Intermediate holding company)

Andrews Sykes Properties Limited * (Property holding company)

AS Holding B.V. (Netherlands, Intermediate holding company)

Khansaheb Sykes LLC (49%, United Arab Emirates)

Andrews Sykes B.V. (Netherlands)

Andrews Sykes BVBA (Belgium)

Nolo Climat S.R.L. (Italy)

Andrews Sykes Climat Location SAS (France, non-trading as at 31 December 2012. Commenced trading January 2013)

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. A full listing of the company's subsidiary undertakings will be included with the next Annual Return.

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

4 DEBTORS

	31 December 2012 £'000	31 December 2011 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	19,277	19,837
Corporation tax and group relief	1,665	1,608
Other debtors	157	28
Deferred tax	4	19
Prepayments and accrued income	2	2
	21,105	21,494

The movements on the deferred tax asset during the year were as follows:

	Short term timing differences £'000
Asset at the beginning of the year at 25%	19
Charge to profit and loss account	(15)
Asset at the end of the period at 23%	4

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

5 CASH AT BANK AND IN HAND

	31 December 2012 £'000	31 December 2011 £'000
Cash at bank and in hand	241	–
Capital reduction trust account	29	162
	270	162

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

6 CREDITORS

	31 December 2012 £'000	31 December 2011 £'000
Amounts falling due within one year:		
Bank loans and overdrafts	8,000	6,023
Amounts owed to group undertakings	5,671	6,023
Accruals and deferred income	27	131
	13,698	12,177
	31 December 2012 £'000	31 December 2011 £'000
Amounts falling due after more than one year:		
Bank loans repayable between one and two years	–	8,000
	–	8,000

Total company bank loans and overdrafts of £8,000,000 (2011: £14,023,000) 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.

On 30 April 2013 in accordance with the bank loan agreement the bank loan of £8,000,000 was repaid and on the same day a new loan agreement was entered into for £8,000,000 repayable in full by April 2017. Further details of the new bank loan agreement are given in the financial review within the directors' report on page 15.

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

The company did not have any undrawn committed borrowing facilities at either period end.

7 PROVISIONS

	Subsidiary undertakings £'000
At 31 December 2011	27
Profit and loss account release	(2)
At 31 December 2012	25

The above represents impairment provisions that are required in respect of loss-making subsidiary undertakings with negative shareholder funds.

8 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 32 to the consolidated financial statements and these are also applicable to the company. The fair values of interest rate caps held by the company at the balance sheet date are disclosed in note 27 to the consolidated financial statements.

9 CALLED-UP SHARE CAPITAL

	31 December 2012 £'000	31 December 2011 £'000
Issued and fully paid:		
42,262,082 ordinary shares of one pence each		
(2011: 42,688,588 ordinary shares of one pence each)	423	427

During the year the company purchased 426,506 ordinary shares of 1p each (2011: 442,216) for cancellation for a total consideration of £814,934 (2011: £944,791).

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

No share options were granted, forfeited or expired during either the current or previous financial year. There were no outstanding share options at the end of either the current or previous financial year.

During the previous year, 15,000 share options were exercised at 89.5 pence per share and the company issued 15,000 new shares at a premium of £13,275 to satisfy these options. No share options were exercised and no shares were issued in the current financial year.

10 RESERVES

	Share premium £'000	Profit and loss account £'000	Other reserves £'000	Total £'000
At the beginning of the period	13	30,745	2,364	33,122
Profit for the period	–	9,959	–	9,959
Purchase of own shares	–	(815)	4	(811)
Dividends declared and paid	–	(3,001)	–	(3,001)
At the end of the period	13	36,888	2,368	39,269

Other reserves comprise:

	31 December 2012 £'000
Capital redemption reserve	153
Non-distributable dividends received from subsidiaries	2,211
	2,364

The capital redemption reserve increased during the current period by £4,265 (2011: £4,422) due to the purchase and cancellation of 426,506 ordinary shares of 1p each (2011: 442,216) for an aggregate consideration of £814,934 (2011: £944,791). There were no movements in any of the other reserves during the current or previous financial periods.

Details of the purchase of own shares are given in note 9 above. Dividends declared and paid are detailed in note 35 to the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2012

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	12 months ended 31 December 2012 £'000	12 months ended 31 December 2011 £'000
Profit for the financial period	9,959	6,425
Consideration for the purchase of own shares	(815)	(945)
Issue of new shares	–	13
Dividends declared and paid	(3,001)	(2,818)
Net increase in shareholders' funds	6,143	2,675
Shareholders' funds at the beginning of the period	33,549	30,874
Shareholders' funds at the end of the period	39,692	33,549

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 2012 the annual commitment under such leases totalled £102,350 (2011: £102,350), of which £102,350 (2011: £19,000) expires between one and five years and the balance over five years from the balance sheet date.

13 ULTIMATE PARENT COMPANY

As at 30 April 2013 EOI Sykes Sarl, which is incorporated in Luxembourg, held 86.08% of the share capital of Andrews Sykes Group plc and is therefore the immediate parent company. The ultimate holding company is the Tristar Corporation, a company incorporated in the Republic of Panama. The Tristar Corporation is held jointly, in equal proportions, by the Ariane Trust and the Eden Trust and therefore the directors consider these trusts to be the ultimate controlling parties of Andrews Sykes Group plc.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the ninetieth Annual General Meeting of Andrews Sykes Group plc will be held at Floor 5, 10 Bruton Street, London, W1J 6PX on 18 June 2013 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 2012, together with the report of the directors and of the auditor, be and they are hereby received and adopted.
2. That Ms MC Leon, who retires by rotation and offers herself for re-election, be and is hereby re-elected.
3. That Mr EDOA Sebag, who retires by rotation and offers himself for re-election, be and is hereby re-elected.
Details of directors are set out on page 22 of the financial statements.
4. That KPMG Audit Plc be and are hereby re-appointed as auditor of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which the accounts are laid before the company at a remuneration to be fixed by the directors.

AS SPECIAL BUSINESS: ORDINARY RESOLUTIONS

5. That the directors, in substitution for all authorities previously conferred upon them (save to the extent that such authorities shall have been exercised) be and they are hereby authorised generally and unconditionally for the purposes of Section 551 of the Companies Act 2006 to allot or grant options over relevant securities (as therein defined) up to a maximum aggregate nominal amount of £63,393 such authority to expire at the end of the next Annual General Meeting of the company save where the directors exercise such authority pursuant to an offer or agreement made prior to the date of such meeting.
6. 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 12 June 2012 be, and it is hereby renewed, subject as follows:
 - 6.1 the maximum number of shares which may be so acquired is 5,282,760 ordinary shares of one pence each;
 - 6.2 the minimum price which may be paid for such shares is the nominal value of such shares;
 - 6.3 the maximum price which may be paid per share is a sum equal to 105% of the average of the market values of the ordinary shares of the company in the Daily Official List of the Stock Exchange on the five business days immediately preceding the date of purchase;
 - 6.4 the authority conferred by this resolution shall expire on 30 June 2014 or the date of the Annual General Meeting for the period ending 31 December 2013, whichever is the earlier.

SPECIAL RESOLUTIONS

7. That, subject to the passing of resolution numbered 5 above, the directors be and they are hereby generally and unconditionally authorised to allot equity securities (defined in Section 560(1) of the Companies Act 2006) pursuant to the authority conferred by the resolution number 5 above as if Section 561(1) of the said Act did not apply to any such allotment of equity securities and so that references to allotment in this resolution shall be construed in accordance with Section 561(3) of the said Act and the power hereby conferred shall enable the company to make an offer or agreement before the expiry of this authority which would or might require equity securities to be allotted after the expiry of such authority provided that the authority hereby conferred shall be limited (a) to the allotment of equity securities in connection with a rights issue in favour of the holders of equity securities in proportion to their respective holdings of such securities or (as the case may be) in accordance with the rights attached hereto, but subject to such exclusions or arrangements as the directors shall deem necessary in relation to fractional entitlements or pursuant to the laws of any territory or requirements of any regulatory body or any Stock Exchange in any territory, and (b) the allotment (otherwise than pursuant to (a) of this provision) of equity securities up to an aggregate nominal amount of £63,393; this authority to expire at the end of the next Annual General Meeting of the company save to the extent that the directors exercise such authority pursuant to an offer or agreement made prior to the date of such meeting.

NOTICE OF ANNUAL GENERAL MEETING

RECOMMENDATION

Your directors unanimously recommend the ordinary shareholders to vote in favour of the resolutions to be proposed at the Annual General Meeting of the company as they intend to do in respect of their own beneficial holdings amounting to 1,711,703 ordinary shares representing approximately 4.05% 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 6 it is intended that any share purchases by the company will only be made on the London Stock Exchange. This should not be taken to imply that shares will be purchased. The directors believe it is in the best interests of all the shareholders that the company should have the flexibility to make market purchases of its own shares. The effect of such purchases will be to reduce the number of shares in issue and the directors would accordingly only make such purchases after considering the effect on earnings per share and the benefit for shareholders.

By order of the board

MJ Calderbank ACA
Company Secretary

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

30 April 2013

Notes:

1. The following documents will be available at the registered office of the company on any weekday during normal business hours and at the Annual General Meeting:
 - a. The register of directors' share interests.
 - b. Copies of the contracts of service between the company and its directors.
2.
 - a. A member is entitled to appoint a proxy to attend and, on a poll, to vote on his or her behalf. A proxy need not be a member of the company.
 - b. The appointment of the proxy does not preclude a member from attending the meeting and voting in person if he or she so wishes.
 - c. A form of proxy is enclosed for use by ordinary shareholders in relation to the meeting, which, to be effective, must be completed and deposited with the company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA at least 48 hours before the time appointed for holding the meeting.
 - d. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the company of the votes they may cast) members must be entered on the register of members of the company by 6.00 p.m. on 16 June 2013. Changes to entries on the register of members after 6.00 p.m. on 16 June 2013 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

FIVE YEAR HISTORY

	IFRS				
	12 months ended	12 months ended	12 months ended	12 months ended	12 months ended
	31 December	31 December	31 December	31 December	31 December
	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Revenue	58,380	53,838	55,951	54,358	67,394
Operating profit from continuing activities*					
Trading profit before exceptional items	14,312	11,882	13,942	12,937	17,924
Profit on the disposal of property	–	3,113	164	273	559
	14,312	14,995	14,106	13,210	18,483
Income from trade investments	592	–	400	980	–
Net interest charge	(32)	(92)	(132)	(899)	(3,106)
Profit before taxation	14,872	14,903	14,374	13,291	15,377
Taxation	(3,714)	(3,337)	(3,812)	(1,648)	(4,321)
Profit for the financial period	11,158	11,566	10,562	11,643	11,056
Dividends paid during the year	3,001	2,818	4,800	–	14,970
Basic earnings per share from continuing operations	26.39p	27.05p	24.19p	26.30p	24.85p
Ordinary dividend per share paid in the year	7.10p	6.60p	11.10p	–	33.60p

* Defined at the end of each reporting period.

SHAREHOLDER NOTES



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