ANDREWS SYKES GROUP PLC

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2010

SYKES PUMPS | ANDREWS AIR CONDITIONING | ANDREWS HEAT FOR HIRE | ANDREWS DEHUMIDIFICATION | ANDREWS CHILLERS | ANDREWS BOILERS | ANDREWS VENTILATION

A THRIVING BUSINESS IN A DYNAMIC SECTOR

CONTENTS

SUMMARY OF RESULTS

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Revenue from continuing operations	**55,951**	54,358
Normalised EBITDA* from continuing operations	**17,721**	17,368
Normalised operating profit†	**13,942**	12,937
Profit after tax for the financial period	**10,562**	11,643
Basic earnings per share from total operations (pence)	**24.19p**	26.30p
Dividend paid per equity share (pence)	**11.10p**	–
Net cash inflow from operating activities	**13,863**	14,334
Total dividends paid	**4,800**	–
Net funds/(debt)	**4,905**	(2,808)

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

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

CHAIRMAN'S STATEMENT

OVERVIEW AND FINANCIAL HIGHLIGHTS

OVERVIEW AND FINANCIAL HIGHLIGHTS

I am pleased to be able to report that the normalised operating profit* has increased by £1 million from £12.9 million in 2009 to £13.9 million in the current year.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £13.9 million which, due to higher tax payments, was down a little compared with £14.3 million last year. As at 31 December 2010 the group had net funds of £4.9 million compared with net debt of £2.8 million last year despite shareholder related cash outflows of £6 million on dividends and the purchase of own shares. External bank borrowings have been reduced by £9 million from £29 million at the start of the year to £20 million by the year-end.

Ongoing cost control, cash and working capital management continue to be priorities for the group. In total working capital has been reduced by £0.2 million thereby consolidating the significant reductions of £2.2 million made last year. Capital expenditure is carefully controlled and directed to assets that will yield the best returns. Hire fleet utilisation, the fleet's condition and availability have all been maximised.

OPERATING PERFORMANCE

Our main hire and sales business in the UK and Northern Europe (the Netherlands and Belgium) returned a strong performance in the year. The operating profit from this business sector increased by £2.9 million from £11.1 million in 2009 to £14.0 million in the current year. The performance was in part attributable to the cold weather in December which assisted the performance of our heating division. In addition management continue to develop non-weather dependent niche markets which has benefited the performance of the specialist hire division. We will continue to invest in and develop this business as well as our traditional core products and services.

As predicted in my Interim Statement, our business in the Middle East continues to suffer from the economic downturn in the region, particularly in Dubai, and we anticipate that this will continue for some time. The business does continue to make a return on reduced levels of turnover and management are taking action to ensure that the cost base reflects the reduced activity levels. On a more positive note, our business in Abu Dhabi continues to grow year on year.

The UK fixed installation business improved its operating profit by £0.1 million to £0.2 million and we look forward to further improvements next year.

The ongoing strategy of cost control through efficiency savings has resulted in reduced overhead costs which have also contributed to the overall increase in normalised operating profit during the year.

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

PROFIT FOR THE FINANCIAL YEAR

Profit before tax increased by £1.1 million from £13.3 million in 2009 to £14.4 million in the current year. However, the profit after tax for the financial year was £10.6 million *(2009: £11.6 million)* due to a normal tax charge of £3.8 million this year compared with £1.7 million in 2009. This is mainly due to a deferred tax release of £1.2 million last year and a change in the group's profit mix away from the Middle East towards the UK and Northern Europe.

A more detailed review of the profit for the financial year is given in the Operations and Financial Review within the Directors' Report.

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

NET FUNDS/(DEBT)

As at 31 December 2010 the group had net funds of £4.9 million compared with net debt of £2.8 million last year: a positive increase of £7.7 million despite a dividend of £4.8 million and cash outflows on share buybacks of £1.2 million.

EQUITY DIVIDENDS PAID

The company declared an interim dividend of £4.8 million on 9 November 2010 and this was paid on 10 December 2010. The Board continues the policy of returning value to shareholders whenever possible and accordingly the decision regarding an interim dividend for 2011 will be taken later in the year in the light of profitability and available cash resources.

SHARE BUYBACK PROGRAMME

During the current year the company purchased 1,152,561 ordinary shares for cancellation for a total consideration of £1,371,000 of which £187,000 remained unpaid at the year-end. So far during 2011 the company has purchased a further 402,716 ordinary shares for cancellation for a total consideration of £867,000. These purchases enhanced earnings per share and were for the benefit of all shareholders.

As previously reported, the directors intend to continue to actively pursue the buyback programme provided the necessary funds are available. Shares will only be bought back for cancellation provided they enhance earnings per share. Any shareholder who is considering taking advantage of the share buyback programme is invited, after taking the appropriate independent financial advice, to contact their stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000, in order to contact Brewin Dolphin Limited who are operating the buyback programme on behalf of the company. 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 continuing strategy of investing in its traditional core products and services, the increase in non-seasonal business and investment in new technically advanced and environmentally friendly products yet again proved to be beneficial in 2010 and will therefore be continued into 2011.

The group continues to face challenges in all of its geographical markets. Nevertheless our business is strong, cash generative and well developed with positive net funds. All these factors help us to be able to take advantage of opportunities wherever and whenever they arise and the Board is therefore optimistic for further success in 2011.

JG Murray
Chairman

3 May 2011

DIRECTORS' REPORT

OPERATIONS REVIEW

UK AND NORTHERN EUROPE HIRE AND SALES BUSINESS

ANDREWS SYKES HIRE LTD

Despite difficult trading conditions our main UK trading subsidiary Andrews Sykes Hire produced a good result for the year. Turnover increased by 6.7% which enabled this subsidiary to increase profits by more than 23% when compared to 2009. The market conditions in the UK remained challenging throughout the year, with the construction market showing no real sign of recovery. The cut backs in public expenditure coupled with the very poor summer weather made the market particularly competitive for our cooling products. The very cold weather at both the beginning and end of the year did however provide good opportunity for both our heating and boiler products which continue to progress. The efforts made in reducing the reliance of our pumping products on the construction industry during the past few years continued to benefit the business during 2010. Throughout the year our cost base was carefully managed and capital expenditure was directed into new hire fleet equipment that provides our customers with new solutions whilst providing a good return to the business. Once again it is pleasing to report a positive result for the UK subsidiary whilst market conditions remain challenging.

ANDREWS HEAT FOR HIRE

In 2010 we continued to invest in specialist equipment which provides high capacity efficient heating to a wide range of applications. The severe weather conditions in January 2010 created a huge demand at very short notice. The business benefited from our many years of experience and was ready to react to this demand, with delivery to most hire customers within hours of their order being placed. This enabled us to optimise the opportunity and provide our customers with continuity in very difficult weather conditions, this was especially vital to the essential services. Towards the end of 2010 the severe weather conditions returned providing the business with further opportunity to benefit from its unique offering during one of the coldest November and December periods in recent years.

SYKES PUMPS

The main focus for our pumping business was to develop new solutions and new products for markets that are more resilient than the traditional construction market. In previous years our pump hire business has been very reliant on major civil engineering and infrastructure projects, but as these markets have declined we have been able to diversify into other sectors. In particular the utilities sector has produced a more stable source of revenue and we have benefited from the efforts made in previous years to attain preferred supplier status to a number of major utility providers. Our focus remains with major clients who can benefit from our comprehensive pumping product portfolio and our unique service offering. We have continued to develop our pump products with some new units ready for market launch early in 2011, these new pumps continue to be developed to provide new solutions for our customers and incorporate environmental improvements. At the end of the year volumes were increasing steadily which provides further optimism for 2011.

ANDREWS DEHUMIDIFICATION

Throughout 2010 we continued to focus on developing our dehumidification products and services. This initiative provided a growth when compared with last year. Much of the growth has come from the more specialist products, where we have provided refrigerant dehumidifiers for food and produce applications and also desiccant dehumidifiers to very specialist close control projects, for example, electrical instrumentation and food products that require low humidity storage. We made investments in new units during 2010 which has grown our hire fleet in both size and capacity. The big thaw following the winter freeze provided a good end to 2010 and a good start to 2011.

ANDREWS AIR CONDITIONING

The UK market for air conditioning hire was challenging, the peak temperatures during the summer months were lower than previous years and inconsistent. The few hot days that did occur were far apart and did very little to stimulate requirements. In addition, this product range was adversely affected by the public sector cut backs announced soon after the general election. Reduction in demand from Local Government and Health sectors was particularly noticeable. Despite these difficult market conditions the business continued to make improvements with the more specialist type projects. In fact at the half year stage we were trading ahead of 2009 and this provides good reason to continue our focus on the less weather reliant markets and applications. During the year further improvements were made to the group website and call handling facility in order to give our customers a fast and effective cooling solution either on or off line. In 2011 new facilities and further website development will be released to continue with our commitment to provide customer satisfaction. The group remains committed to environmental improvement and this is illustrated by the continued planned replacement of all R22 refrigerant gas units with new modern equipment. New product offerings have been developed and tested during 2010, these products will extend our range and offer a unique solution for specialist applications, the new units will be launched during the spring of 2011.

ANDREWS VENTILATION

The Andrews Ventilation brand was relaunched in 2010, the market for ventilation products and services is diverse and provides good opportunity for our company. During the year we introduced some new products and refreshed our approach to the market. This product range will remain a growth opportunity with further promotion and investment planned in 2011.

ANDREWS CHILLERS

Our Chiller hire business produced a good result for the year showing growth on 2009. The larger units in which we have continued to invest during recent years have once again performed particularly well. Our unique service offering has gained Andrews Chiller hire an excellent reputation in this competitive market, where we are able to offer full turnkey solutions to difficult applications in niche markets. During 2010 the business continued to invest in new units and also continue to develop our specialist sales team, this will further enable the business to penetrate new markets that require technical expertise and project management. We are now able to offer our customers a full contingency service for their cooling requirements via our Climate Contingency Services business (CCS), in 2010 we completed a number of projects including a major contract for a leading telecommunications provider.

DIRECTORS' REPORT

OPERATIONS REVIEW (CONTINUED)

Once again our boiler hire services provided the business with growth, our range and expertise continues to expand and this coupled with our unique service offering has made Andrews a market leader in this market. During the year significant investment was made in our hire fleet, which now extends from 22kw to 500kw. New solutions have also been developed to provide a wide range of solutions to a very diverse market. The cold winter months at both the beginning and end of 2010 provided good opportunity for this product range, careful fleet management and a bespoke fuel management service allowed the business to optimise this opportunity whilst continuing to develop less seasonal revenue streams.

QUALITY AND ENVIRONMENTAL

Andrews Sykes has ISO9001 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 within our own qualified staff in addition to external auditors.

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

HEALTH AND SAFETY

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

OUR 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

We are pleased to report that no depot closures were necessary in 2010 and we have continued with the same number of depots, this provides our customers with a local service nationwide. During the year we continued to upgrade our depot facilities with a number of refurbishments completed.

TECHNOLOGY

We have continued to review our technology and business systems to ensure that the company has fast and reliable IT systems that provide excellent management tools. Plans are now in place to improve our customer relationship systems which will provide our clients with a better level of service.

SUMMARY

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

ANDREWS SYKES BV
GROUP PLC

Andrews Sykes BV is our long established hire business based in the Netherlands, having been established 40 years ago the business now has three depots operating close to Rotterdam, Amsterdam and Eindhoven. This subsidiary operates in very close co-operation with our UK business and continues to prosper form this strong alliance. Hire fleet equipment is almost identical between the businesses, this allows the subsidiaries to rehire from each other and share new stock. In 2010 this subsidiary produced a record level of trading with significant growth in terms of both revenue and profit. Similar to the UK hire business our Dutch company benefited from the severe winter weather conditions at the both the start and end of the year. Heating hire was in high demand and our many years of experience enabled us to react to this and optimise the opportunity whilst providing our customers with a consistent level of service despite the snow and icy conditions. Our boiler product offering also benefited from the cold weather with high levels of utilisation throughout the winter months. In addition to the cold weather, but unlike the UK, our Dutch business also benefited from a warm summer. Whilst the UK has very little in the way of hot weather, Holland had a very warm June and early July. This hot weather provided good opportunity for our air conditioning products, both hire and sales levels were higher than the previous year. In 2011 we will be opening our fourth Dutch depot in the North East of the country, this along with further hire fleet investment planned will strengthen our market leading position in the Netherlands.

ANDREWS SYKES BVBA
GROUP PLC

Our Belgian subsidiary which is based in Brussels is supported by the Dutch operation. This strong alliance has enabled the business to grow quickly over the past 3 years with substantial year on year revenue increases. In 2010 the business produced a significant level of operating profit, as the business develops this subsidiary continues to become more self-sufficient and is now a major player in the local market. Trading in both French and Flemish the business has a dual language website and literature for the Belgian market. Following the appointment of a new General Manager in 2009 sales and marketing activities have increased significantly. In 2010 we have continued to increase staff levels and the local hire fleet has once again grown substantially, with new investment in most product ranges. Further investment and an increase in staffing levels have been planned for 2011 as we see this market continuing to grow.

DIRECTORS' REPORT

OPERATIONS REVIEW (CONTINUED)

MIDDLE EAST HIRE AND SALES BUSINESS

خانصاحب سايكس
Khansaheb Sykes

Khansaheb Sykes is our long established dewatering and pump hire business, which is based in the UAE with locations in Sharjah, Dubai and Abu Dhabi. During the second half of 2009 this business experienced a significant reduction in business levels. This was mainly due to the decline of construction activity within Dubai, where the majority of our revenue has traditionally come from. The decline continued throughout 2010 with little sign of any recovery in Dubai. The result of this decline in revenue has produced a reduction in profit for our Middle East business. Although the profit result was some way below our record performances of 2008 and 2009, it is an increase on the previous trading years of 2007 and prior. Careful cost and asset management has ensured that the business remains profitable whilst the market is in decline, debt management has also been a major issue in the region. Towards the end of the year we have experienced an upturn in activity in the Emirate of Abu Dhabi and whilst we do not expect to benefit from any upturn in Dubai, Abu Dhabi is now proving very good levels of revenue. We expect that this trend will continue throughout 2011 with revenue growth in Abu Dhabi whilst Dubai remains static. We have recently won some significant new contracts in Abu Dhabi and have now transferred equipment and labour from Sharjah to support these activities. Throughout 2010 we invested in some new specialist hire fleet pumping equipment which allows us to penetrate new markets that are more resilient to the construction industry decline. This has already produced a good level of income and we will continue to develop this line of business with applications in both utility and industrial sectors. The Khansaheb Sykes business acts as a base from which we operate in other GCC states via a network of long established distributors. Throughout the year we have strengthened our relationship with our distributors and have provided them with additional sales and marketing support, including local brochures and websites. We remain optimistic about this region and intend to grow our Middle East operations, with additional revenues coming from territories throughout the Gulf and North Africa.

UK INSTALLATIONS BUSINESS

ANDREWS
AIR CONDITIONING & REFRIGERATION

Andrews Air Conditioning and Refrigeration is our UK based fixed air conditioning service, maintenance and installation business. This subsidiary provides a specialist service to our customers who have permanently installed air conditioning systems. Despite the difficult economy in the UK and poor summer weather conditions this business has once again made significant progress during 2010. Following an operating loss in 2008, the business returned to profit in 2009 and this progress has been continued throughout 2010, producing a profit result that is more than double that of 2009. Following the restructuring in 2009 the business has now grown and is focussed on providing a bespoke service and maintenance offering to selected markets. As we move the revenue split further towards service and maintenance activity, this division becomes less reliant on new installation projects. Service work is less weather driven and is easier to plan than the installation contracts, it also provides longevity as units require servicing for their entire working life. The cut back in public sector expenditure, following the general election, has reduced demand for new installations and has also resulted in the cancellation of service agreements due to office closures. However during 2010 our installation revenue produced good growth and we are now steadily growing our service contract portfolio. The opportunities created by refrigerant gas legislations is likely to provide a good source of business throughout 2011 and recent improvements with our sales and marketing activities is already showing signs of success.

GROUP SUMMARY

ANDREWS SYKES GROUP PLC

The year produced encouraging growth for our European based businesses, all of which outperformed the previous year. This was somewhat offset by a disappointing result in the Middle East where market conditions proved to be particularly difficult. The construction industry remains challenging throughout the Middle East and Europe, however our diversification into other sectors has enable a strong performance despite the construction decline. The weather conditions provided good opportunities for us in the winter months, but were less favourable during the summer. Government expenditure cut backs also worked against us during the second half.

The overall group operating profit of £14.1 million is a growth of £0.9 million when compared to the 2009 results. Careful cash management enabled the group to reduce net debt from £2.8 million to net funds of £4.9 million.

The business remains strong and the experience of our management team coupled with strong development plans allows us to be optimistic for more success for the UK and European throughout 2011, whilst the Middle East continues to be challenging.

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

DIRECTORS' REPORT

FINANCIAL REVIEW

KEY PERFORMANCE INDICATORS (KPIs)

The group's principal KPIs are as follows:

	12 months ended 31 December 2010	12 months ended 31 December 2009
Average revenue per employee	**£125,000**	£112,500
Operating cash flow(1) as a percentage of operating assets(1) employed	**85.2%**	82.0%
Operating profit divided by net interest charge(2)	**47.0**	10.5
Net funds/(debt) to equity percentage	**18.1%**	(13.1)%
Basic EPS from continuing operations (pence)	**24.19p**	26.30p

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

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

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

The average revenue per employee and the operating cash flow as a percentage of operating assets employed are indicative ratios used to monitor the revenue generation of the group relative to its fixed resources. After a fall last year, the average revenue per employee improved due in part to the effects of the redundancy programme last year and efficiency improvements in the current year. 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. Reduced debt, lower interest rates and improved profitability have all contributed to an extremely high ratio this year. This clearly demonstrates that the group is well able to service its external debt which is crucial in the current economic environment.

The net funds/(debt) 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 are promoting the success of the company for the benefit of the members as a whole. The ratio is higher last year due to an abnormally low tax charge in 2009, further details of which are given on pages 12 and 13.

NORMALISED OPERATING PROFIT

The consolidated normalised operating profit(3) was £13.9 million for the year under review, an increase of £1 million compared with 2009. More details of this result are given in the operations review but it reflects an overall strong performance from our main UK and Northern Europe (the Netherlands and Belgium) business sector with the segment profit increasing by £2.9 million from £11.1 million in 2009 to £14.0 million in the current year. Unfortunately this strong performance was largely counteracted by a disappointing performance from our operations in the Middle East with the segment profit falling by £2.5 million from £3.2 million in 2009 to £0.7 million this year. This was primarily due to the severe economic downturn in the region which is expected to continue for some time. The business does, however, continue to make a return on reduced levels of turnover and management is taking action to ensure that the cost base reflects the reduced activity levels. Our fixed installation business improved its segment profit by £0.1 million to £0.2 million and unallocated overheads and expenses were cut by £0.4 million to £0.7 million. The directors consider that the group's overall performance in the current year is satisfactory and it demonstrates the underlying strength and diversification of our business. Due to our combined strategies of developing our less weather dependent niche market activities and ongoing cost control, the group has the ability to generate a satisfactory level of operating profit despite adverse external influences.

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

NON-RECURRING ITEMS

PROFIT ON THE SALE OF PROPERTY

Following the property relocations reported in the 2008 Financial Review, one of the remaining two vacant freehold premises, the Wolverhampton Hire Centre, was sold during 2009 generating a net profit of £273,000. The remaining surplus freehold property, the Coventry depot, was sold during the current year for gross proceeds, before expenses, of £400,000 resulting in a profit of £164,000. Both these profits have been disclosed as non-recurring items on the face of the income statement. There are currently no properties held awaiting sale as at 31 December 2010 although the Board is constantly looking for opportunities to improve the asset base of the group.

INCOME FROM OTHER PARTICIPATING INTERESTS

During the current year the group received dividends totalling £0.4 million, before £0.1 million withholding tax, from Oasis Sykes, our investment based in Saudi Arabia. This represents dividends due for the year ended 31 December 2009; three years of dividends totalling nearly £1 million, before £0.3 million withholding tax, were received last year. Dividend income continues to be accounted for on a received basis as the group is unable to exercise significant influence over Oasis Sykes.

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)

NET INTEREST CHARGE

The net interest charge for the current year is £132,000 compared with £899,000 in 2009. This can be analysed as follows:

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Interest charge on bank loans and overdrafts	**432**	1,230
Finance lease interest charge	**72**	83
Interest receivable	**(291)**	(193)
Fair value gains on interest rate caps	**(7)**	(53)
Foreign exchange gains on inter-company loans	**(168)**	(360)
Net IAS 19 pension interest charge	**94**	192
Total net interest charge	**132**	899

The decrease in the interest charge on bank loans and overdrafts reflects (i) a reduction of £9 million in the external bank loans in April 2010 from £29 million to £20 million and (ii) a decrease in the weighted average interest rate from 3.25% last year to 1.58% in the current year. The average rate of interest receivable on short term bank deposits remained low at 0.7% during the year (12 months ended 31 December 2009: 0.69%); the increase in the interest receivable reflects better cash management and an overall increase in the average cash on deposit during the year. As at 31 December 2010 the group had cash balances of £25,709, 000 compared with £18,150,000 at 31 December 2009.

The group's strategy is still to hold interest rate caps, currently in the range 6.25% to 6.5%, to limit the group's exposure to any significant increases in LIBOR. Further details of the interest rate caps held at the year end are given in note 29 to the consolidated financial statements.

There was another relatively modest foreign exchange gain on inter-company loans this year as Sterling showed a small recovery. 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 charge has been calculated by the group's actuary based on the assumptions as set out in note 18 to the financial statements.

TAX ON PROFIT ON ORDINARY ACTIVITIES

The group's overall effective tax rate is 26.5% which is below the standard effective tax rate in the UK for the current year of 28.0%. A summary of the factors giving rise to this reduction is given in the table below:

	£m
Profit before taxation	14.4
Theoretical tax charge at the UK effective tax rate of 28%	4.0
Effects of different tax rates of subsidiaries operating abroad	(0.3)
Capital gain on the sale of Coventry sheltered by capital losses and indexation	(0.1)
Non-tax deductible expenses, effect of change in tax rate and other factors	0.2
Total tax charge for the financial year	**3.8**

Last year the effective tax rate was 12.4% primarily due to the release of a deferred tax provision of £1.2 million held at 31 December 2008 in respect of unremitted earnings from overseas undertakings. This followed the enactment on 8 July 2009 of the 2009 Finance Act that exempted from corporation tax, on a prospective basis, most dividends declared by overseas subsidiaries and received in the UK. The effective tax rate last year was also reduced by £0.9 million due to lower tax rates of subsidiaries operating abroad. This year the equivalent figure is only £0.3 million due to the reduced levels of profitability of the Middle East business sector as discussed in the review of normalised operating profit.

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

The emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011. The first 1% reduction was substantively enacted on 20 July 2010 and accordingly deferred tax has been provided predominantly at 27% being the rate substantively enacted by the balance sheet date that was expected to apply when the timing differences reverse.

The Chancellor announced in the Budget on 23 March 2011 that the corporation tax rate will now reduce by 2% from 28% to 26% with effect from 1 April 2011. It has not yet been possible to quantify the full anticipated effect of this further reduction, nor the additional three 1% annual reductions to 23% that will be fully effective by 1 April 2014, although these will both reduce the group's future current tax charge and deferred tax asset accordingly.

BASIC EARNINGS PER SHARE (EPS)

Despite the £1 million increase in normalised operating profit compared with 2009, the basic EPS decreased by 8.0% to 24.2 pence. This is mainly due to the one-off deferred tax release of £1.2 million last year and a change in the group's profit mix away from the Middle East towards the UK and Northern Europe. Adjusting for these factors, the basic earnings per share last year would have been 22.03 pence, compared with 24.19 pence in the current year.

Based on a year-end mid-market share price of 162.5 pence, this gives a price to earnings ratio of 6.7.

CASH FLOW FROM OPERATING ACTIVITIES

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

	12 months ended 31 December 2010 £m	12 months ended 31 December 2009 £m
Operating profit	**14.1**	13.2
Profit on the sale of property	**(0.2)**	(0.3)
Depreciation and profit on the sale of plant and equipment	**3.8**	4.4
Normalised EBITDA*	**17.7**	17.3
Normal defined benefit pension scheme contributions	**(0.1)**	(1.5)
Interest paid	**(0.5)**	(1.6)
Tax paid	**(3.4)**	(2.1)
Net working capital movements	**0.2**	2.2
Net cash inflow from operating activities	**13.9**	14.3

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

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)

The group continues to generate strong operating cash flows.

Tax payments in the current year have increased by £1.3 million compared with 2009 mainly due to (i) increased profitability in the UK and Northern Europe business sectors, attracting a tax charge of approximately £0.7 million, and (ii) timing differences of overseas tax payments.

As well as cost control, management of working capital continues to be a priority to ensure that the improvements made last year are not eroded. The year-end stock balance has been reduced slightly following the significant reductions made last year. Collecting cash from our customers continues to be challenging, particularly in the Middle East, due to the economic recession. Overall, however, the quality of our debt remains good. The average outstanding debtor days for our current unimpaired trade debtors at 31 December 2010 was 46 days compared with 45 days at the end of 2009.

During the previous year the group made a regular payment of £125,000 per month to the defined benefit pension scheme. This ceased on 1 January 2010 and, as agreed with the pension scheme trustees, contributions were reduced to £10,000 per month to cover scheme expenses. A full formal actuarial funding valuation as at 31 December 2010 is currently being carried out by the pension scheme trustees and this is discussed in more detail on pages 16 and 17.

NET FUNDS/(DEBT)

Despite shareholder related cash outflows of £6 million on dividends and the purchase of own shares, as at 31 December 2010 the group had net funds of £4.9 million compared with net debt of £2.8 million last year. The movement can be reconciled as follows:

	£m
Opening net (debt)	(2.8)
Significant inflows:	
Cash inflow from operating activities	13.9
Sale of property, plant and equipment	1.0
Dividends received from participating interests	0.4
Other factors	0.1
Significant outflows:	
Capital expenditure	(1.7)
Equity dividends paid	(4.8)
Purchase of own shares	(1.2)
Closing net funds	**4.9**
Comprises:	
Bank loans	(20.0)
Finance lease obligations	(0.8)
Cash at bank	25.7
Total net funds	**4.9**

The bank loan repayment profile is set out in note 26 to the financial statements. Interest is charged based on LIBOR plus a margin of between 0.65% and 1.25%.

During the economic recession cash management has been a priority and capital expenditure has been carefully controlled. Cut backs have been made in non-essential areas and hire fleet maintenance and utilisation have been prioritised. Capital expenditure has however been made when required, items held in December 2009 stock totalling £0.7 million being capitalised this year in addition to the £1.7 million of cash purchases noted above. Management has been careful to ensure that the hire fleet is up to date and well maintained in order to meet customer demand and that the relatively modest level of capital expenditure has not had a detrimental impact on the business.

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 2009 and 2010 financial years within its financial covenants and profit and cash flow projections indicate that this will continue to be the case for the foreseeable future. Consequently the loans have been analysed between current and non-current liabilities in accordance with the agreed repayment profile.

During the previous year management renegotiated the bank loan agreements and placed £9 million in a ring fenced deposit account. On 30 April 2010, in accordance with the bank agreement, £6 million was withdrawn from the deposit account and used to finance the normal annual bank loan repayment of the same amount due on the same day. In addition, an extra voluntary loan repayment of £3 million was also made and, as agreed with the bank, this was financed by the balance held in the ring fenced deposit account. Accordingly, total bank loans have been reduced by £9 million during the year from £29 million at the beginning of the year to £20 million as at 31 December 2010.

The group has substantial cash resources which at 31 December 2010 amounted to £25.7 million compared with £18.2 million as at 31 December 2009, an increase of £7.5 million in the year. Profit and cash flow projections for 2011 and 2012, which have been prepared on a conservative basis taking into account reasonably possible changes in trading performance, indicate that the group will be profitable and generate positive cash flows after loan repayments. These forecasts and projections indicate that the group should be able to operate within the current bank facility and associated covenants.

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

After making enquiries, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, 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 market place, the group faces a number of strategic risks. Management have developed long term business plans to manage the impact of these risks to ensure that the group continues to deliver a satisfactory performance in future years. The main strategic risks faced by the business, together with the actions taken by management to mitigate their impact, are set out below.

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

In order to remain competitive management recognise the need to invest in appropriate IT equipment and software. Consequently the communication network, website and data capture systems are all being constantly reviewed and updated to ensure they remain at the forefront of industry standards. During the current year the group's main computer servers were upgraded with technologically advanced products.

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

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)

FINANCIAL RISKS

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

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

- Interest rate risk
- 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 2010 the pension scheme assets were £30.7 million which, after deducting the present value of the pension scheme liabilities of £28.7 million, calculated in accordance with IAS 19, results in a pre-tax surplus of £2 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 that 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.

The pension scheme trustees are currently undertaking a full triennial funding valuation as at 31 December 2010 and management are working with both the trustees and our advisors with the objective of ensuring appropriate assumptions are adopted. The trustees normally have until 31 March 2012 to complete this process. In the meantime the group continues to make contributions in accordance with the previously agreed schedule of contributions of £10,000 per month to cover expenses of the scheme.

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 2007 and have been rolled forward by an independent qualified actuary to 31 December 2010. The net surplus, before deferred tax, at the year-end amounted to £2 million and this has been recognised as a separate item, within non-current assets, on the face of the consolidated balance sheet. The equivalent figure last year was a small surplus of less than £0.1 million which was not recognised on the grounds of materiality.

A reconciliation of the asset at the beginning of the year of £0.1 million to the asset as at 31 December 2010 of £2.0 million is as follows:

	£m
Opening IAS 19 surplus (not recognised)	0.1
Contributions paid by the group into the scheme – normal	0.1
Actual return less expected return on scheme assets	1.3
Actuarial gain on scheme liabilities	0.6
Net finance charges	(0.1)
Closing IAS 19 surplus recognised in the financial statements	**2.0**

From 1 January 2011, the government has 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 has been adopted as at 31 December 2010 and the effect has been to reduce the value of pension liabilities by approximately £0.9 million. It has continued to be assumed that all other increases in pensions in payment will be linked to RPI. 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.

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 5.1%. The charge in the income statement in the current year amounts to £0.2 million. Employee contribution rates normally vary between 3% and 5% with the employees having the option of increasing their contributions after five years of membership. The contributions are used to purchase a specific fund for the individual employee with both gains and losses from changes in the fund's market value accruing to that employee.

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)

RECONCILIATION OF MOVEMENT IN GROUP SHAREHOLDERS' FUNDS

Group shareholders' funds have increased from £21.4 million at the beginning of the year to £27.1 million at 31 December 2010. The movement can be reconciled as follows:

	£m
Opening shareholders' funds	21.4
Profit for the financial period	10.6
IAS 19 actuarial gains net of deferred tax	1.4
Interim dividends declared and paid during the year	(4.8)
Purchase of own shares	(1.4)
Currency translation differences on foreign currency net investments	(0.1)
Closing shareholders' funds	**27.1**

The directors declared an interim dividend of 11.1 pence per ordinary share on 9 November 2010. This was paid on 10 December 2010 to shareholders on the register on 19 November 2010.

An analysis of the IAS 19 actuarial gains, before an attributable deferred tax charge of £0.5 million, is given in the pension schemes commentary on page 17 and in note 18 to the consolidated financial statements. Details of the purchase of own shares are given in the share buyback programme below.

SHARE BUYBACK PROGRAMME

During the current year the company purchased 1,152,561 ordinary shares for cancellation for a total consideration of £1,371,354. Of this amount, £186,968 remained unpaid at the year-end. The purchases represent 2.6% of the shares in issue as at the beginning of the year. So far during 2011 the company has purchased a further 402,716 ordinary shares for cancellation for a total consideration of £867,158. These purchases enhanced earnings per share and were for the benefit of all shareholders.

As announced in the Interim Financial Statements, the directors confirm that they intend to actively continue to pursue the buyback programme provided the necessary funds are available. Shares will only be bought back for cancellation provided they enhance earnings per share. Any shareholder who is considering taking advantage of the share buyback programme is invited, after taking the appropriate independent financial advice, to contact their stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000, in order to contact Brewin Dolphin Limited who are operating the buyback programme on behalf of the company. Accordingly, at the next Annual General Meeting shareholders will be asked to vote in favour of a resolution to renew the general authority to make market purchases of up to 12.5% of the ordinary share capital in issue.

OTHER STATUTORY INFORMATION

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

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

The directors declared an interim dividend of 11.1 pence per ordinary share on 9 November 2010. This was paid on 10 December 2010 to shareholders on the register on 19 November 2010. The total dividend paid amounted to £4,799,729. The directors do not recommend the payment of a final dividend and no dividends were declared in the previous financial year.

DIRECTORS

The directors in office at 3 May 2011 are shown on page 22. Mr RC King held office from the beginning of the financial year until his date of resignation of 18 May 2010. No other director was appointed or resigned during the year or subsequently.

In accordance with the Articles of Association, Mr JG Murray and Mr JC Pillois 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 2010 had any disclosable interests in share capital of the company or any subsidiary undertaking.

	Ordinary one pence shares	
	At 31 December 2010	At 31 December 2009
JG Murray	**1,292,913**	1,292,913
JJ Murray	**407,845**	407,845
JC Pillois	**409,206**	409,206
EDOA Sebag	**13,216**	13,216
PT Wood	**7,945**	7,945

There were no changes to the above shareholdings between 31 December 2010 and 3 May 2011.

SUBSTANTIAL SHAREHOLDINGS

At 3 May 2011 the company had been notified of the following interest of 3% or more in the company's issued ordinary share capital:

	Number	**Percentage**
EOI SYKES Sarl	36,377,213	84.37%

DIRECTORS' SHARE OPTIONS

None of the directors in office at 31 December 2010 held any options to subscribe for ordinary shares at either 31 December 2010 or 31 December 2009. There have been no changes in the directors' share options during the period from 31 December 2010 to 3 May 2011.

The mid-market price of the company's ordinary shares on 31 December 2010 was 162.5 pence. The highest and lowest mid-market prices during the year ended 31 December 2010 were 162.5 pence and 93 pence respectively.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

HEALTH, SAFETY AND THE ENVIRONMENT

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

EMPLOYMENT OF DISABLED PERSONS

The group makes every reasonable effort to give disabled applicants and existing employees becoming disabled equal opportunities for work, training and career development in keeping with their individual aptitudes and abilities.

EMPLOYEE INVOLVEMENT

The group recognises the need to ensure effective communications with employees to encourage involvement in the group's performance and achieve a common awareness of factors affecting that performance. Policies and procedures have been developed to suit the needs of each subsidiary undertaking, taking into account factors such as numbers employed and location, including newsletters and communication meetings.

PAYMENT TO SUPPLIERS

The group agrees payment terms with all suppliers when it enters into binding purchase contracts. The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not follow any standard or external code which deals specifically with the payment of suppliers. The group's average credit period taken for trade purchases is 41 days *(31 December 2009: 52 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 £64,080 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 5,340,073 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 2010 financial year the company purchased 1,152,561 ordinary shares for cancellation and so far during 2011 a further 402,716 ordinary shares have also been purchased for cancellation. Of these purchases, 909,930 shares were purchased under the general authority granted at the Annual General Meeting held on 30 July 2009 and 645,347 under the general authority granted at the last Annual General Meeting held on 8 June 2010. As at 3 May 2011 there remained an outstanding general authority for the directors to purchase 4,888,198 ordinary one pence shares. The directors are seeking to renew the general authority in respect of 5,340,073 ordinary one pence shares as set out in resolution number 6.

FINANCIAL CALENDAR

The current financial year will end on 31 December 2011.

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.

JC Pillois French ACA
Finance Director
3 May 2011

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

DIRECTORS AND ADVISORS

Chairman

JG Murray
Age 91. 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 Directors

PT Wood, Managing Director
Age 48. Industry specialist, having joined the group in August 1978. Appointed Director of Operations on 1 March 2006 and Group Managing Director on 5 December 2006.

JC Pillois M Econ. & Man. French ACA
Finance Director. Age 54. Finance Director of London Security plc, Nu Swift Limited and Ansul S.A.

Non-executive Directors

JJ Murray MBA
Non-executive Vice-Chairman, Chairman of the Remuneration Committee. Age 44. Executive Vice-Chairman of London Security plc, Nu Swift Limited and Ansul S.A.

FMB Gailer BSc
Senior Independent Non-executive Chairman of the Audit Committee. Age 75. Non-executive director of London Security plc.

MC Leon BS
Age 47. Non-executive director of London Security plc.

X Mignolet (HEC-Economics)
Age 46. Director of London Security plc, Ansul S.A. and Importe S.A.

JP Murray
Age 42. Non-executive director of London Security plc.

EDOA Sebag MBA
Age 43. Director of London Security plc and Nu Swift Limited.

Company Secretary

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

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

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

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

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

Bankers
Royal Bank of Scotland plc
National Westminster Bank plc

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

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

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

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

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

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

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

INDEPENDENT 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 2010 set out on pages 25 to 77. 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 Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, 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 www.frc.org.uk/apb/scope/private.cfm.

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 2010 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.

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

3 May 2010

CONSOLIDATED INCOME STATEMENT

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

	Note	**12 months ended 31 December 2010 £'000**	12 months ended 31 December 2009 £'000
Continuing operations			
Revenue	4	**55,951**	54,358
Cost of sales		**(24,015)**	(23,218)
Gross profit		**31,936**	31,140
Distribution costs		**(9,219)**	(9,367)
Administrative expenses – Recurring		**(8,775)**	(8,836)
– Non-recurring	8	**164**	273
Total administrative expenses		**(8,611)**	(8,563)
Operating profit		**14,106**	13,210
Normalised EBITDA*		**17,721**	17,368
Depreciation and impairment losses		**(4,239)**	(4,964)
Profit on the sale of plant and equipment		**460**	533
Normalised operating profit		**13,942**	12,937
Profit on the sale of property	8	**164**	273
Operating profit		**14,106**	13,210
Income from participating interests	16	**400**	980
Finance income	6	**2,012**	1,944
Finance costs	7	**(2,144)**	(2,843)
Profit before taxation	8	**14,374**	13,291
Taxation	11	**(3,812)**	(1,648)
Profit for the financial period attributable to equity holders of the parent		**10,562**	11,643

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

	Note	2010	2009
Earnings per share from continuing and total operations			
Basic (pence)	12	**24.19p**	26.30p
Diluted (pence)	12	**24.18p**	26.30p
Dividends paid per equity share (pence)	37	**11.10p**	–

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE TOTAL INCOME

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

	Note	**12 months ended 31 December 2010 £'000**	12 months ended 31 December 2009 £'000
Profit for the financial period		**10,562**	11,643
Other comprehensive income:			
Currency translation differences on foreign currency net investments		**(99)**	(1,602)
Defined benefit plan actuarial gains and losses	18	**1,964**	(1,308)
Deferred tax on other comprehensive income	11	**(530)**	366
Other comprehensive income for the period net of tax		**1,335**	(2,544)
Total comprehensive income for the period		**11,897**	9,099

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2010

	Note	31 December 2010 £'000	31 December 2010 £'000	31 December 2009 £'000	31 December 2009 £'000
Non-current assets					
Property, plant and equipment	13		**11,817**		13,697
Lease prepayments	14		**58**		59
Trade investments	16		**164**		164
Deferred tax asset	17		**721**		1,042
Retirement benefit pension surplus	18		**1,990**		–
Other financial assets – cash held on deposit	19		**–**		3,000
			14,750		17,962
Current assets					
Stocks	20	**4,032**		4,865	
Trade and other receivables	21	**15,917**		13,295	
Other financial assets – cash held on deposit	19	**–**		6,000	
Cash and cash equivalents	22	**25,709**		18,150	
Assets held for sale	23	**–**		238	
		45,658		42,548	
Current liabilities					
Trade and other payables	24	**(10,143)**		(7,408)	
Current tax liabilities	25	**(2,274)**		(1,670)	
Bank loans	26	**(6,000)**		(6,000)	
Obligations under finance leases	27	**(203)**		(203)	
Provisions	28	**(13)**		(13)	
Derivative financial instruments	29	**(7)**		(23)	
		(18,640)		(15,317)	
Net current assets			**27,018**		27,231
Total assets less current liabilities			**41,768**		45,193
Non-current liabilities					
Bank loans	26	**(14,000)**		(23,000)	
Obligations under finance leases	27	**(553)**		(700)	
Provisions	28	**(47)**		(60)	
Derivative financial instruments	29	**(41)**		(32)	
			(14,641)		(23,792)
Net assets			**27,127**		21,401
Equity					
Called-up share capital	30		**431**		443
Retained earnings	31		**23,607**		17,828
Translation reserve	31		**2,842**		2,895
Other reserves	31		**237**		225
Surplus attributable to equity holders of the parent			**27,117**		21,391
Minority interest			**10**		10
Total equity			**27,127**		21,401

These consolidated financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the Board of directors on 3 May 2011 and were signed on its behalf by:

JC Pillois French ACA
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

	Note	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Cash flows from operating activities			
Cash generated from operations	32	**17,763**	18,081
Interest paid		**(503)**	(1,653)
Net UK corporation tax paid		**(2,113)**	(1,586)
Withholding tax paid		**(119)**	(329)
Overseas tax paid		**(1,165)**	(179)
Net cash flow from operating activities		**13,863**	14,334
Investing activities			
Dividends received from participating interests (trade investments)		**400**	980
Movements in ring fenced bank deposit accounts		**9,000**	(9,000)
Sale of assets held for sale		**390**	439
Sale of plant and equipment		**643**	813
Purchase of property, plant and equipment		**(1,745)**	(1,661)
Interest received		**168**	208
Net cash flow from investing activities		**8,856**	(8,221)
Financing activities			
Loan repayments		**(9,000)**	(5,000)
Finance lease capital repayments		**(263)**	(150)
Equity dividends paid		**(4,800)**	–
Purchase of own shares		**(1,184)**	–
Net cash flow from financing activities		**(15,247)**	(5,150)
Net increase in cash and cash equivalents		**7,472**	963
Cash and cash equivalents at the beginning of the period	22	**18,150**	18,233
Effect of foreign exchange rate changes		**87**	(1,046)
Cash and cash equivalents at end of the period	22	**25,709**	18,150
Reconciliation of net cash flow to movement in net funds/(debt) in the period			
Net increase in cash and cash equivalents		**7,472**	963
Cash outflow from the decrease in debt		**9,263**	5,150
Movements in ring fenced bank deposit accounts		**(9,000)**	9,000
Non-cash movements in respect of new finance leases		**(116)**	–
Non-cash movements in the fair value of derivative instruments		**7**	53
Movement in net funds/(debt) during the period		**7,626**	15,166
Opening net debt at the beginning of the period		**(2,808)**	(16,928)
Effect of foreign exchange rate changes		**87**	(1,046)
Closing net funds/(debt) at the end of the period	33	**4,905**	(2,808)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

	Note	Attributable to equity holders of the parent company								
		Share capital £'000	Retained earnings £'000	Translation reserve £'000	Capital redemption reserve £'000	UAE legal reserve £'000	Netherlands capital reserve £'000	Total £'000	Minority interest £'000	Total equity £'000
At 31 December 2008		443	7,127	4,497	137	79	9	12,292	10	12,302
Profit for the financial period		–	11,643	–	–	–	–	11,643	–	11,643
Other comprehensive income:										
Currency translation differences on foreign currency net investments		–	–	(1,602)	–	–	–	(1,602)	–	(1,602)
Defined benefit plan actuarial gains and losses net of tax		–	(942)	–	–	–	–	(942)	–	(942)
Total other comprehensive income		–	(942)	(1,602)	–	–	–	(2,544)	–	(2,544)
At 31 December 2009		443	17,828	2,895	137	79	9	21,391	10	21,401
Profit for the financial period		**–**	**10,562**	**–**	**–**	**–**	**–**	**10,562**	**–**	**10,562**
Other comprehensive income:										
Transfer on closure of overseas subsidiary		**–**	**(46)**	**46**	**–**	**–**	**–**	**–**	**–**	**–**
Currency translation differences on foreign currency net investments		**–**	**–**	**(99)**	**–**	**–**	**–**	**(99)**	**–**	**(99)**
Defined benefit plan actuarial gains and losses net of tax		**–**	**1,434**	**–**	**–**	**–**	**–**	**1,434**	**–**	**1,434**
Total other comprehensive income		**–**	**1,388**	**(53)**	**–**	**–**	**–**	**1,335**	**–**	**1,335**
Transactions with owners recorded directly in equity										
Purchase of own shares	31	**(12)**	**(1,371)**	**–**	**12**	**–**	**–**	**(1,371)**	**–**	**(1,371)**
Dividends paid	37	**–**	**(4,800)**	**–**	**–**	**–**	**–**	**(4,800)**	**–**	**(4,800)**
Total transactions with owners		**(12)**	**(6,171)**	**–**	**12**	**–**	**–**	**(6,171)**	**–**	**(6,171)**
At 31 December 2010		**431**	**23,607**	**2,842**	**149**	**79**	**9**	**27,117**	**10**	**27,127**

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

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

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:

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

GOING CONCERN

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

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

ACCOUNTING PERIOD

The current period is for the 12 months ended 31 December 2010 and the comparative period is for the 12 months ended 31 December 2009.

FUNCTIONAL AND PRESENTATIONAL CURRENCY

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

INITIAL ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

These are the group's fourth 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 71 to 77, 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 2010

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

- IFRS 3 (Amendment): Business Combinations and IAS 27: Consolidated and separate financial statements.
- IAS 17 (Amendment): Leases.
- IAS 39 (Amendment) and IFRIC 9 (Amendment): Embedded derivatives and eligible hedged items.
- Annual improvements to IFRSs (2009).

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. The adoption of the amendment to IAS 17 had no impact on the classification of leases on the balance sheet.

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:

- IAS 1 (Annual Improvement): Presentation of Financial Statements. Effective for accounting periods beginning on or after 1 January 2011.
- IAS 24 (Amendment): Related party transactions. Effective for accounting periods beginning on or after 1 January 2011.
- IAS 27 (Annual Improvement): Consolidated and separate financial statements. Effective for accounting periods beginning on or after 1 January 2011.
- IAS 34 (Annual Improvement): Interim Financial Reporting. Effective for accounting periods beginning on or after 1 January 2011.
- IFRS 1 (Annual Improvement): First time adoption of IFRS. Effective for accounting periods beginning on or after 1 January 2011.
- IFRS 3 (Annual Improvement): Business combinations. Effective for accounting periods beginning on or after 1 January 2011.
- IFRS 7 (Annual Improvement): Financial Instruments disclosure. Effective for accounting periods beginning on or after 1 January 2011.
- IFRIC 13 (Annual Improvement): Customer loyalty programmes. Effective for accounting periods beginning on or after 1 January 2011.
- IFRIC 14 (Amendment): Prepayments of a minimum funding requirement. Effective for periods beginning on or after 1 January 2011.
- IFRS 7 (Disclosure amendments): Financial Instrument disclosure. Effective for accounting periods beginning on or after 1 July 2011.
- IFRS 9 (New Standard): Financial Instruments. Effective for accounting periods beginning on or after 1 January 2013.

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

2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December 2010. 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.

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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.

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.

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 or 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. Deferred tax assets and liabilities are not discounted.

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

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

STOCKS

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

FINANCIAL INSTRUMENTS

Recognition criteria, classification and initial carrying value

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

Financial assets are recognised and de-recognised on a trade date where the purchase or sale of an asset is under a contract whose terms require delivery of the investment within the 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (continued)

Loans and receivables

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

Derivative financial instruments and hedge accounting

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

The group's policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure, nor against foreign currency transactions. 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 re-measured at fair value at the balance sheet date. Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Cash and cash equivalents

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

Impairment of financial assets

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

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

The carrying amount of all financial assets, except trade receivables, is reduced by the impairment loss directly. The carrying amount of trade receivables is reduced through the use of a bad debt provision account. If a trade receivable is considered 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.

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (continued)

Other financial liabilities

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

Bank loans

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

PROVISIONS

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

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.

Defined contribution schemes

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

NET FUNDS/(DEBT)

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

REVENUE RECOGNITION

Revenue

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (continued)

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.

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

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.

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.

STOCK

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

TRADE RECEIVABLES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

4 REVENUE

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

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Continuing operations		
Hire	**45,155**	42,934
Sales	**6,654**	7,708
Installations	**4,142**	3,716
Group consolidated revenue from the sale of goods and provision of services	**55,951**	54,358

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS

EXPLANATION

The group operates in the United Kingdom, Northern Europe (The Netherlands and Belgium) and the United Arab Emirates providing the hire and sale of a range of environmental control equipment. It also installs fixed air conditioning equipment within the United Kingdom.

The group operates through statutory entities that are based in each of the above locations. In the case of the main UK operation there are separate statutory entities for hire and sales (Andrews Sykes Hire Limited), installation (Andrews Air Conditioning & 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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

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
	Khansaheb Sykes LLC	United Arab Emirates
Installation	Andrews Air Conditioning & Refrigeration Limited	United Kingdom

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

The reportable segments are therefore:

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

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

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

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

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

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

BUSINESS SEGMENTS

Income statement analysis

12 months ended 31 December 2010

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Revenue						
External sales	45,062	6,747	4,142	55,951	–	55,951
Inter-segment sales	200	–	15	215	(215)	–
Total revenue	45,262	6,747	4,157	56,166	(215)	55,951
Segment result	13,952	680	217	14,849	(32)	14,817
Unallocated overheads and expenses						(711)
Operating profit						14,106
Income from other participating interests						400
Finance income						2,012
Finance costs						(2,144)
Profit before taxation						14,374
Taxation						(3,812)
Profit for the period from continuing and total operations						10,562

Balance sheet information

As at 31 December 2010

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Segment assets	50,287	4,953	1,712	56,952	(360)	56,592
Trade investments						164
Deferred tax asset						721
Retirement benefit pension surplus						1,990
Unallocated corporate assets						941
Consolidated total assets						60,408
Segment liabilities	(8,292)	(1,137)	(548)	(9,977)	360	(9,617)
Current tax liabilities						(2,274)
Bank loans						(20,000)
Obligations under finance leases						(756)
Derivative financial instruments						(48)
Unallocated corporate liabilities						(586)
Consolidated total liabilities						(33,281)

Other information

12 months ended 31 December 2010

Capital additions	2,152	413	1	2,566	–	2,566
Depreciation	3,706	515	18	4,239	–	4,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

Income statement analysis

12 months ended 31 December 2009

	Hire & sales UK & Northern Europe £'000	Hire & sales Middle East £'000	Fixed installation £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Revenue						
External sales	39,519	11,123	3,716	54,358	–	54,358
Inter-segment sales	294	–	14	308	(308)	–
Total revenue	39,813	11,123	3,730	54,666	(308)	54,358
Segment result	11,078	3,180	82	14,340	(46)	14,294
Unallocated overheads and expenses						(1,084)
Operating profit						13,210
Income from other participating interests						980
Finance income						1,944
Finance costs						(2,843)
Profit before taxation						13,291
Taxation						(1,648)
Profit for the period from continuing and total operations						11,643

Balance sheet information

As at 31 December 2009

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

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

Other information

12 months ended 31 December 2009

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

GEOGRAPHICAL SEGMENTS

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

	By origin		By destination	
	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000	**12 months ended 31 December 2010 £'000**	12 months ended 31 December 2009 £'000
United Kingdom	**39,448**	36,491	**38,963**	35,806
Rest of Europe	**9,756**	6,711	**9,956**	7,094
Middle East and Africa	**6,747**	11,123	**6,748**	11,130
Rest of the World	**–**	33	**284**	328
	55,951	54,358	**55,951**	54,358

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

	Segment assets		Non-current assets	
	31 December 2010 £'000	31 December 2009 £'000	**31 December 2010 £'000**	31 December 2009 £'000
United Kingdom	**44,609**	45,460	**9,637**	11,055
Rest of Europe	**7,030**	4,810	**1,574**	1,945
Middle East and Africa	**4,953**	7,219	**664**	756
	56,592	57,489	**11,875**	13,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

6 FINANCE INCOME

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Expected return on pension scheme assets (note 18)	**1,546**	1,338
Interest receivable on bank deposit accounts	**291**	193
Fair value gains on interest rate swaps that do not qualify for hedge accounting	**7**	53
Inter-company foreign exchange gains	**168**	360
	2,012	1,944

7 FINANCE COSTS

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Interest charge on bank loans and overdrafts	**432**	1,230
Finance lease interest charge	**72**	83
Interest on pension scheme liabilities (note 18)	**1,640**	1,530
	2,144	2,843

8 PROFIT BEFORE TAXATION

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

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Net foreign exchange trading gains and losses	**32**	118
Bank charges	**64**	143
Depreciation of property, plant and equipment	**4,239**	4,964
Net foreign exchange gains and losses on inter-company financing (note 6)	**(168)**	(360)
Profit on the sale of plant and equipment	**(460)**	(533)
Compensation receipts from third parties for lost or damaged plant and equipment	**(742)**	(585)
Operating lease rental payments:		
Property	**1,100**	1,178
Plant, machinery and motor vehicles	**793**	644
Auditor's remuneration (see note 9)	**161**	151
Staff costs (see note 10)	**13,301**	13,403
Non-recurring items:		
Profit on the sale of property	**(164)**	(273)

9 AUDITOR'S REMUNERATION

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

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Fees payable to the company's auditor in respect of audit services:		
The audit of the consolidated accounts	**19**	18
The audit of the group's subsidiaries pursuant to legislation	**101**	91
Total audit fees	**120**	109
Fees payable to the company's auditor in respect of non-audit services:		
Tax services	**35**	23
Pensions advice	**6**	19
Total non-audit fees	**41**	42
	161	151

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 2010 Number	12 months ended 31 December 2009 Number
Sales and distribution	**143**	147
Engineers	**198**	217
Managers and administration	**106**	119
	447	483

STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION, AMOUNTED TO:

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Wages and salaries	**11,799**	11,847
Redundancy and reorganisation	**43**	61
Social security costs	**1,143**	1,173
Other pension costs	**316**	322
	13,301	13,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

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 2010 £'000	12 months ended 31 December 2009 £'000
Short term employee benefits	**1,677**	1,576
Post employment benefits – pension costs	**111**	91
Termination benefits	**–**	14
	1,788	1,681

DIRECTORS' EMOLUMENTS

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

	12 months ended 31 December 2010			12 months ended 31 December 2009		
Director	**Emoluments £'000**	**Pension scheme £'000**	**Total contributions £'000**	Emoluments £'000	Pension scheme £'000	Total contributions £'000
FMB Gailer	**27**	**–**	**27**	27	–	27
RC King (resigned 18 May 2010)	**7**	**–**	**7**	20	–	20
MC Leon	**20**	**–**	**20**	20	–	20
JJ Murray	**38**	**–**	**38**	38	–	38
JP Murray	**20**	**–**	**20**	20	–	20
JC Pillois	**22**	**–**	**22**	30	–	30
EDOA Sebag	**–**	**–**	**–**	12	–	12
PT Wood (highest paid director)	**241**	**23**	**264**	191	23	214
	375	**23**	**398**	358	23	381

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

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

	12 months ended 31 December 2010 Number	12 months ended 31 December 2009 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 £17,867 *(31 December 2009: £18,035)*; no contributions were paid during the current or previous financial years.

11 TAXATION

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Current tax		
UK corporation tax at 28% *(12 months ended 31 December 2009: 28%)*		
based on the taxable profit for the year	**3,261**	1,735
Adjustments to corporation tax in respect of prior periods	**(49)**	(146)
	3,212	1,589
Overseas tax based on the taxable profit for the year	**671**	506
Adjustments to overseas tax in respect of prior periods	**19**	(10)
Withholding tax	**119**	329
Total current tax charge	**4,021**	2,414
Deferred tax		
Deferred tax on the origination and reversal of temporary differences	**(213)**	(837)
Adjustments to deferred tax in respect of prior periods	**4**	71
Total deferred tax credit (note 17)	**(209)**	(766)
Total tax charge for the financial period attributable to continuing operations	**3,812**	1,648

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 28% *(12 months ended 31 December 2009: 28%)* as follows:

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Profit before taxation from continuing and total operations	**14,374**	13,291
Tax at the UK effective corporation tax rate of 28% *(12 months ended 31 December 2009: 28%)*	**4,025**	3,721
Effects of:		
Expenses not deductible for tax purposes	**130**	179
Capital gain sheltered by capital losses and indexation allowance	**(115)**	(75)
Effects of different tax rates of subsidiaries operating abroad	**(256)**	(925)
Non-taxable income from other participating interests	**(112)**	(274)
Withholding tax	**119**	329
Release of deferred tax provision following enactment of FA 2009	**–**	(1,222)
Effect of change in tax rate to 27%	**47**	–
Adjustments to tax charge in respect of previous periods	**(26)**	(85)
Total tax charge for the financial period	**3,812**	1,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

11 TAXATION (CONTINUED)

DEFERRED TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Deferred tax charge/(credit) on defined benefit plan actuarial gains and losses	**530**	(366)

MATTERS AFFECTING FUTURE TAX CHARGES

The emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011. The first reduction from 28% to 27% was substantively enacted on 20 July 2010 with effect from 1 April 2011. In accordance with the group's accounting policy, deferred tax has been provided at the rates that have been substantively enacted by the balance sheet date and that are expected to apply when the timing differences reverse.

It was announced in the Budget on 23 March 2011 that the corporation tax rate will now reduce from 28% to 26% with effect from 1 April 2011. It has not yet been possible to quantify the full anticipated effect of this further reduction, nor the additional three 1% annual reductions to 23% that will be fully effective by 1 April 2014, although these will both reduce the group's future current tax charge and 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 2010	
	Total earnings £'000	**Number of shares**
Basic earnings/weighted average number of shares	**10,562**	**43,670,777**
Basic earnings per ordinary share (pence)	**24.19p**	

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

12 EARNINGS PER SHARE (CONTINUED)

DILUTED EARNINGS PER SHARE

The calculation of the diluted earnings per ordinary share for the current period is based on the profits and shares as set out in the table below. Last year the average price of the ordinary shares during the period was less than the share option price and therefore there was no difference between the basic and diluted earnings per share for that year. There were no discontinued operations in either period.

	12 months ended 31 December 2010 Total earnings £'000	Number of shares
Basic earnings/weighted average number of shares	**10,562**	**43,670,777**
Weighted average number of shares under option		**15,000**
Number of shares that would have been issued at fair value to satisfy above options		**(11,952)**
Earnings/diluted weighted average number of shares	**10,562**	**43,673,825**
Diluted earnings per ordinary share (pence)	**24.18p**	

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 2008	5,246	34,942	4,046	4,166	48,400
Exchange differences	(18)	(563)	(75)	(41)	(697)
Additions	7	2,788	5	85	2,885
Disposals	(6)	(2,463)	(751)	(279)	(3,499)
Transfer from prepayments	–	553	–	–	553
As at 31 December 2009	5,229	35,257	3,225	3,931	47,642
Exchange differences	**(7)**	**(90)**	**(22)**	**(5)**	**(124)**
Additions	**14**	**2,179**	**186**	**187**	**2,566**
Disposals	**(33)**	**(2,323)**	**(718)**	**(204)**	**(3,278)**
As at 31 December 2010	**5,203**	**35,023**	**2,671**	**3,909**	**46,806**
Accumulated depreciation					
As at 31 December 2008	2,501	23,500	3,148	3,143	32,292
Exchange differences	(15)	(386)	(50)	(29)	(480)
Charge for the period	151	4,074	357	382	4,964
Disposals	(6)	(2,220)	(736)	(257)	(3,219)
Transfer from prepayments	–	388	–	–	388
As at 31 December 2009	2,631	25,356	2,719	3,239	33,945
Exchange differences	**(6)**	**(61)**	**(15)**	**(4)**	**(86)**
Charge for the period	**147**	**3,491**	**287**	**314**	**4,239**
Disposals	**(33)**	**(2,164)**	**(708)**	**(204)**	**(3,109)**
As at 31 December 2010	**2,739**	**26,622**	**2,283**	**3,345**	**34,989**
Carrying value					
At 31 December 2010	**2,464**	**8,401**	**388**	**564**	**11,817**
At 31 December 2009	2,598	9,901	506	692	13,697

At 31 December 2010 the group's carrying value of plant and machinery held under finance leases and similar agreements was £Nil *(31 December 2009: £Nil)*. The depreciation charged in the year on assets held under finance leases and similar agreements was £26,000 *(12 months ended 31 December 2009: £3,000)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2010 and 31 December 2009 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:

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Freehold land and buildings	**1,735**	1,745
Long leasehold buildings	**60**	61
Short leasehold buildings	**669**	792
	2,464	2,598

As disclosed in note 26, 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 2010 £'000	31 December 2009 £'000
Long leasehold land prepayments:		
Total	**60**	61
Split:		
Non-current assets	**58**	59
Current assets	**2**	2
	60	61

The current element of long leasehold land premiums is included within trade and other receivables in note 21.

15 SUBSIDIARIES

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

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

16 TRADE INVESTMENTS

	31 December 2010 £'000	31 December 2009 £'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 2010 £'000	12 months ended 31 December 2009 £'000
Income from participating interests	**400**	980

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 liability £'000	Unremitted overseas earnings £'000	Provisions and other short-term timing differences £'000	Total £'000
Asset/(liability) at 31 December 2008 at 28%	136	–	(1,222)	996	(90)
Credited/(charged) to income statement	118	54	1,222	(628)	766
Credited to equity	–	366	–	–	366
Effect of pension payments in excess of actuarial charges	–	(420)	–	420	–
Asset at 31 December 2009 at 28%	254	–	–	788	1,042
Credited to income statement	**77**	**26**	**–**	**106**	**209**
Charged to equity	**–**	**(530)**	**–**	**–**	**(530)**
Effect of pension payments in excess of actuarial charges	**–**	**(34)**	**–**	**34**	**–**
Asset at 31 December 2010 (see note below)	**331**	**(538)**	**–**	**928**	**721**

Deferred tax at 31 December 2010 has been calculated using the substantively enacted tax rate that was expected to apply when the timing differences reverse. With the exception of certain pension payments that are expected to reverse before 1 April 2011 at 28%, a 27% tax rate has been used.

At 31 December 2010 the group had unused capital losses of approximately £2,100,000 *(31 December 2009: £1,950,000)* available for offset against future capital gains. The utilisation of capital losses is only recognised following the actual crystallisation of a taxable gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

17 DEFERRED TAX ASSET (CONTINUED)

With the exception of the above, the group did not have any unrecognised deferred tax assets or liabilities as at 31 December 2010 or 31 December 2009.

The gross deferred tax asset as at 31 December 2010, excluding the liability on the pension surplus, is £1,259,000 *(31 December 2009: £1,042,000)*. Of this amount, £500,000 *(31 December 2009: £400,000)* 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 have been making additional contributions to remove the funding deficit in the group pension scheme. These contributions include both one-off and regular monthly payments, which were £10,000 per month during 2010, and are agreed with the trustees of the pension scheme.

As at 31 December 2010 the group had a net defined benefit pension scheme surplus, calculated in accordance with IAS 19 using the assumptions as set out below, of £1,990,000 *(31 December 2009: £74,000)*. This asset has been recognised in these financial statements as the directors are satisfied that it is recoverable in accordance with IFRIC 14. The asset was not recognised last year on the grounds of materiality.

The pension scheme trustees are currently carrying out a full actuarial funding valuation, the results of which have not yet been finalised and agreed with the company. The trustees normally have until 31 March 2012 to complete this process. In the meantime the group continues to make contributions in accordance with the previously agreed schedule of contributions of £10,000 per month to cover expenses of the scheme. Consequently the current best estimate of employer contributions to be paid during the year commencing 1 January 2011 is £120,000.

Assumptions

The last full actuarial valuation was carried out as at 31 December 2007. A qualified independent actuary has updated the results of this valuation to calculate the 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 2010	31 December 2009	31 December 2008	29 December 2007	31 December 2006
Rate of increase in pensionable salaries	**N/A**	N/A	N/A	N/A	N/A
Rate of increase in pensions in payment	**3.30%**	3.40%	3.00%	3.40%	3.00%
Discount rate applied to scheme liabilities	**5.50%**	5.80%	6.00%	5.90%	5.40%
Inflation assumption – RPI	**3.50%**	3.60%	3.00%	3.40%	3.00%
Inflation assumption – CPI for the first 6 years	**2.50%**	N/A	N/A	N/A	N/A
Inflation assumption – CPI after the first 6 years	**3.00%**	N/A	N/A	N/A	N/A

From 1 January 2011, the government has 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 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.

18 RETIREMENT BENEFIT PENSION SCHEMES (CONTINUED)

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

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

	31 December 2010	31 December 2009	31 December 2008	29 December 2007	31 December 2006
Male, current age 45	**21.3 years**	21.3 years	21.3 years	21.2 years	19.8 years
Female, current age 45	**24.1 years**	24.1 years	24.0 years	24.0 years	22.8 years

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

	31 December 2010	31 December 2009	31 December 2008	29 December 2007	31 December 2006
Long term rate of return on:					
Equities	**7.60%**	7.50%	7.50%	7.50%	7.50%
Corporate bonds	**5.00%**	5.40%	5.50%	5.90%	5.40%
Gilts	**4.00%**	4.40%	3.75%	4.50%	4.60%
Cash	**4.00%**	4.40%	3.75%	4.50%	4.60%

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

Valuations

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

	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
UK equities	**9,972**	8,839	7,049	9,061	19,214
Corporate bonds	**15,335**	14,732	10,021	2,979	3,095
Gilts	**5,136**	4,776	9,077	13,434	10,972
Cash	**290**	589	293	439	164
Total fair value of plan assets	**30,733**	28,936	26,440	25,913	33,445
Present value of defined benefit obligation	**(28,743)**	(28,862)	(26,165)	(27,151)	(40,022)
Asset/(deficit) in the scheme calculated in accordance with stated assumptions	**1,990**	74	275	(1,238)	(6,577)
Net pension asset not recognised	**–**	(74)	(275)	–	–
Pension asset/(liability) recognised in the balance sheet	**1,990**	–	–	(1,238)	(6,577)

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18 RETIREMENT BENEFIT PENSION SCHEMES (CONTINUED)

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

	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
Fair value of plan assets at the start of the period	**28,936**	26,440	25,913	33,445	30,633
Expected return on plan assets	**1,546**	1,338	1,401	1,926	1,777
Actuarial gain/(loss) recognised in the CSOCTI*	**1,309**	992	(2,764)	154	636
Employer contributions – normal	**120**	1,500	1,500	1,500	1,503
Employer contributions – transfer value exercise	**–**	–	–	1,880	–
Employer contributions – non-recurring	**–**	–	1,700	–	–
Benefits paid	**(1,178)**	(1,334)	(1,310)	(1,269)	(1,104)
Settlements and curtailments	**–**	–	–	(11,723)	–
Fair value of plan assets at the end of the period	**30,733**	28,936	26,440	25,913	33,445

* 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 2010 £'000	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
Present value of defined benefit funded obligation at the beginning of the period	**(28,862)**	(26,165)	(27,151)	(40,022)	(37,025)
Interest on defined benefit obligation	**(1,640)**	(1,530)	(1,563)	(1,888)	(1,824)
Actuarial gain/(loss) recognised in CSOCTI*	**581**	(2,501)	1,239	145	(2,277)
Benefits paid	**1,178**	1,334	1,310	1,269	1,104
Settlements and curtailments	**–**	–	–	13,345	–
Present value of defined benefit obligation	**(28,743)**	(28,862)	(26,165)	(27,151)	(40,022)
Net pension asset not recognised	**–**	(74)	(275)	–	–
Present value of defined benefit funded obligation at the end of the period	**(28,743)**	(28,936)	(26,440)	(27,151)	(40,022)

* Consolidated Statement of Comprehensive Total Income

Amounts recognised in the income statement:

	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
The amounts (charged)/credited in the income statement were:					
Expected return on pension scheme assets (note 6)	**1,546**	1,338	1,401	1,926	1,777
Interest on pension scheme liabilities (note 7)	**(1,640)**	(1,530)	(1,563)	(1,888)	(1,824)
Net pension interest (charge)/income	**(94)**	(192)	(162)	38	(47)
Settlements and curtailments	**–**	–	–	1,622	–
	(94)	(192)	(162)	1,660	(47)

18 RETIREMENT BENEFIT PENSION SCHEMES (CONTINUED)

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

	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
The amounts credited/(charged) in the CSOCTI were:					
Actual return less expected return on scheme assets	**1,309**	992	(2,764)	154	636
Experience gains and losses arising on plan obligation	**498**	(421)	(196)	424	(340)
Changes in demographic and financial assumptions underlying the present value of plan obligations	**83**	(2,080)	1,435	(279)	(1,937)
Actuarial gain/(loss) calculated in accordance with stated assumptions	**1,890**	(1,509)	(1,525)	299	(1,641)
Net pension asset not recognised	**–**	(74)	(275)	–	–
Reverse provision re non-recognition of pension scheme asset	**74**	275	–	–	–
Actuarial gain/(loss) recognised in the CSOCTI	**1,964**	(1,308)	(1,800)	299	(1,641)
Cumulative actuarial loss recognised in the CSOCTI	**(2,486)**	(4,450)	(3,142)	(1,342)	(1,641)

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

	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
Expected return on plan assets	**1,546**	1,338	1,401	1,926	1,777
Actuarial gain/(loss) recognised in the CSOCTI representing the difference between expected and actual return on assets	**1,309**	992	(2,764)	154	636
Actual return on plan assets	**2,855**	2,330	(1,363)	2,080	2,413

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

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18 RETIREMENT BENEFIT PENSION SCHEMES (CONTINUED)

History of experience gains and losses

	31 December 2010 £'000	31 December 2009 £'000	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
Difference between the expected and actual return on scheme assets:					
Amount	**1,309**	992	(2,764)	154	636
Percentage of scheme assets	**4.3%**	3.4%	-10.5%	0.6%	1.9%
Experience gains and losses arising on scheme liabilities:					
Amount	**498**	(421)	(196)	424	(340)
Percentage of present value of plan obligation	**1.7%**	-1.5%	-0.7%	1.6%	-0.8%
Effects of changes in the demographic and financial assumptions underlyingthe present value of the scheme liabilities:					
Amount	**83**	(2,080)	1,435	(279)	(1,937)
Percentage of present value of plan obligation	**0.3%**	-7.2%	5.5%	-1.0%	-4.8%
Movement in net pension asset not recognised:					
Amount	**74**	201	(275)	–	–
Percentage of present value of plan obligation	**0.3%**	0.7%	-1.1%	0.0%	0.0%
Total amount recognised in the CSOCTI:					
Amount	**1,964**	(1,308)	(1,800)	299	(1,641)
Percentage of present value of plan obligation	**6.8%**	-4.5%	-6.9%	1.1%	-4.1%

DEFINED CONTRIBUTION PENSION SCHEME

On 1 January 2003 a new pension scheme was introduced, the Andrews Sykes Stakeholder Pension Plan, to which the majority of UK employees are eligible. The scheme is managed on behalf of the group by Legal & General. Both the employer and employee contributions vary generally based upon the individual's length of service within the company. The employer's contribution rates vary from 3% to 15%, the current average being 5.1% *(12 months ended 31 December 2009: 5.0%)*. The income statement charge in the current period amounted to £245,000 *(12 months ended 31 December 2009: £248,000)*.

OVERSEAS DEFINED CONTRIBUTION PENSION SCHEME ARRANGEMENTS

Overseas companies make their own pension arrangements, the charge for the period being £70,000 *(31 December 2009: £74,000)*. No additional disclosure is given on the basis of materiality.

19 OTHER FINANCIAL ASSETS – CASH HELD ON DEPOSIT

	31 December 2010 £'000	31 December 2009 £'000
Ring fenced bank deposit accounts	**–**	9,000
Split:		
Current assets	**–**	6,000
Non-current assets	**–**	3,000
	–	9,000

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

On 30 April 2010, in accordance with the bank agreement, £6,000,000 was withdrawn from the deposit account and used to finance the normal annual bank loan repayment of the same amount due on the same day. In addition, a voluntary loan repayment of £3,000,000 was also made to the bank which was financed by the withdrawal of the remaining balance held in the deposit account.

20 STOCKS

	31 December 2010 £'000	31 December 2009 £'000
Raw material and consumables	**49**	96
Work in progress	**14**	4
Finished goods	**3,969**	4,765
	4,032	4,865

As disclosed in note 26, 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 £13,289,000 *(12 months ended 31 December 2009: £12,179,000)* and the charge in the income statement for net realisable value provisions was £149,000 *(12 months ended 31 December 2009: £60,000).*

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21 TRADE AND OTHER RECEIVABLES

	31 December 2010 £'000	31 December 2009 £'000
Trade debtors:		
Current unimpaired debtors	**8,770**	6,555
Overdue impaired debtors:		
Gross	**8,585**	7,680
Less allowance for doubtful debts	**(2,988)**	(2,292)
Net overdue trade debtors	**5,597**	5,388
Net trade debtors	**14,367**	11,943
Amounts due from related parties	**23**	–
Lease prepayments – long leasehold land premiums	**2**	2
Prepayments and accrued income	**1,111**	1,153
Other debtors	**414**	197
	15,917	13,295

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 2010 is 46 days *(31 December 2009: 45 days).*

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

	31 December 2010 £'000	31 December 2009 £'000
Not more than 3 months overdue	**4,181**	4,054
More than 3 months and not more than 6 months overdue	**782**	745
More than 6 months and not more than 12 months overdue	**403**	471
More than 12 months overdue	**231**	118
Net overdue trade debtors	**5,597**	5,388

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 2010 £'000	31 December 2009 £'000
Balance at the beginning of the period	**2,292**	1,309
Foreign exchange difference	**39**	(60)
Net amounts written off during the period	**(623)**	(244)
Income statement charge	**1,279**	1,287
Balance at the end of the period	**2,987**	2,292

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

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

22 CASH AND CASH EQUIVALENTS

	31 December 2010 £'000	31 December 2009 £'000
Cash at bank	**2,597**	3,211
Deposit accounts	**22,930**	14,757
Capital reduction trust account	**182**	182
	25,709	18,150

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 0.70% *(12 months ended 31 December 2009: 0.69%)*.

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 0.10% *(12 months ended 31 December 2009: 0.15%)*.

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

The amount of cash held in currencies other than Sterling as at 31 December 2010 and 31 December 2009 was not significant. Total monetary assets and liabilities denominated in foreign currencies are disclosed in note 34.

23 ASSETS HELD FOR SALE

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

	31 December 2010 £'000	31 December 2009 £'000
Property, plant and equipment	**–**	238

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

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24 TRADE AND OTHER PAYABLES

	31 December 2010 £'000	31 December 2009 £'000
Trade creditors	**4,009**	2,977
Amounts due to related parties	**108**	2
Other tax and social security	**1,365**	852
Accruals and deferred income	**4,429**	3,459
Other creditors	**232**	118
	10,143	7,408

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 41 days *(31 December 2009: 52 days)*.

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

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

25 CURRENT TAX LIABILITIES

	31 December 2010 £'000	31 December 2009 £'000
Corporation tax	**2,218**	1,119
Overseas tax (denominated in Euros)	**56**	551
	2,274	1,670

26 BANK LOANS

	31 December 2010 £'000	31 December 2009 £'000
The borrowings are repayable as follows:		
On demand or within one year	**6,000**	6,000
In the second year	**6,000**	6,000
In the third to fifth years inclusive	**8,000**	17,000
Total	**20,000**	29,000
Disclosed:		
Within current liabilities (on demand or within one year)	**6,000**	6,000
Within non-current liabilities	**14,000**	23,000
Total	**20,000**	29,000

26 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 the year. The repayments will continue on an annual basis until 30 April 2013 when the loans will be repaid in full. The loans have been split between current and non-current liabilities in accordance with the bank agreement. There are no unsecured bank loans at either year-end.

Interest is charged on a bi-annual basis on the group's borrowings based on LIBOR plus a margin of between 0.65% and 1.25% *(12 months ended 31 December 2009: 0.65% to 1.25%)*. As disclosed in note 29, the group has taken out interest rate caps to limit the exposure to LIBOR. The weighted average effective interest rate paid during the year was 1.58% *(12 months ended 31 December 2009: 3.25%)*. 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 29.

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

27 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of Minimum lease payments**	
	31 December 2010 £'000	31 December 2009 £'000	**31 December 2010 £'000**	31 December 2009 £'000
Amounts payable under finance leases:				
Within one year	**219**	219	**203**	203
In the second to fifth years inclusive	**552**	655	**430**	513
After five years	**203**	319	**123**	187
	974	1,193	**756**	903
Less future finance charges	**(218)**	(290)		
Present value of lease obligations	**756**	903		
Disclosed:				
Within current liabilities (payable within one year)			**203**	203
Within non-current liabilities			**553**	700
Total			**756**	903

As set out in the accounting policies, it is the group's policy to lease certain properties. The average lease term is 5.5 years *(31 December 2009: 6.5 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.

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28 PROVISIONS

	Onerous leases £'000
At 31 December 2009	73
Provisions utilised during the period	(13)
At 31 December 2010	**60**

Disclosed:

	31 December 2010 £'000	31 December 2009 £'000
Within current liabilities (payable within one year)	**13**	13
Within non-current liabilities	**47**	60
Total	**60**	73

An onerous lease provision was created during the previous year in respect of a vacant property no longer used for the purposes of the group's trade. The lease expires in August 2015 and a provision is held to cover the potential rent due until the date of expiry. The provision has not been discounted on the grounds of materiality.

29 DERIVATIVE FINANCIAL INSTRUMENTS – LIABILITIES

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

	31 December 2010 £'000	31 December 2009 £'000
Interest rate caps held for trading	**48**	55
Disclosed:		
Within current liabilities (payable within one year)	**7**	23
Within non-current liabilities	**41**	32
Total	**48**	55

29 DERIVATIVE FINANCIAL INSTRUMENTS – LIABILITIES (CONTINUED)

Interest is charged on a bi-annual basis on the group's borrowings based on LIBOR plus a margin of between 0.65% and 1.25%. 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 2010		
Maturity date	**LIBOR Cap**	**Principal £'000**	**Liability £'000**
31/10/2011	**6.50%**	**4,000**	**7**
30/04/2013	**6.25%**	**10,000**	**41**
		14,000	**48**

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

30 CALLED-UP SHARE CAPITAL

	31 December 2010 £'000	31 December 2009 £'000
Issued and fully paid:		
43,115,804 ordinary shares of one pence each		
(31 December 2009: 44,268,365 ordinary shares of one pence each)	**431**	443

During the year the company purchased 1,152,561 shares for cancellation for a total consideration of £1,371,354. The company did not purchase any shares for cancellation in the previous year.

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

At 31 December 2010 and 31 December 2009 cash options to subscribe for ordinary shares under the executive share option scheme were held as follows:

			Number of one pence ordinary shares	
Date of Grant	**Date normally exercisable**	**Subscription price per share**	**31 December 2010**	31 December 2009
November 2001	November 2004 to October 2011	89.5 pence	**15,000**	15,000

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

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

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31 SHARE CAPITAL AND RESERVES

	Share capital £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000
At 31 December 2008	443	7,127	4,497	225	12,292
Total comprehensive income for the period	–	10,701	(1,602)	–	9,099
At 31 December 2009	443	17,828	2,895	225	21,391
Total comprehensive income for the period	**–**	**11,996**	**(99)**	**–**	**11,897**
Transfer on closure of overseas subsidiary	**–**	**(46)**	**46**	**–**	**–**
Purchase of own shares	**(12)**	**(1,371)**	**–**	**12**	**(1,371)**
Dividends paid	**–**	**(4,800)**	**–**	**–**	**(4,800)**
At 31 December 2010	**431**	**23,607**	**2,842**	**237**	**27,117**

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. The movement in the year represents the reserve attributable to Rentacool LLC that was liquidated during the year.

Other reserves comprise:

	31 December 2010 £'000	31 December 2009 £'000
Capital redemption reserve	**149**	137
UAE legal reserve	**79**	79
Netherlands capital reserve	**9**	9
	237	225

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

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

The capital redemption reserve increased during the current period by £11,522 due to the purchase and cancellation of 1,152,161 ordinary shares of 1p each for an aggregate consideration of £1,371,354. There were no movements in any of the other reserves during either the current or preceding financial periods.

32 CASH GENERATED FROM OPERATIONS

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Profit for the period attributable to equity shareholders	**10,562**	11,643
Adjustments for:		
Taxation charge	**3,812**	1,648
Finance costs	**2,144**	2,843
Finance income	**(2,012)**	(1,944)
Income from other participating interests	**(400)**	(980)
Profit on the sale of property, plant and equipment	**(624)**	(806)
Depreciation	**4,239**	4,964
Excess of normal pension contributions compared with service cost	**(120)**	(1,500)
Cash generated from operations before movements in working capital	**17,601**	15,868
Decrease in stocks	**126**	1,904
(Increase)/decrease in trade and other receivables	**(2,468)**	4,318
Increase/(decrease) in trade and other payables	**2,517**	(4,082)
(Decrease)/increase in provisions	**(13)**	73
Cash generated from operations	**17,763**	18,081

33 ANALYSIS OF NET FUNDS/(DEBT)

	31 December 2010 £'000	31 December 2009 £'000
Cash and cash equivalents per consolidated cash flow statement and note 22	**25,709**	18,150
Other financial assets – cash held on deposit per note 19	**–**	9,000
	25,709	27,150
Bank loans per note 26	**(20,000)**	(29,000)
Obligations under finance leases per note 27	**(756)**	(903)
Derivative financial instruments per note 29	**(48)**	(55)
Gross debt	**(20,804)**	(29,958)
Net funds/(debt)	**4,905**	(2,808)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34 FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT

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

	31 December 2010 £'000	31 December 2009 £'000
Net funds/(debt) per note 33	**4,905**	(2,808)
Equity attributable to equity holders of the parent company as per note 31	**27,117**	21,391
Net funds/(debt) to equity percentage	**18.1%**	(13.1%)

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 2010 £'000	31 December 2009 £'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	**14,390**	11,943
Other debtors	**414**	197
Other debtors – cash held on deposit	**–**	9,000
Cash and cash equivalents	**25,709**	18,150
	40,513	39,290
	40,677	39,454
Financial liabilities		
Fair value through profit and loss – held for trading	**48**	55
Amortised cost:		
Trade creditors and amounts due to related parties	**4,117**	2,979
Accruals and other creditors	**8,300**	6,099
Loans	**20,000**	29,000
Finance lease obligations	**756**	903
	33,173	38,981
	33,221	39,036

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.

34 FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK

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

Interest is charged on a bi-annual basis on the group's borrowings based on LIBOR plus a margin of between 0.65% and 1.25%. 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 2010 £'000	31 December 2009 £'000
Total bank loans		**20,000**	29,000
Average bank loan agreement rate		**1.58%**	3.30%
Notional capital value of interest rate caps and effective cap rate:			
Cap to run to 31 October 2010	Notional capital value	**N/A**	10,000
	Capped interest rate	**N/A**	5.50%
Cap to run to 31 October 2011	Notional capital value	**4,000**	4,000
	Capped interest rate	**6.50%**	6.50%
Cap to run to 30 April 2013	Notional capital value	**10,000**	10,000
	Capped interest rate	**6.25%**	6.25%

A 1% increase in the average bank loan agreement rate for the period would increase net bank loan interest after income from the derivative instruments by £390,000 *(12 months ended 31 December 2009: £310,000)*, a 1% decrease would decrease it by £390,000 *(12 months ended 31 December 2009: £350,000)*.

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 2010 £'000	31 December 2009 £'000
Assets denominated in:		
Euros	**5,231**	1,836
UAE Dirhams	**3,255**	5,105
Liabilities denominated in:		
Euros	**1,876**	1,746
UAE Dirhams	**1,137**	1,266

A 10% increase in the Euro:Sterling exchange rate would reduce the consolidated operating profit by £400,000 *(12 months ended 31 December 2009: £200,000)*. 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 £60,000 *(12 months ended 31 December 2009: £300,000)*. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

34 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 and credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by senior management on a regular basis.

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

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

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

LIQUIDITY RISK MANAGEMENT

The group manages liquidity risk by maintaining adequate cash reserves, which at 31 December 2010 amounted to £25,709,000 *(31 December 2009: £18,150,000)*, by operating within its agreed banking facilities, by continuously monitoring forecast and actual cash flows, by matching the maturity profiles of monetary assets and liabilities and by monitoring and discussing its covenants with the bank. At 31 December 2009 the group also had cash in ring fenced deposit accounts of £9,000,000. In view of the significant levels of cash reserves held by the group and the decrease in net debt from £2,808,000 at 31 December 2009 to net funds of £4,905,000 at 31 December 2010, the directors believe that additional unutilised borrowing facilities are no longer required.

34 FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY AND INTEREST RISK TABLES

The following table details the group's remaining contractual maturity for its non-derivative financial liabilities. The table has been prepared based on the undiscounted contractual maturities of the financial instruments. The future finance charges 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 2010	**Weighted average interest rate**	**Due within 3 months £'000**	**Due 3 months to 1 year £'000**	**Due over 1 less than 5 years £'000**	**and Due after 5 years £'000**	**Future finance charges £'000**	**Total £'000**
Non-interest bearing	**N/A**	**8,762**	**3,655**	**–**	**–**	**–**	**12,417**
Variable interest bank loans	**1.58%**	**–**	**6,032**	**14,421**	**–**	**(453)**	**20,000**
Fixed interest finance leases	**8.00%**	**–**	**219**	**552**	**203**	**(218)**	**756**
Total		**8,762**	**9,906**	**14,973**	**203**	**(671)**	**33,173**

31 December 2009	Weighted average interest rate	Due within 3 months £'000	Due 3 months to 1 year £'000	Due over 1 and less than 5 years £'000	Due after 5 years £'000	Future finance charges £'000	Total £'000
Non-interest bearing	N/A	6,309	2,769	–	–	–	9,078
Variable interest bank loans	3.25%	–	6,065	24,907	–	(1,972)	29,000
Fixed interest finance leases	8.00%	–	219	655	319	(290)	903
Total		6,309	9,053	25,562	319	(2,262)	38,981

The value and maturity profile of the derivative financial liabilities as at 31 December 2010 and 31 December 2009 carried at fair value through the profit and loss account are disclosed in note 29. Fair value is based on level 2 hierarchy as defined in IFRS 7. There were no derivative financial assets at either period end.

35 OPERATING LEASE ARRANGEMENTS

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

	Property		**Plant, machinery and equipment**	
	31 December 2010 £'000	31 December 2009 £'000	**31 December 2010 £'000**	31 December 2009 £'000
Amounts payable under operating leases:				
Within one year	**775**	824	**763**	617
In the second to fifth years inclusive	**2,155**	2,362	**1,308**	706
After five years	**1,915**	2,300	**–**	–
	4,845	5,486	**2,071**	1,323

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

36 RELATED PARTY TRANSACTIONS

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

TRADING TRANSACTIONS

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

	31 December 2010 £'000	31 December 2009 £'000
Sale of goods and services	**–**	2
Purchase of goods and services	**238**	257
Amounts owed to the group by associates	**23**	–
Amount owed by the group to associates	**108**	2

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 significant transactions with key management personnel in either the current or previous financial periods.

37 DIVIDEND PAYMENTS

The directors declared the following interim dividend in respect of the period ended 31 December 2010:

	Pence per share	**£'000**
Interim dividend declared on 9 November 2010 and paid to shareholders on the register as at 19 November 2010 on 10 December 2010	11.1	4,800

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

No interim dividends were declared or paid during the previous financial period. The directors do not recommend the payment of a final dividend for the period ended 31 December 2010.

38 ULTIMATE PARENT COMPANY

As at 3 May 2011 EOI Sykes Sarl, which is incorporated in Luxembourg, held 85.15% 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 2010

	Note	31 December 2010 £'000	31 December 2010 £'000	31 December 2009 £'000	31 December 2009 £'000
Fixed assets					
Investments	3		**31,982**		31,975
Current assets					
Debtors	4	**24,602**		29,437	
Cash at bank and in hand	5	**376**		162	
		24,978		29,599	
Creditors: Amounts falling due within one year	6	**(12,086)**		(12,322)	
Net current assets			**12,892**		17,277
Total assets less current liabilities			**44,874**		49,252
Creditors: Amounts falling due after more than one year	6		**(14,000)**		(23,000)
Net assets			**30,874**		26,252
Capital and reserves					
Called-up share capital	8		**431**		443
Profit and loss account	9		**28,083**		23,461
Other reserves	9		**2,360**		2,348
Shareholders' funds	10		**30,874**		26,252

These financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the Board of directors on 3 May 2011 and were signed on its behalf by:

JC Pillois French ACA
Finance Director

COMPANY ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

1 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

GOING CONCERN

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

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

INVESTMENTS

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

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

DEFERRED TAX

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

CURRENT TAX

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

BORROWING COSTS

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

CASH FLOW STATEMENT

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

RELATED PARTY TRANSACTIONS

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

2 PROFIT FOR THE FINANCIAL PERIOD

As permitted by Section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the period. The profit for the financial period dealt with in the profit and loss account of the company was £10,793,000 *(12 months ended 31 December 2009: £15,883,000)*.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

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	8,773
Release during the period	**(7)**
At the end of the period	**8,766**
Net book value	
At 31 December 2010	**31,982**
At 31 December 2009	31,975

The company's principal subsidiary undertakings (* denotes directly owned by Andrews Sykes Group plc) as at 31 December 2010 were as follows:

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

4 DEBTORS

	31 December 2010 £'000	31 December 2009 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	**22,764**	28,047
Corporation tax and group relief	**1,529**	1,319
Other debtors	**274**	20
Deferred tax	**33**	49
Prepayments and accrued income	**2**	2
	24,602	29,437

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 28%	49
Charge to profit and loss account	(16)
Asset at the end of the period at 27%	**33**

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

5 CASH AT BANK AND IN HAND

	31 December 2010 £'000	31 December 2009 £'000
Cash at bank and in hand	**214**	–
Capital reduction trust account	**162**	162
	376	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.

6 CREDITORS

	31 December 2010 £'000	31 December 2009 £'000
Amounts falling due within one year:		
Bank loans and overdrafts	**6,000**	6,222
Amounts owed to group undertakings	**5,765**	5,949
Other taxes and social security	**2**	67
Accruals and deferred income	**319**	84
	12,086	12,322

	31 December 2010 £'000	31 December 2009 £'000
Amounts falling due after more than one year:		
Bank loans	**14,000**	23,000
	14,000	23,000

Total company bank loans and overdrafts of £20,000,000 *(31 December 2009: £29,222,000)* are secured by fixed and floating charges on the assets of the group and by cross guarantees between group undertakings. There are no unsecured bank loans at either year end.

Of the company's bank loans falling due after more than one year, £6,000,000 *(31 December 2009: £6,000,000)* is repayable between one and two years and the balance is between two and five years from the balance sheet date.

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

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

7 FINANCIAL INSTRUMENTS

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

8 CALLED-UP SHARE CAPITAL

	31 December 2010 £'000	31 December 2009 £'000
Issued and fully paid:		
43,115,804 ordinary shares of one pence each		
(31 December 2009: 44,268,365 ordinary shares of one pence each)	**431**	443

During the year the company purchased 1,152,561 ordinary shares of one pence each for cancellation for a total consideration of £1,371,354. The company did not purchase any shares for cancellation in the previous year.

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

At 31 December 2010 and 31 December 2009 cash options to subscribe for ordinary shares under the executive share option scheme were held as follows:

			Number of one pence ordinary shares	
Date of grant	**Date normally exercisable**	**Subscription price per share**	**31 December 2010**	31 December 2009
November 2001	November 2004 to October 2011	89.5 pence	**15,000**	15,000

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

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

9 RESERVES

	Profit and loss account £'000	**Other reserves £'000**	**Total £'000**
At the beginning of the period	23,461	2,348	25,809
Profit for the period	**10,793**	**–**	**10,793**
Purchase of own shares	**(1,371)**	**12**	**(1,359)**
Dividends declared and paid	**(4,800)**	**–**	**(4,800)**
At the end of the period	**28,083**	**2,360**	**30,443**

Other reserves comprise:	**31 December 2010 £'000**
Capital redemption reserve	**149**
Non-distributable dividends received from subsidiaries	**2,211**
	2,360

The capital redemption reserve increased during the current period by £11,522 due to the purchase and cancellation of 1,152,161 ordinary shares of 1p each for an aggregate consideration of £1,371,354. There were no movements in any of the other reserves during the current financial period.

Details of the purchase of own shares are given in note 8 above. Dividends declared and paid are detailed in note 37 to the consolidated financial statements.

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Profit for the financial period	**10,793**	15,883
Consideration for the purchase of own shares	**(1,371)**	–
Dividends declared and paid	**(4,800)**	–
Net increase in shareholders' funds	**4,622**	15,883
Shareholders' funds at the beginning of the period	**26,252**	10,369
Shareholders' funds at the end of the period	**30,874**	26,252

11 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 2010 the annual commitment under such leases totalled £102,350 *(31 December 2009: £101,850)*, all expiring in five years or more.

12 ULTIMATE PARENT COMPANY

As at 3 May 2011 EOI Sykes Sarl, which is incorporated in Luxembourg, held 85.15% of the share capital of Andrews Sykes Group plc and is therefore the immediate parent company. The ultimate holding company is the Tristar Corporation, a company incorporated in the Republic of Panama. The Tristar Corporation is held jointly, in equal proportions, by the Ariane Trust and the Eden Trust and therefore the directors consider these trusts to be the ultimate controlling parties of Andrews Sykes Group plc.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eighty-eighth Annual General Meeting of Andrews Sykes Group plc will be held at Floor 5, 10 Bruton Street, London, W1J 6PX on 7 June 2011 at 10.30am for the following purposes:

AS ORDINARY BUSINESS:
ORDINARY RESOLUTIONS

1. That the financial statements for the 12 months ended 31 December 2010, together with the report of the directors and of the auditor, be and they are hereby received and adopted.
2. That Mr JG Murray, who retires by rotation and offers himself for re-election, be and is hereby re-elected.
3. That Mr JC Pillois, 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 £64,080 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 8 June 2010 be, and it is hereby renewed, subject as follows:
   - 6.1 the maximum number of shares which may be so acquired is 5,340,073 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 2012 or the date of the Annual General Meeting for the period ending 31 December 2011, 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 £64,080; this authority to expire at the end of the next Annual General Meeting of the company save to the extent that the directors exercise such authority pursuant to an offer or agreement made prior to the date of such meeting.

RECOMMENDATION

Your directors unanimously recommend the Ordinary Shareholders to vote in favour of the Resolutions to be proposed at the Annual General Meeting of the company as they intend to do in respect of their own beneficial holdings amounting to 2,131,125 ordinary shares representing approximately 4.99% 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

3 May 2011

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 6ZL at least 48 hours before the time appointed for holding the meeting.
   d. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the company of the votes they may cast) members must be entered on the register of members of the company by 6.00 p.m. on 5 June 2011. Changes to entries on the register of members after 6.00 p.m. on 5 June 2011 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

FIVE YEAR HISTORY

	IFRS				
	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000	53 weeks ended 31 December 2006 £'000
Revenue	**55,951**	54,358	67,394	57,846	59,768
Operating profit from continuing activities*					
Trading profit before exceptional and goodwill charges	**13,942**	12,937	17,924	14,630	15,696
Pension curtailment offer	**–**	–	–	(911)	–
Exceptional reorganisation and redundancy payments	**–**	–	–	–	(630)
Goodwill amortisation and impairment charges	**–**	–	–	(31)	–
Profit on the disposal of property	**164**	273	559	–	206
	14,106	13,210	18,483	13,688	15,272
Income from other participating interests	**400**	980	–	209	–
Net interest	**(132)**	(899)	(3,106)	(1,519)	(1,272)
Profit before taxation	**14,374**	13,291	15,377	12,378	14,000
Taxation	**(3,812)**	(1,648)	(4,321)	(3,829)	(4,150)
Profit for the financial period from continuing activities	**10,562**	11,643	11,056	8,549	9,850
Loss on disposal of businesses after tax	**–**	–	–	–	(142)
Profit for the financial period	**10,562**	11,643	11,056	8,549	9,708
Dividends paid during the year	**4,800**	–	14,970	–	–
Basic earnings per share from continuing operations	**24.19p**	26.30p	24.85p	19.19p	22.11p
Ordinary dividend per share paid in the year	**11.10p**	–	33.60p	–	–

* Defined at the end of each reporting period.

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