Andrews Sykes Group plc
4 May 2011
Preliminary Results
For the 12 months ended 31 December 2010

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 continuing 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.

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Chairman’s Statement

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

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 in the 2010 Annual Report and Financial Statements.

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 in the 2010 Annual Report and Financial Statements.

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

Consolidated Income Statement
For the 12 months ended 31 December 2010

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Continuing operations		

Revenue	**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	**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	**164**	273
Operating profit	**14,106**	13,210
Income from other participating interests	**400**	980
Finance income	**2,012**	1,944
Finance costs	**(2,144)**	(2,843)
Profit before taxation	**14,374**	13,291
Taxation	**(3,812)**	(1,648)
Profit for the financial period attributable to equity holders of the parent	**10,562**	11,643

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

Earnings per share from continuing and total operations

Basic (pence)	**24.19p**	26.30p
Diluted (pence)	**24.18p**	26.30p
Dividends paid per equity share (pence)	**11.10p**	0.00p

** 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

	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	**1,964**	(1,308)
Deferred tax on other comprehensive income	**(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

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

Surplus attributable to equity holders of the parent	**27,117**	21,391
Minority interest	**10**	10
Total equity	**27,127**	21,401

Consolidated Cash Flow Statement
For the 12 months ended 31 December 2010

	12 months ended 31 December 2010 £'000	12 months ended 31 December 2009 £'000
Cash flows from operating activities		
Cash generated from operations	**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	**18,150**	18,233
Effect of foreign exchange rate changes	**87**	(1,046)
Cash and cash equivalents at end of the period	**25,709**	18,150

Reconciliation of net cash flow to movement in net 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	**4,905**	(2,808)

Consolidated Statement of Changes in Equity
For the 12 months ended 31 December 2010

	Attributable to equity holders of the parent company					Minority interest	Total equity
	Share Capital £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000	£'000	£'000
At 31 December 2008	443	7,127	4,497	225	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	225	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	**(12)**	**(1,371)**	**-**	**12**	**(1,371)**	**-**	**(1,371)**
Dividends paid	**-**	**(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**	**237**	**27,117**	**10**	**27,127**

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

Notes

1. Basis of preparation

Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. Therefore the financial information set out above does not constitute the company's financial statements for the 12 months ended 31 December 2010 or 31 December 2009 but it is derived from those financial statements.

2. Going concern

The Board remains satisfied with the group's funding and liquidity position. The group has external bank loans of £20 million and has operated both throughout the period under review and subsequently within its financial covenants. Consequently the loans have been analysed between current and non-current liabilities in accordance with the agreed repayment profile.

The group has substantial cash resources which at 31 December 2010 amounted to £25.7 million. Net funds at 31 December 2010 were £4.9 million. 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 have 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 and this preliminary announcement.

3. Distribution of Annual Report and Financial Statements

The group expects to distribute copies of the full Annual Report and Financial Statements that comply with IFRSs by 12 May 2011 following which copies will be available either from the registered office of the company; Premier House, Darlington Street, Wolverhampton, WV1 4JJ; or from the company's website; www.andrews-sykes.com. The Annual Report and Financial Statements for the 12 months ended 31 December 2009 have been delivered to the Registrar of Companies and those for the 12 months ended 31 December 2010 will be filed at Companies House following the company's Annual General Meeting. The auditors have reported on those financial statements; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain details of any matters on which they are required to report by exception.

4. Date of Annual General Meeting

The group's Annual General Meeting will be held at 10.30 a.m. on Tuesday 7th June 2011 at Floor 5, 10 Bruton Street, London, W1J 6PX.