Andrews Sykes Group plc

Preliminary Results
6 May 2010

Andrews Sykes Group plc

Preliminary announcement for the 12 months ended 31 December 2009

Summary of Results

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

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

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

Chairman’s Statement

Overview and financial highlights

Despite the worldwide economic downturn, I report that the group achieved a normalised operating profit (before non-recurring items as reconciled on the Consolidated Income Statement) of £12.9 million for 2009 which is £5 million lower than 2008. It should be remembered that last year was a record for our group and the current year’s performance is broadly comparable with the results achieved in 2007 during positive yearly economic growth.

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

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

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

Operating performance

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

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

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

Profit for the financial year and earnings per share

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

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

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

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

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

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

Net Debt

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

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

This reflects the strong cash generating ability of the group.

Share buyback programme

The board continues to believe that shareholder value will be optimised by the purchase, where appropriate, of our own shares. Although no shares were purchased during the year under review, in previous periods shares were purchased for cancellation and these purchases enhanced earnings per share. At the forthcoming AGM, the board will request that shareholders vote in favour of a resolution to renew the authority to purchase up to 12.5% of the ordinary shares in issue.

Outlook

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

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

J G Murray
Chairman

5 May 2010

Andrews Sykes Group plc
Consolidated Income Statement
For the 12 months ended 31 December 2009

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

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

Earnings per share continuing and total operations

Basic (pence)	**26.30p**	24.85p
Diluted (pence)	**26.30p**	24.85p
Dividends paid per equity share (pence)	**0.00p**	33.60p

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

Andrews Sykes Group plc
Consolidated Statement of Comprehensive Total Income
For the 12 months ended 31 December 2009

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

Andrews Sykes Group plc
Consolidated Balance Sheet
As at 31 December 2009

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

Andrews Sykes Group plc
Consolidated Cash Flow Statement
For the 12 months ended 31 December 2009

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

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

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

Andrews Sykes Group plc
Consolidated Statement of Changes in Equity
For the 12 months ended 31 December 2009

	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 29 December 2007	446	12,595	274	222	13,537	10	13,547
Profit for the financial period	-	11,056	-	-	11,056	-	11,056
Other comprehensive income:							
Currency translation differences on foreign currency net investments	-	-	4,223	-	4,223	-	4,223
Defined benefit plan actuarial gains and losses net of tax	-	(1,296)	-	-	(1,296)	-	(1,296)
Total other comprehensive income	-	(1,296)	4,223	-	2,927	-	2,927
Transactions with owners recorded directly in equity:							
Purchase of own shares	(3)	(258)	-	3	(258)	-	(258)
Dividends paid	-	(14,970)	-	-	(14,970)	-	(14,970)
Total transactions with owners	(3)	(15,228)	-	3	(15,228)	-	(15,228)
At 31 December 2008	**443**	**7,127**	**4,497**	**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**

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 2009 or 31 December 2008 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 £29 million and has operated both throughout the period under review and subsequently within its financial covenants. Consequently the loans have been analysed between current and non-current liabilities in accordance with the agreed repayment profile.

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

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

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

After making enquiries, the board has a reasonable expectation that the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this Annual Report and Financial Statements 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 17 May 2010 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 2008 have been delivered to the Registrar of Companies and those for the 12 months ended 31 December 2009 will be filed at Companies House following the company's Annual General Meeting. The auditors have reported on those accounts; 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 8th June 2010 at Floor 5, 10 Bruton Street, London, W1J 6PX.