Regulatory Story

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Company	Andrews Sykes Group PLC
TIDM	ASY
Headline	Preliminary Results
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Andrews Sykes Group PLC
02 May 2012

Andrews Sykes Group plc
Summary of results
For the 12 months ended 31 December 2011

	12 months ended 31 December 2011 £'000	12 months ended 31 December 2010 £'000
Revenue from continuing operations	**53,838**	55,951
Normalised EBITDA* from continuing operations	**15,387**	17,721
Normalised operating profit**	**11,882**	13,942
Profit on the sale of property	**3,113**	164
Profit after tax for the financial period	**11,566**	10,562
Basic earnings per share from total operations (pence)	**27.05p**	24.19p
Dividend paid per equity share (pence)	**6.60p**	11.10p
Net cash inflow from operating activities	**11,606**	13,863
Total dividends paid	**2,818**	4,800
Net funds	**10,365**	4,905

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

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

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Andrews Sykes Group plc
Chairman's Statement
For the 12 months ended 31 December 2011

Overview and financial highlights

The group's revenue for the year ended 31 December 2011 was £53.8 million, a decrease of £2.1 million, or 3.8%, compared with the same period last year. This decrease had a virtually direct impact on normalised operating profit* which fell by £2.0 million from £13.9 million last year to £11.9 million in the year under review. This decline in trading was, however, more than offset by the non-recurring profit of £3.1 million on the sale of our freehold property in Gallions Road, London. Consequently the basic earnings per share increased by 11.8% from 24.19p last year to 27.05p this year.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £11.6 million which, mainly due to the decline in normalised operating profit*, was down by £2.3 million compared with last year. Nevertheless, net funds increased from £4.9 million last year to £10.4 million at 31 December 2011 despite shareholder related cash outflows of £3.9 million on dividends and the purchase of own shares. External bank borrowings have been reduced by £6 million from £20 million at the start of the year to £14 million by the year-end.

Cost control, cash and working capital management continue to be priorities for the group. In total working capital has been reduced for the third year running, this time by £0.5 million. Capital expenditure on the hire fleet has been increased from £2.2 million in 2010 to £4.1 million this year and the group purchased a freehold property for £2.7 million to replace the property sold during the year. These actions will ensure that the group's infrastructure and revenue generating assets are sufficient to support future growth and profitability. Hire fleet utilisation, condition and availability continue to be the subjects of management focus.

Operating performance

The second half year is normally significantly more profitable than the first but 2011 proved to be an exception. The following table splits the results between the first and second half years:

	Turnover	NormalisedOperating profit*
	£'000	£'000
1st half 2011	**27,717**	**5,930**
1st half 2010	27,573	6,816
2nd half 2011	**26,121**	**5,952**
2nd half 2010	28,378	7,126
Total 2011	**53,838**	**11,882**
Total 2010	55,951	13,942

Our main hire and sales business in the UK and Northern Europe has faced challenging trading conditions throughout 2011 mainly as a result of unhelpful weather conditions but also due to the current economic conditions.

Trading in the first half remained flat and profit was adversely affected by the temperate weather at the end of the 2010/11 winter which resulted in an early end to the heating season. This was followed by another mild summer that failed to stimulate demand for our all important air conditioning products. Unlike last year, the start of the 2011/12 winter was also mild which did not allow our heating division to compensate for the under-performance of the air conditioning business. The last 18 months have also been unusually dry resulting in the drought conditions recently announced for some parts of the UK. Overall the operating profit, excluding profit on the sale of property, of this business segment fell from £13.8 million last year to £12.0 million this year, this being the main reason for the decline in the group's normalised operating profit* in the current period.

In the light of the above factors I consider that management's performance has been creditable ensuring that the group produced another satisfactory trading performance. This clearly demonstrates our ability to return acceptable profit levels even in times of unfavourable external influence and is due, in part, to the continuing development of non-weather dependent niche markets which continue to benefit the performance of our specialist hire divisions. We will continue to invest in and develop these businesses as well as our traditional core products and services.

Our hire and sales business in the Middle East returned an operating profit of £0.6 million this year compared with £0.7 million in 2010 on similar turnover levels. Although the profit is lower than last year there are now some initial signs of improved trading conditions in Abu Dhabi although the economic conditions in Dubai remain challenging.

The UK fixed installation business continued to improve its trading performance, the segment profit increased by £0.1 million to £0.3 million this year and we look forward to further improvements again next year.

A more detailed review of this year's operating performance is given in the Operations Review within the Directors' report in the 2011 Annual Report and Financial Statements.

Profit on the sale of property

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

Although the group was not actively looking for a sale, management took advantage of a unique opportunity to realise a significant profit and cash flow advantage for the benefit of shareholders. The group purchased a replacement freehold property locally in Peninsular Way for £2.7 million and expect the relocation to the new premises to be completed by the end of the first half of 2012. Part of the net cash inflow of £1 million will be spent on capital improvements in 2012 following which the group will have a much improved and enlarged operating base from which to serve its customers in London and the South East of England.

Profit for the financial year and earnings per share (EPS)

Profit after tax increased by £1 million from £10.6 million last year to £11.6 million this year and basic EPS increased by 11.8% from 24.19p last year to 27.05p this year. However this was significantly influenced by the above profit on sale of property of £3.1 million. The adjusted basic EPS, excluding the profit on the sale of property, would have been 20.24p in 2011, a decrease of 15% compared with the equivalent figure last year of 23.81p.

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 2011 Annual Report and Financial Statements.

Defined benefit pension scheme

During March 2012 the December 2010 funding valuation was agreed by management with the pension scheme trustees and accordingly revised "Schedule of Contributions" and "Recovery plan" have now been put into place. These provide that the group will make additional contributions, including an expense allowance, to the pension scheme of £840,000 in 2012, £960,000 in 2013, £1,080,000 in 2014 and £840,000 per annum thereafter until 31 December 2018, or until the funding shortfall has been eliminated if sooner, subject to review at the next actuarial funding valuation due as at 31 December 2013.

Net funds

At 31 December 2011 the group had net funds of £10.4 million compared with £4.9 million last year, an increase of £5.5 million despite a dividend of £2.8 million and cash outflows on share buybacks of £1.1 million.

Equity dividends paid

The company declared an interim dividend of £2.8 million on 8 November 2011 and this was paid on 1 December 2011. The Board continues the policy of returning value to shareholders whenever possible and accordingly the decision regarding an interim dividend for 2012 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 442,216 ordinary shares for cancellation for a total consideration of £945,000 of which £11,000 *(2010: £187,000)* remained unpaid at the year-end. So far during 2012 the company has purchased a further 426,506 ordinary shares for cancellation for a total consideration of £815,000. 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 N+1 Brewin 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 policy of reducing its reliance on its traditional core products and services together with the increase in non-seasonal business and investment in new technically advanced and environmentally friendly products will be continued into 2012.

The group continues to face challenges in all of its geographical markets but our business remains strong, cash generative and well developed with positive net funds. The Board is therefore optimistic for further success in 2012.

JG Murray

Chairman

1 May 2012

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

Andrews Sykes Group plc
Consolidated Income Statement
For the 12 months ended 31 December 2011

	12 months ended 31 December 2011 £'000	12 months ended 31 December 2010 £'000
Continuing operations		
Revenue	**53,838**	55,951
Cost of sales	**(23,873)**	(24,015)
Gross profit	**29,965**	31,936
Distribution costs	**(9,317)**	(9,219)
Administration expenses - Recurring	**(8,766)**	(8,775)
- Non-recurring	**3,113**	164
Total administrative expenses	**(5,653)**	(8,611)
Operating profit	**14,995**	14,106
Normalised EBITDA*	**15,387**	17,721
Depreciation and impairment losses	**(3,911)**	(4,239)
Profit on the sale of plant and equipment	**406**	460
Normalised operating profit	**11,882**	13,942
Profit on the sale of property	**3,113**	164
Operating profit	**14,995**	14,106
Income from participating interests	**-**	400
Finance income	**1,850**	2,012
Finance costs	**(1,942)**	(2,144)
Profit before taxation	**14,903**	14,374
Taxation	**(3,337)**	(3,812)
Profit for the financial period attributable to equity holders of the parent	**11,566**	10,562

There were no discontinued operations in either of the above periods

Earnings per share from continuing and total operations

Basic (pence)	**27.05p**	24.19p
Diluted (pence)	**27.05p**	24.18p

Dividends paid per equity share (pence)	**6.60p**	11.10p

*Earnings Before interest, Taxation, Depreciation, profit on the sale of property, plant and equipment, Amortisation and non-recurringitems.

Andrews Sykes Group plc
Consolidated Statement of Comprehensive Total Income
For the 12 months ended 31 December 2011

	12 months ended 31 December 2011 £'000	12 months ended 31 December 2010 £'000
Profit for the financial period	**11,566**	10,562
Other comprehensive income:		
Currency translation differences on foreign currency net investments	**(184)**	(99)
Defined benefit plan actuarial gains and losses	**(559)**	1,964
Deferred tax on other comprehensive income	**184**	(530)
Other comprehensive (charges) / income for the period net of tax	**(559)**	1,335
Total comprehensive income for the period	**11,007**	11,897

Andrews Sykes Group plc
Consolidated Balance Sheet
As at 31 December 2011

	31 December 2011		31 December 2010	
	£'000	**£'000**	£'000	£'000
Non-current assets				
Property, plant and equipment		**14,486**		11,817
Lease prepayments		**57**		58
Trade investments		**164**		164
Deferred tax asset		**760**		721
Retirement benefit pension surplus		**1,629**		1,990
		17,096		14,750
Current assets				
Stocks	**3,561**		4,032	
Trade and other receivables	**14,775**		15,917	
Overseas tax (denominated in Euros)	**19**		-	
Cash and cash equivalents	**24,986**		25,709	
	43,341		45,658	
Current liabilities				
Trade and other payables	**(9,696)**		(10,143)	
Current tax liabilities	**(1,689)**		(2,274)	
Bank loans	**(6,000)**		(6,000)	
Obligations under finance leases	**(203)**		(203)	
Provisions	**(13)**		(13)	
Derivative financial instruments	**-**		(7)	
	(17,601)		(18,640)	
Net current assets		**25,740**		27,018
Total assets less current liabilities		**42,836**		41,768
Non-current liabilities				
Bank loans	**(8,000)**		(14,000)	
Obligations under finance leases	**(395)**		(553)	
Provisions	**(34)**		(47)	
Derivative financial instruments	**(23)**		(41)	

	2011	2010
	(8,452)	(14,641)
Net assets	**34,384**	27,127
Equity		
Called-up share capital	**427**	431
Share premium	**13**	-
Retained earnings	**31,035**	23,607
Translation reserve	**2,658**	2,842
Other reserves	**241**	237
Surplus attributable to equity holders of the parent	**34,374**	27,117
Minority interest	**10**	10
Total equity	**34,384**	27,127

Andrews Sykes Group plc
Consolidated Cash Flow Statement
For the 12 months ended 31 December 2011

	12 months ended 31 December 2011 £'000	12 months ended 31 December 2010 £'000
Cash flows from operating activities		
Cash generated from operations	**15,766**	17,763
Interest paid	**(385)**	(503)
Net UK corporation tax paid	**(3,191)**	(2,113)
Withholding tax paid	**-**	(119)
Overseas tax paid	**(584)**	(1,165)
Net cash flow from operating activities	**11,606**	13,863
Investing activities		
Dividends received from participating interests (trade investments)	-	400
Movements in ring fenced bank deposit accounts	-	9,000
Sales of assets held for sale	-	390
Sale of plant and equipment	**4,221**	643
Purchase of property, plant and equipment	**(6,582)**	(1,745)
Interest received	**311**	168
Net cash flow from investing activities	**(2,050)**	8,856
Financing activities		
Loan repayments	**(6,000)**	(9,000)
Finance lease capital repayments	**(158)**	(263)
Equity dividends paid	**(2,818)**	(4,800)
Purchase of own shares	**(1,121)**	(1,184)
Issue of new shares	**13**	-
Net cash flow from financing activities	**(10,084)**	(15,247)
Net (decrease) / increase in cash and cash equivalents	**(528)**	7,472
Cash and cash equivalents at the beginning of the period	**25,709**	18,150
Effect of foreign exchange rate changes	**(195)**	87
Cash and cash equivalents at end of the period	**24,986**	25,709

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

	2011	2010
Net (decrease) / increase in cash and cash equivalents	**(528)**	7,472
Cash outflow from the decrease in debt	**6,158**	9,263
Movements in ring fenced bank deposit accounts	**-**	(9,000)
Non-cash movements in respect of new finance leases	**-**	(116)
Non-cash movements in the fair value of derivative instruments	**25**	7
Movement in net funds / (debt) during the period	**5,655**	7,626
Opening net funds / (debt) at the beginning of the period	**4,905**	(2,808)
Effect of foreign exchange rate changes	**(195)**	87
Closing net funds at the end of the period	**10,365**	4,905

Andrews Sykes Group plc
Consolidated Statement of Changes in Equity
For the 12 months ended 31 December 2011

	Attributable to equity holders of the parent company						Minority interest	Total equity
	Share capital £'000	Share premium £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000	£'000	£'000
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 / (charges):								
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 / (charges)	-	-	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
Profit for the financial period	**-**	**-**	**11,566**	**-**	**-**	**11,566**	**-**	**11,566**
Other comprehensive charges:								
Currency translation differences on foreign currency net investments	**-**	**-**	**-**	**(184)**	**-**	**(184)**	**-**	**(184)**
Defined benefit plan actuarial gains and losses net of tax	**-**	**-**	**(375)**	**-**	**-**	**(375)**	**-**	**(375)**
Total other comprehensive charges	**-**	**-**	**(375)**	**(184)**	**-**	**(559)**	**-**	**(559)**
Transactions with owners recorded directly in equity:								
Purchase of own shares	**(4)**	**-**	**(945)**	**-**	**4**	**(945)**	**-**	**(945)**
Issue of shares	**-**	**13**	**-**	**-**	**-**	**13**	**-**	**13**
Dividends paid	**-**	**-**	**(2,818)**	**-**	**-**	**(2,818)**	**-**	**(2,818)**
Total transactions with owners	**(4)**	**13**	**(3,763)**	**-**	**4**	**(3,750)**	**-**	**(3,750)**
At 31 December 2011	**427**	**13**	**31,035**	**2,658**	**241**	**34,374**	**10**	**34,384**

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 2011 or 31 December 2010 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 £14 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 2011 amounted to £25.0 million. Net funds at 31 December 2011 were £10.4 million. Profit and cash flow projections for 2012 and 2013, 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 16 May 2012 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 2010 have been delivered to the Registrar of Companies and those for the 12 months ended 31 December 2011 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 12th June 2012 at Floor 5, 10 Bruton Street, London, W1J 6PX.