ANDREWS SYKES GROUP PLC

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

SYKES PUMPS
ANDREWS AIR CONDITIONING
ANDREWS HEAT FOR HIRE
ANDREWS CHILLERS
ANDREWS BOILERS

A THRIVING BUSINESS IN A DYNAMIC SECTOR

CONTENTS

SUMMARY OF RESULTS

	12 MONTHS ENDED 31 December 2008 £'000	12 MONTHS ENDED 29 December 2007* £'000
Revenue from continuing operations	**67,394**	57,846
EBITDA** from continuing operations	**22,002**	18,588
Normalised operating profit***	**17,924**	14,599
Profit for the financial period	**11,056**	8,549
Basic earnings per share from continuing operations	**24.85p**	19.19p
Dividend paid per equity share	**33.60p**	–
Net cash inflow from operating activities	**10,589**	7,482
Total dividends paid	**14,970**	–
Net debt	**16,928**	12,344

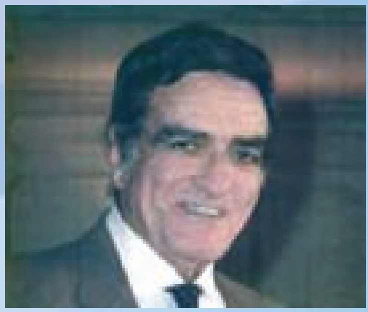
* Foreign exchange differences on inter-company loans have been re-categorised from administration expenses to finance costs as set out in note 7.

** Earnings Before Interest, Taxation, Depreciation, profit on sale of fixed assets, Amortisation, impairment charges and non-recurring costs as reconciled on the consolidated income statement.

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

CHAIRMAN'S STATEMENT

OVERVIEW AND FINANCIAL HIGHLIGHTS



THE GROUP ACHIEVED A NORMALISED OPERATING PROFIT* OF £17.9 MILLION FOR 2008 WHICH COMPARES WITH £14.6 MILLION LAST YEAR, AN INCREASE OF OVER 22%

This is another record for our group, beating the previous best of £15. 7 million in 2006 by £2.2 million. This is an extremely creditable performance and management must be congratulated on this achievement.

This result highlights the fact that the group is now less weather dependent than ever before. It has been our strategy for some time to move away from this dependency and our group now has a diverse range of income streams thereby providing a solid base of revenue underpinning the business. This, combined with our ongoing strict cost control policy, ensures that we are able to deliver satisfactory results even in the face of less than favourable climatic conditions.

Our main trading subsidiary, Andrews Sykes Hire had a very successful year producing a record operating profit result despite a difficult summer period. It continues to expand its business in non-seasonal hire markets, particularly through its specialist hire division. It has continued to expand its presence in niche markets and these non-traditional businesses operate without undue influence from seasonal weather patterns.

We continue to support and develop our traditional business roots. The pumping division once again provided strong growth throughout the year with new contracts being signed with major national contractors and non-construction related end users. We will continue to invest more in this business, as well as in our profitable air conditioning and heating hire divisions, in order that we are well placed to satisfy our customers' demands whenever they arise.

Our operation based in the UAE, Khansaheb Sykes LLC, produced an operating profit in excess of 20 million UAE Dirhams, more than four times the level achieved in 2007. Applying the 2008 exchange rates, this equates to approximately £2.9 million and is therefore a significant contribution to the group's overall performance. This performance is largely due to new local management that took charge during 2007 and the subsequent development of the business that took place under their charge.

Our operations in Northern Europe also performed well with our subsidiary in The Netherlands achieving an operating profit of €2.9 million, an increase of 11.3% compared with 2007. This was also a new record for this company.

The only disappointment was our air conditioning installation business in the UK, Andrews Air Conditioning and Refrigeration, that reported a small operating loss for the year. However, management are taking the opportunity to reduce costs and streamline the business making it ready to take advantage of any upturns in the market when they arise.

A more detailed review of this year's performance is given in the Operations Review and Financial Review within the Directors' Report. In summary 2008 was a very good year for our group and we are in a strong position to face the challenges that 2009 will inevitably present.

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

DIVIDEND AND PENSION SCHEME PAYMENTS

During the first half of the year two interim dividends were paid that in total amounted to £15 million. Clearance was obtained from both the pensions regulator and the pension scheme trustees and as part of this process a special one-off payment of £1.7 million was made to the pension scheme. These payments were in part funded by an increase in borrowings of £10 million.

NET DEBT

Mainly due to the above dividend and pension scheme payments, net debt has increased by £4.6 million from £12.3 million to £16.9 million this year. This is after the following significant cash outflows:

	£m
Equity dividends	**15.0**
Capital expenditure net of disposal proceeds	**4.1**
Regular and non-recurring pension scheme payments	**3.2**
Corporation tax payments	**2.5**
Interest payments	**2.5**
Total	**27.3**

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. During the year under review the company purchased 284,500 of its own one pence ordinary shares for cancellation at a cost of £258,620. This purchase 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 successful in 2008 and will therefore be continued into 2009.

The board believes that 2009 will be a difficult year as the worldwide economic downturn continues to depress the markets within which the group operates. However, the group is financially strong, it is continuing to generate both good levels of profits and positive cash flows and therefore it will be well placed to take advantage of any upturns in the market, whenever that might be.

JG Murray Chairman

17 June 2009

DIRECTORS' REPORT

OPERATIONS REVIEW

OVERVIEW

The group's normalised operating profit* from continuing operations this year was £17.9 million compared with £14.6 million in 2007. This represents another record performance for the group, which was driven once again by very strong performances by our pumping, heating and specialist hire activities in the UK, together with record results from our subsidiaries in the Netherlands and the UAE.

NORMALISED OPERATING PROFIT

The following table summarises revenue and normalised operating profit split between the first and second half year periods:

Continuing operations	Revenue £m	Normalised Operating Profit** £m
First half 2008	**33.9**	**8.5**
First half 2007	27.2	5.7
Second half 2008	**33.5**	**9.4**
Second half 2007	30.6	8.9
Total 2008	**67.4**	**17.9**
Total 2007	57.8	14.6

ANDREWS SYKES GROUP PLC

The main UK trading subsidiary Andrews Sykes Hire Limited had a very successful year, producing a new record operating profit result despite a difficult summer period. This company had an excellent start to the year benefiting from the cold and wet weather in the UK throughout the early part of 2008, the business responded to this opportunity and produced significant growth for our heating, pumping and boiler hire products. Taking the year as a whole, turnover increased by 5.0% to £44.4 million resulting in an operating profit of £13.7 million, which was up by 7.4 % when compared with 2007. For the second consecutive year the low summer temperatures adversely affected our air conditioning hire and sales activities, although once again pump hire benefited from the continued wet weather. This overall performance has further underlined the strong business strategies implemented by management during the past few years to develop the business without the reliance for very hot or very cold weather conditions.

ANDREWS HEAT FOR HIRE

Our heating hire division had a good start to the year, whilst the cold weather drove overall volume upwards, the business continued to develop new applications in new sectors. With applications as diverse as construction, petro-chemical, health sector and hospitality events, this division offers specialist skills and expertise to help customers overcome a wide range of temperature control requirements. During the year we have continued to invest in new units for our hire fleet, with a focus on fuel economy and environmentally improved designs. The heater fleet is in excellent condition with modern units and high levels of availability, which is further supported by a wide and diverse range of accessories and complementary products. As the year came to an end further investments were made which strengthened the heater hire fleet in readiness for the cold start to 2009.

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

** Operating profit before non-recurring items as reconciled on the consolidated income statement. 2007 operating profit has been restated for the re-categorisation of foreign exchange differences on inter-company loans as set out in note 7 to the financial statements.

SYKES PUMPS

Following on from an excellent result in 2007, the pumping division once again provided strong growth throughout the year benefiting from the high level of rainfall throughout the UK in the early part of the year. However the majority of the growth can once again be attributed to the ongoing sales focus, which was first established three years ago. During 2008 new contracts were gained from major national contractors and non-construction pump users, these will continue to provide a level of business throughout the next three years. This focus further supports our management strategy to provide sustainable revenue without being totally reliant on the weather conditions.

Substantial investment was made once again in our pump hire fleet throughout 2008; this continues to raise the profile of our pumping equipment and reduces the average age of the hire fleet. The investment focused on the environmentally improved super silenced units and electric submersible pumps, the demand for these units remained particularly high throughout the year. To support our growth into new niche markets, further investments were made to provide our customers with a range of hydraulic submersible pumps and explosion proof units for hazardous applications.

Pump sales also performed well in 2008, with a large number of new units being sold both in the UK and to overseas customers, this produced record manufacturing levels for the pumps that we build.

ANDREWS AIR CONDITIONING

Although the summer weather was very poor and adversely affected the revenue results, the air conditioning hire division continued to make significant progress throughout the year. Our focus on less weather related applications produced good results that will continue into 2009 on the back of new national agreements. Despite a downturn in the second half, we continued with our hire fleet investment programme to ensure that our range remains modern and also reducing the average age profile. Several new models were added to the fleet in 2008, this supported specialist applications and new sector requirements. During the year our product specialists developed some exciting new models in readiness for a market launch ahead of the 2009 summer season.

Our website was further developed throughout the year which has provided excellent results. New features now include online chat, easy to use product selection tools and also the opportunity to place orders online.

Our drying products produced a positive result for the year considering we did not enjoy the high levels of flood recovery work that we had in previous years. Our hire fleet includes both refrigerant and desiccant dehumidifiers, which can be used for a wide range of diverse applications. In 2008 the domestic flood relief revenue was down on the previous year, but we continued to develop the more specialist applications supplying dehumidification solutions to manufacturing, industrial and marine sectors.

DIRECTORS' REPORT

OPERATIONS REVIEW (CONTINUED)

ANDREWS CHILLERS

Similar to the air conditioning hire business, the comfort cooling market for our chiller division was adversely affected by the poor weather during the summer. However the more specialist applications continue to flourish and grow. Our larger capacity units produced successful results with applications ranging from auxiliary cooling for food production, through to temporary ice rinks. Our service team continued to grow during the year both in terms of number and capability; this allows the Andrews chiller division to provide our customers with an exceptionally high level of response for both planned and emergency requirements. Our specialist sales team was also further developed in the year; this ensures that our customers are provided with technical advice and solutions to their temporary temperature control requirements, fast and throughout the whole of the UK.

By combining other Andrews Sykes products with chiller units, we have also been able to supply large packaged solutions to niche applications, where we offer a total climate control solution including heating, cooling and humidity control.

ANDREWS BOILERS

The boiler hire division provided a high level of success throughout the year, very much continuing the success, which we have had with this growth product during the last three years. Once again we have made significant investment in the range, which now starts from a small portable 22kw electric boiler and extends up to 500kw oil or gas fuelled containerised units capable of heating large buildings. Through new marketing initiatives we have established new applications for our boilers in many different industries including construction, health and commercial sectors. Our units have been specially adapted to provide both hot water and heating simultaneously which makes them a very popular solution for large accommodation buildings during times of plant maintenance or failure. Utilisation remained high throughout the summer months and continued to increase into 2009.

QUALITY AND ENVIRONMENTAL

Following our ISO14001 accreditation in 2007, the company has committed to year on year improvements in our environmental policy whilst providing our customers with a unique and superior solution to their applications. This is further supported by a continued commitment within our engineering team, which has improved the quality and general standards of our equipment before it goes on hire. This has also increased the availability of our hire fleet to ensure customers receive a rapid response, both for the delivery of equipment and also service backup.

HEALTH AND SAFETY

The company has continued with its commitment to an ongoing Health and Safety improvement programme, this provides our staff with a safe environment in which to work and provides our customers with solutions that have been risk assessed. This initiative is further enhanced by training, induction and awareness programmes for all levels of staff.

OUR PEOPLE

During the year new investments were made to improve staff development within the group. This will continue with new training courses in all aspects of our business. Our aim is to improve the skills of our people and increase staff retention by having clear promotion opportunities. This will provide a positive impact for future years.

OUR DEPOTS

Throughout the year a number of property improvements were made in both our existing and new locations, this was very well demonstrated by our new Birmingham depot, which has set the benchmark for future depot facilities within the Andrews Sykes Group.

TECHNOLOGY

Our IT systems are continually being improved and developed to enable fast and concise management information to be provided to the business. This was reinforced in 2008 when the company started work on a new Wide Area Network and telephony system which will cover our entire UK depot network, sales offices and head office. This significant investment will provide long term savings and future proof our internal communication systems.

SUMMARY

Andrews Sykes Hire will continue to concentrate on its core product range of pumping, heating and cooling equipment, whilst focusing on markets that are less reliant on climatic conditions, but still being able to take advantage of any extremes of weather conditions whenever they arise. This was clearly demonstrated in 2008 by a record profit performance despite some unfavourable weather conditions. Our hire fleet investment will continue to focus on products that have increased efficiency, environmental advantages and new technological developments. At the same time the business will also control its cost base to ensure that satisfactory levels of profits can be achieved even when we experience unfavourable weather conditions.

ANDREWS AIR CONDITIONING & REFRIGERATION

Andrews Air Conditioning and Refrigeration is our fixed air conditioning service, maintenance and installation business. This subsidiary employs around 50 staff and offers a specialist service to our customers who have permanently installed air conditioning systems. Serving over 4,000 customers with service contracts for close to 90,000 units, this business continues to reshape in line with market conditions. In 2008 the business made a small operating loss, this was mainly caused by a significant reduction in new installation projects starting, which was partly due to the low summer temperatures. As the year came to an end we continued with a detailed review of the business with the objectives of reducing fixed costs, improving efficiency and thereby increasing profitability. A new senior management appointment has been made in the first half of 2009 with the aim of managing an improvement in these areas during forthcoming years. The changes made in 2008 along with the efficiency improvements means that the company is well placed to maximise any opportunities that arise from a hot summer and new environmental legislation.

DIRECTORS' REPORT

OPERATIONS REVIEW (CONTINUED)

ANDREWS SYKES BV

Our business in The Netherlands, Andrews Sykes BV, started the year in a very similar way to the UK hire business, the cold wet start to the year helped produce an excellent performance for the first half. This was driven by high levels of heater hire activity and was further complemented by strong performances from fuel sales and hire related revenues. The second half was less successful with the poor summer temperatures having an extended effect on the air conditioning sector across Europe. Despite these difficult conditions the business provided improvements from chiller and boiler revenues, the air conditioning hire also performed surprisingly well from non-weather related projects, which has been the focus for a number of years. Overall the subsidiary produced an excellent result with a record level of profit for the year. Compared to 2007, turnover increased by 11.3% resulting in an operating profit of €2.9 m, this is an improvement of 12.1% on the previous year. The Netherlands business now consists of three very successful depots based close to the major cities of Rotterdam, Amsterdam and Eindhoven, providing a true national coverage throughout Holland. During the year significant investments were made in our IT systems to allow a fully integrated hire management system to be installed in all locations. Significant improvements were made to our Dutch website during the year and this now produces a highly successful and regular source of customer enquiries.

ANDREWS SYKES BVBA

Our Belgian subsidiary was opened in 2007. Based in Brussels it continues the growth of the Andrews Sykes Group throughout the Benelux region. The business is closely linked to and supported by our Dutch company. Local management is also further enhanced by the experience of our strong Dutch team. The success of this new venture has been slow but strong signs of future growth have been clearly evident throughout the year. Although the subsidiary made a trading loss in 2008, revenue increased substantially when compared with 2007. The company had a disappointing summer performance for air conditioning hire, which was very much due to the poor summer across Central Europe, however we are now seeing good success from other product lines including heaters, boilers and chillers. Once again our website, which is in both Flemish and French languages, continues to improve as the business grows.

خانصاحب سايكس Khansaheb Sykes

Khansaheb Sykes is our long established dewatering and pump hire business, which is based in the United Arab Emirates. With locations in Sharjah, Dubai and Abu Dhabi the business is well positioned to capitalise on the local construction activity as well as the diverse and strong infrastructure projects across the region. Khansaheb Sykes produced an exceptional performance in 2008. When compared to the previous year, revenue increased by 129% and operating profit more than quadrupled to over 20 million UAE Dirhams. The senior management changes made towards the end of 2007 have taken this business into new levels of activity. In addition to standard pump hire, this company now undertakes major dewatering projects on some of the most prestigious and demanding sites. Our local expertise and reputation enables us to win turnkey contracts ahead of the competition. Throughout 2008 the business made significant investments in terms of hire fleet growth, with the number of diesel pumps increasing by 20% and submersible pumps almost doubling in number. To keep in line with this increase in activity our staff numbers increased by more than 30% during the year. The business continued to invest in our IT systems and this is demonstrated by the introduction of the new multi site integrated hire system and the continual development of our website. Sales of new units were also very strong in 2008; supported by the UK manufacturing and technical resource the company produced a record level of sales revenue. These sales extended throughout the Middle East and we will continue to explore these territories in association with our agents for both sales and hire opportunities.

RENTACOOL LLC

Despite encouraging prospects at the beginning of 2008, this low cost operation based in Miami continued to make small operating losses during the majority of 2008. The Board took the view that due to the significant downturn in the USA this was not the right time to attempt to establish a new business operation and therefore decided to close the company as at 31 December 2008. The loss on closure was approximately £0.1 million and this has been fully absorbed into the operating profit result for 2008.

SUMMARY

2008 proved to be a successful year for the Andrews Sykes Group, with Andrews Sykes Hire in the UK, Andrews Sykes BV in The Netherlands and Khansaheb Sykes in the UAE all achieving record results.

After a very good first half performance, the second half proved to be more challenging. The poor summer weather adversely affected our hire results for cooling products and the downturn in construction towards the end of the year also had an effect. With the worldwide economic downturn continuing through next year, 2009 is likely to be a challenging year for the business.

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 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 (KPI)

THE KPIS ARE AS FOLLOWS:

	12 MONTHS ENDED 31 December 2008	12 MONTHS ENDED 29 December 2007*
Average revenue per employee	**£136,000**	£120,000
Operating cash flow(1) as a percentage of operating assets(1) employed	**63.6%**	67.9%
Operating profit divided by net interest charge(2)	**10.2**	12.4
Basic EPS from continuing operations (pence)	**24.85p**	19.19p

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 and cash.

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

* Foreign exchange differences on inter-company loans have been re-categorised from administration expenses to finance costs as set out in note 7.

The average revenue per employee and the operating cash flow as a percentage of operating assets employed are indicative ratios used to monitor the revenue generation of the group relative to its fixed resources. The high ratios achieved in both periods demonstrate a high level of efficiency and hence profitability.

Operating profit divided by the net interest charge demonstrates the ability of the group to cover its external financing charges. The high ratios achieved in both periods indicate that the group is well able to service its external debt which is crucial in the current economic environment.

The basic earnings per share 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.

NORMALISED OPERATING PROFIT

The consolidated normalised operating profit (operating profit excluding non-recurring items as reconciled on the face of the income statement) was £17.9 million for the period under review, an increase of £3.3 million compared with 2007. This is the best result in the group's history beating the previous record, achieved in 2006, which benefited from an unusually hot summer, by approximately £2.2 million. More details of this result are given in the operations review but it reflects an exceptionally strong performance from our overseas operation in the Middle East as well as record performances from our hire and sales businesses in the UK and The Netherlands. These results demonstrate the underlying strength and diversification of our business which, thanks to our combined strategies of developing our less weather dependent niche market activities and ongoing cost control, has the ability to generate a satisfactory level of operating profit whatever the weather conditions.

NON-RECURRING ITEMS
PROFIT ON THE SALE OF PROPERTY

Services previously provided from the old Birmingham depot, a small hire centre in Wolverhampton and a depot in Coventry were centralised in new premises in Birmingham, thereby leading to efficiency savings enhanced by the depot's central location near to the motorway network. All employees that were previously based at the other locations were successfully relocated to the new depot without any redundancies. Services provided to customers were improved due to the modern and efficient operating environment and central location.

Following the above relocation, the old Birmingham freehold premises were sold generating a net profit of £515,000. This, together with a profit of £44,000 arising on the termination of a property lease, has been disclosed as a non-recurring item on the face of the income statement. The remaining two properties, which are now surplus to the group's requirements, are being actively marketed. They are included within assets held for sale as at 31 December 2008 as set out in note 24 to the financial statements.

PENSION CURTAILMENT CHARGE

Last year every member of the Andrews Sykes Group Defined Benefit Pension Scheme was given the opportunity of transferring their accrued rights to an independent pension provider of their choice. The financial effects of this transaction were fully detailed in the 2007 Annual Report and Financial Statements but, in summary, it resulted in a net charge in the income statement of £911,000 which has been disclosed as a non-recurring item in the comparative figures.

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)

NET INTEREST CHARGE

The net interest charge for the current period is £3,106,000 compared with £1,519,000 in 2007.
This can be analysed as follows:

	12 MONTHS ENDED 31 December 2008 £'000	12 MONTHS ENDED 29 December 2007 £'000
Net interest charge on external borrowing including fair value adjustments on interest rate caps	**1,644**	1,142
Foreign exchange losses on inter-company loans	**1,300**	415
Net IAS 19 pension interest charge / (income)	**162**	(38)
Total net interest charge	**3,106**	1,519

The increase in the net interest charge on external borrowings reflects (i) an increase of £10 million in the external bank loans in May 2008 from £24 million to £34 million; (ii) an increase in the weighted average interest rate from 6.15% last year to 6.70% in the current period and (iii) a decline in interest receivable on in hand bank balances towards the end of the period under review.

The group's strategy is still to hold interest rate caps 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 36 to the consolidated financial statements.

Foreign exchange losses on inter-company loans have been included within the net interest charge this year as this presentation is considered to reflect more accurately the nature of the transaction. Comparative figures have been restated accordingly. There is a significant charge in the period under review due to the weakening of Sterling against both the UAE Dirham and the Euro.

The net IAS 19 pension interest charge has been calculated by the group's actuary, KPMG, based on the assumptions as set out in note 31 to the financial statements.

TAX ON PROFIT ON ORDINARY ACTIVITIES

The group's overall effective tax rate is 28.1% which is slightly below the standard effective tax rate in the UK for the current year of 28.5%. This is mainly attributable to the capital gain on the disposal of freehold property that will be covered by indexation allowances and off balance sheet capital losses. This positive effect is partially offset by expenses not deductible for tax purposes in the UK.

A reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by 28.5% and the actual current tax charge is given in note 12 to the consolidated financial statements.

EARNINGS PER SHARE

The basic earnings per share from continuing and total operations is 24.85 pence this year compared with 19.19 pence last year. The share buy back during the period increased the EPS by 0.03 pence. This is a very creditable performance, reflecting the strong operating result, and is the group's highest EPS on record. Based on the year end mid-market share price of 84 pence, this gives an exceptionally low P/E ratio of 3.38.

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 2008 £m	12 MONTHS ENDED 29 December 2007* £m
Operating profit	**18.5**	13.7
Profit on the sale of property	**(0.6)**	–
Pension curtailment income statement charge	**–**	0.9
Depreciation and profit on the sale of plant and equipment	**4.1**	4.0
EBITDA**	**22.0**	18.6
Costs of pension curtailment offer	**–**	(4.3)
Ongoing defined benefit pension scheme contributions	**(1.5)**	(1.5)
Special one off defined benefit pension scheme contribution	**(1.7)**	–
Interest paid less received	**(2.5)**	(1.1)
Tax paid	**(2.5)**	(3.0)
Net working capital movements	**(3.2)**	(1.2)
Net cash inflow from operating activities	**10.6**	7.5

* Foreign exchange differences on inter-company loans have been re-categorised from administration expenses to finance costs as set out in note 7.

** Earnings Before Interest, Taxation, Depreciation, profit on the sale of fixed assets, Amortisation, impairment charges and non-recurring costs as reconciled on the consolidated income statement.

The group continues to generate strong operating cash flows.

DIRECTORS' REPORT

FINANCIAL REVIEW (CONTINUED)

During both the current and previous periods the group made a significant level of regular payments to the defined benefit pension scheme and these are discussed in more detail on pages 16 and 17.

NET DEBT

The group's net debt increased from £12.3 million at 1 January 2008 to £16.9 million by the period end. The movement can be reconciled as follows:

	£m
Opening net debt	12.3
Significant inflows:	
Cash inflow from operating activities	(10.6)
Sale of property	(0.7)
Effect of foreign exchange rate changes	(2.7)
Other factors	(0.5)
Significant outflows:	
Capital expenditure net of plant and equipment disposal proceeds	4.1
Equity dividends paid	15.0
Closing net debt	**16.9**
Comprises:	
Bank loans	34.0
Finance lease obligations	1.0
Derivative financial instruments – Interest rate caps	0.1
Cash at bank	(18.2)
Total net debt	**16.9**

The bank loan repayment profile is set out in note 27 to the financial statements. Interest is charged based on LIBOR plus a margin of between 0.65% and 1.25%.

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 external bank loans of £34 million and has, with the exception of the guarantor covenant discussed below, 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 which has been confirmed as being appropriate as at 31 December 2008 by the bank.

At the year end the group did breach the guarantor group covenant which specifies that 80% of turnover and operating profit must be generated by the guarantor group, which excludes our overseas operations in the UAE and The Netherlands. This was primarily due to the extremely good performance of our business in the UAE, as discussed in the operations review. The bank have, however, waived the breach and subsequent to the year end the Netherlands operations have been included in the guarantor group for covenant purposes.

In addition to the loans the group has substantial cash resources which at 31 December 2008 amounted to £18.2 million. Profit and cash flow projections for 2009 and the first half of 2010, 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. In addition the group has an agreed unused overdraft facility of £2 million. The group's forecasts and projections, taking account of reasonably possible change in trading performance, and the measures reasonably available to the group, 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 together with a diverse base of operations across different geographical areas and industries. 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.

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. We undertake market research and customer satisfaction studies to ensure that our products and services continue to meet the needs of our customers.

In order to remain competitive management recognises the need to invest in appropriate IT equipment and software. Consequently the communication network, website and data capture systems are all being constantly reviewed and updated to ensure they remain at the forefront of industry standards. The group is currently replacing the telecommunication system for its UK based operations and this will be completed during 2009.

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 36 to the consolidated financial statements are:

- Interest rate risk
- Foreign exchange risk
- Credit risk
- Funding and liquidity

PENSION SCHEME SURPLUS

As set out in note 31 to the consolidated financial statements, as at 31 December 2008 the pension scheme assets were £26.4 million which, after deducting the present value of the pension scheme liabilities of £26.1 million, calculated in accordance with IAS 19, results in a small pre tax surplus of £0.3 million. This asset has not been recognised in these financial statements due to the uncertainty of its recoverability in future periods. This is due to the scheme being closed and the group not having an unconditional right to a refund of surplus contributions.

Although the net surplus compares favourably with last year's pre tax deficit of £1.2 million, 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 market conditions, and therefore this area continues to be a high priority.

ANDREWS SYKES GROUP PENSION SCHEMES

DEFINED BENEFIT PENSION SCHEME

The group had for many years operated a defined benefit pension scheme for the benefit of the majority of its UK employees. This scheme provided a pension based on the employee's final salary and length of service.

The board reviewed the appropriateness of the scheme taking into account the interests of both the employees and the shareholders. Accordingly, to minimise the impact on the group's results in the future and with the agreement of the trustees, the scheme was closed to new entrants on 31 December 2002. Existing members are no longer eligible to make future 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 the actuary to 31 December 2008. The net surplus at the year end amounted to £0.3 million before deferred tax but this has not been recognised in these financial statements due to uncertainty of its recoverability in future periods.

The assumptions used by the actuary to calculate the deficit together with additional disclosures required by IAS 19, are set out in note 31 to the financial statements. In summary, during the year the overall gross deficit has decreased from £1.2 million to a net surplus of £0.3 million as follows:

	£m
Opening IAS 19 deficit	(1.2)
Contributions paid by the group into the scheme – normal	1.5
Contributions paid by the group into the scheme – non-recurring	1.7
Actuarial loss on scheme assets	(2.7)
Actuarial gain on scheme liabilities	1.2
Net finance charges	(0.2)
Closing surplus calculated by the scheme actuary	**0.3**
Asset not recognised due to uncertainty over future recoverability	(0.3)
Closing IAS 19 surplus reflected in the accounts	**–**

Contributions are continuing to be made in accordance with the agreed schedule of contributions of £125,000 per month until December 2009. To protect the shareholders in the event that these contributions are not ultimately required by the pension scheme and to facilitate a subsequent repayment to the group, the directors and the pension scheme trustees are drafting an agreement to provide that monies may be paid in the future into escrow. The balance on the escrow account will be reviewed at the date of each full actuarial valuation and will then be either (i) transferred to the pension scheme; (ii) held in escrow until the next valuation date or (iii) repaid to the company dependent upon the results of this valuation.

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 4.9%. 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 THE GROUP SHAREHOLDERS' FUNDS

Group shareholders' funds have decreased from £13.5 million at the beginning of the period to £12.3 million at 31 December 2008. The movement can be reconciled as follows:

	£m
Opening surplus attributable to equity shareholders of the parent	13.5
Profit for the financial period	11.1
Equity dividends declared and paid	(15.0)
Purchase of own shares	(0.2)
IAS 19 actuarial losses net of deferred tax	(1.3)
Currency translation differences on foreign currency net investments	4.2
Closing shareholders' funds	**12.3**

As part of the group's strategy of continuing to return value to shareholders wherever possible, the directors declared two interim dividends during the year. Full details of these dividend payments are given in note 39 to the consolidated financial statements. In total £14,970,000, which equates to 33.60 pence per ordinary share, has been returned to shareholders.

The above dividends were financed partly by new bank loans of £34 million. These loans were drawn down in May 2008 when the previous loans of £24 million were repaid. The interest rates and covenants are similar to the previous loan agreements and interest rate caps continue to be held for the majority of the loans to limit the group's exposure to increases in LIBOR.

Prior to agreeing to declare the above dividends, the board consulted with both the trustees of the Andrews Sykes Group Defined Benefit Pension Scheme and the Pensions Regulator. As a consequence it was agreed to make an additional one-off payment of £1.7 million into the pension scheme to further reduce the funding deficit. In addition, the current monthly contribution rate of £125,000 continued throughout 2008 and therefore the total amount paid into the pension scheme during the period under review amounted to £3.2 million. The Pensions Regulator issued a clearance statement under section 42 of the Pensions Act on 17 April 2008.

SHARE BUYBACK PROGRAMME

During the current year the company purchased 284,500 ordinary one pence shares for cancellation for a total consideration of £258,620 under the general authority granted to it at the last Annual General Meeting. The purchases were made through the open market regulated by the London Stock Exchange. The purchase enhanced earnings per share.

It is the group's strategy to continue to have the ability to follow the share repurchase programme providing the necessary cash flows are available. Shares will only be bought back for cancellation providing they enhance earnings per share. 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.

Details of interim dividends declared for the current financial period are given in the financial review and in note 39 of the consolidated financial statements. No interim dividends were declared in the previous period and the directors do not recommend the payment of a final dividend.

DIRECTORS

The directors in office at 17 June 2009 are shown on page 22.

On 29 February 2008 the board appointed Mr RC King as non-executive director and his appointment was ratified at the 85th AGM held on 11 June 2008. Also on 29 February 2008 Mr JL Simmonds resigned as a non-executive director.

On 14 August 2008 the board appointed Mr JP Murray as non-executive director. In accordance with the Articles of Association Mr JP Murray, being appointed to the board subsequent to the last AGM, will retire and being eligible will offer himself for re-election at the forthcoming AGM.

Also in accordance with the Articles of Association, Messrs JC Pillois, JJ Murray and EDOA Sebag retire by rotation and being eligible will offer themselves for re-election at the forthcoming AGM.

DIRECTORS' INTERESTS

Other than the beneficial interests disclosed below, no director in office at 31 December 2008 had any disclosable interest in share capital of the company or any subsidiary undertaking.

	Ordinary one pence shares	
	At 31 December 2008	At 29 December 2007
JG Murray	1,310,156	37,707,369
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 2008 and 17 June 2009.

SUBSTANTIAL SHAREHOLDINGS

At 17 June 2009 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	82.17%

DIRECTORS' SHARE OPTIONS

None of the directors in office at 31 December 2008 held any options to subscribe for ordinary shares at either 31 December 2008 or 29 December 2007. There have been no changes in the directors' share options during the period from 31 December 2008 to 17 June 2009.

The mid-market price of the company's ordinary shares on 31 December 2008 was 84 pence. The highest and lowest mid-market prices during the 12 months ended 31 December 2008 were 143 pence and 75 pence respectively.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONTINUED)

HEALTH, SAFETY AND THE ENVIRONMENT

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

EMPLOYMENT OF DISABLED PERSONS

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

EMPLOYEE INVOLVEMENT

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

PAYMENT TO SUPPLIERS

The group agrees payment terms with all suppliers when it enters into binding purchase contracts. The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not follow any standard or external code which deals specifically with the payment of suppliers. The group's average credit period taken for trade purchases is 49 days (29 December 2007: 49 days). The parent company, Andrews Sykes Group plc, has no trade creditors.

SPECIAL BUSINESS

Four resolutions are to be proposed at the Annual General Meeting as special business, resolutions 7 and 8 as ordinary resolutions and resolutions 9 and 10 as special resolutions.

Two resolutions, numbered 7 and 9, 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 £66,402 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 8 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 5,533,545 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.

Resolution number 10 proposes to amend the Articles of Association. If this resolution is passed, the board shall have the authority to approve that a director may hold additional directorships in other companies and that he or she shall not be required to pass confidential information that he or she may obtain by virtue of this position to this board. In addition, the board shall have the power to authorise a director's conflict of interest always providing that such authorisation shall only be effective if quorum requirements are met excluding the director in question.

PURCHASE OF OWN SHARES

During the year the company purchased 284,500 of its own ordinary one pence shares for cancellation for a total consideration of £258,620. Accordingly as at 17 June 2009 there remained outstanding general authority for the directors to purchase 5,284,608 ordinary one pence shares. The directors are seeking to renew the general authority in respect of 5,533,545 ordinary one pence shares as set out in resolution number 8.

FINANCIAL CALENDAR

The current financial year will end on 31 December 2009.

AUDITORS

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 the company's auditors in connection with preparing their report) of which the company's auditors are 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 the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008 Deloitte and Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the board.

JC Pillois French ACA
Finance Director
17 June 2009

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

DIRECTORS AND ADVISORS

Chairman

JG Murray
Age 89. Chairman of London Security plc, Nu Swift Limited and Ansul SA.
Mr Murray has a long successful history in the industrial services sector.

Executive Directors

PT Wood, Managing Director
Age 46. 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 52. 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 43. 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 73. Director of International Strategic Alliances Limited and certain other small private companies, non-executive director of London Security plc.

RC King
Age 61. Non-executive director of London Security plc, Renovco Inc and a partner at Facility Service Association LLC. Appointed a director on 29 February 2008.

MC Leon BS
Age 46. Non-executive director of London Security plc.

X Mignolet (HEC-Economics)
Age 45. Director of London Security plc.
Ansul S.A and Importe S.A.

JP Murray
Age 41. Non-executive director of London Security plc.
Appointed a director on 14 August 2008.

EDOA Sebag MBA
Age 41. 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 175912

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
Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

Bankers
Royal Bank of Scotland plc
National Westminster Bank plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANDREWS SYKES GROUP PLC

We have audited the group financial statements of Andrews Sykes Group plc for the 12 months ended 31 December 2008 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes 1 to 40. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Andrews Sykes Group plc for the 12 months ended 31 December 2008.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 AUDITORS

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the group financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited group financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

OPINION

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the 12 month period then ended;

- the group financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the group financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom

17 June 2009

CONSOLIDATED INCOME STATEMENT

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

		Note	**12 months ended 31 December 2008 £'000**	12 months ended 29 December 2007* £'000
Continuing operations				
Revenue		4	**67,394**	57,846
Cost of sales			**(30,523)**	(25,816)
Gross profit			**36,871**	32,030
Distribution costs			**(10,144)**	(9,751)
Administrative expenses	– Recurring		**(8,803)**	(7,680)
	– Non-recurring	9	**559**	(911)
	– Total		**(8,244)**	(8,591)
Operating profit			**18,483**	13,688
EBITDA**			**22,002**	18,588
Depreciation and impairment losses			**(4,827)**	(4,463)
Profit on the sale of plant and equipment			**749**	474
Normalised operating profit			**17,924**	14,599
Profit on the sale of property		9	**559**	–
Pension curtailment charge		9	**–**	(911)
Operating profit			**18,483**	13,688
Income from other participating interests		18	**–**	209
Finance income		6	**673**	624
Finance costs		7	**(3,779)**	(2,143)
Profit before taxation		9	**15,377**	12,378
Taxation		12	**(4,321)**	(3,829)
Profit for the financial period			**11,056**	8,549

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

	Note	2008	2007
Earnings per share from continuing and total operations			
Basic (pence)	13	**24.85p**	19.19p
Diluted (pence)	13	**24.85p**	19.19p
Dividends paid per equity share (pence)	39	**33.60p**	–

* Foreign exchange differences on inter-company loans have been re-categorised from administration expenses to finance costs as set out in note 7.

** Earnings Before Interest, Taxation, Depreciation, profit on the sale of fixed assets, Amortisation, impairment provisions and non-recurring costs.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	31 December 2008 £'000	31 December 2008 £'000	29 December 2007 £'000	29 December 2007 £'000
Non-current assets					
Goodwill	14		**–**		–
Property, plant and equipment	15		**16,108**		15,668
Lease prepayments	16		**90**		96
Trade investments	18		**164**		164
Deferred tax asset	19		**–**		1,404
Derivative financial instruments	20		**–**		13
			16,362		17,345
Current assets					
Stocks	21	**7,993**		5,742	
Trade and other receivables	22	**17,764**		16,317	
Cash and cash equivalents	23	**18,233**		13,102	
Assets held for sale	24	**405**		494	
		44,395		35,655	
Current liabilities					
Trade and other payables	25	**(11,833)**		(11,371)	
Current tax liabilities	26	**(1,371)**		(1,370)	
Bank loans	27	**(5,000)**		(5,000)	
Obligations under finance leases	28	**(217)**		(415)	
Provisions	29	**–**		(15)	
		(18,421)		(18,171)	
Net current assets			**25,974**		17,484
Total assets less current liabilities			**42,336**		34,829
Non-current liabilities					
Bank loans	27	**(29,000)**		(19,000)	
Obligations under finance leases	28	**(836)**		(1,006)	
Retirement benefit obligations	31	**–**		(1,238)	
Deferred tax liability	19	**(90)**		–	
Derivative financial instruments	30	**(108)**		(38)	
			(30,034)		(21,282)
Net assets			**12,302**		13,547
Equity					
Called-up share capital	32		**443**		446
Retained earnings	33		**7,127**		12,595
Translation reserve	33		**4,497**		274
Other reserves	33		**225**		222
Surplus attributable to equity holders of the parent			**12,292**		13,537
Minority interest			**10**		10
Total equity			**12,302**		13,547

These financial statements were approved and authorised for issue by the board of directors on 17 June 2009 and were signed on its behalf by:

JC Pillois French ACA
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

	Note	**12 months ended 31 December 2008 £'000**	12 months ended 29 December 2007* £'000
Cash flows from operating activities			
Cash generated from operations	34	**15,573**	11,626
Interest paid		**(2,484)**	(1,115)
Net UK corporation tax paid		**(1,836)**	(2,202)
Withholding tax (paid)/recovered		**(3)**	50
Overseas tax paid		**(661)**	(877)
Net cash flow from operating activities		**10,589**	7,482
Investing activities			
Dividends received from participating interests (trade investments)		**–**	209
Disposal costs paid less consideration received on prior year disposals		**–**	295
Sale of assets held for sale		**656**	–
Sale of plant and equipment		**974**	778
Purchase of property, plant and equipment		**(5,082)**	(5,346)
Interest received		**808**	440
Net cash flow from investing activities		**(2,644)**	(3,624)
Financing activities			
Loan repayments		**(24,000)**	(1,000)
New loans raised		**34,000**	–
Finance lease capital repayments		**(308)**	(141)
Equity dividends paid		**(14,970)**	–
Purchase of own shares		**(259)**	–
Net cash flow from financing activities		**(5,537)**	(1,141)
Net increase in cash and cash equivalents		**2,408**	2,717
Cash and cash equivalents at the beginning of the year	23	**13,102**	10,190
Effect of foreign exchange rate changes		**2,723**	195
Cash and cash equivalents at end of the year	23	**18,233**	13,102

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

	Note	2008 £'000	2007 £'000
Net increase in cash and cash equivalents		**2,408**	2,717
Cash outflow from the decrease in debt		**24,308**	1,141
Cash inflow from the increase in loans		**(34,000)**	–
Non cash movements in respect of new finance leases		**(14)**	(182)
Non cash movements in the fair value of derivative instruments		**(9)**	(48)
Movement in net debt during the period		**(7,307)**	3,628
Opening net debt at the beginning of the year		**(12,344)**	(16,167)
Effect of foreign exchange rate changes		**2,723**	195
Closing net debt at the end of the year	35	**(16,928)**	(12,344)

* Foreign exchange differences on inter-company loans amounting to £415,000 have been re-categorised to finance costs and are now included within "effect of foreign exchange rate changes" to be consistent with the presentation in the current period.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Actual return less expected return on pension scheme assets	**(2,764)**	154
Experience gains and losses arising on plan obligation	**(196)**	424
Changes in demographic and financial assumptions underlying the present value of plan obligations	**1,435**	(279)
Net pension asset not recognised due to uncertainty over future recoverability	**(275)**	–
Currency translation differences on foreign currency net investments	**4,223**	595
Deferred tax on items posted directly to equity	**504**	(107)
Net income recognised directly in equity	**2,927**	787
Profit for the period attributable to parent's shareholders	**11,056**	8,549
Total recognised income and expense for the period attributable to equity holders of the parent	**13,983**	9,336

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

1 GENERAL INFORMATION

LEGAL STATUS AND COUNTRY OF INCORPORATION

Andrews Sykes Group plc, company number 175912, is incorporated in England and Wales under the Companies Act 1985. 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 (IFRS) as adopted by the European Union and with the Companies Act 1985. Therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

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 fair value less anticipated disposal costs and 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.

ACCOUNTING PERIOD

The current period is for the period 30 December 2007 to 31 December 2008 and the comparative period is for the 52 weeks ended 29 December 2007.

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.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

These are the group's second 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 paragraph 13 of 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 are now taken as deemed cost on transition to IFRS.

In addition, as permitted by paragraph 20a of IFRS 1, the disclosure requirements of IAS 19 concerning the history of experience gains and losses on defined benefit pension schemes have been disclosed prospectively from the transition date.

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 80, together with those of the UK subsidiary undertakings have been prepared in accordance with UK GAAP.

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:

IFRS 1 (Amendment)/IAS 27 (Amendment). Cost of an investment in a subsidiary, jointly controlled entity or associate. Effective for periods commencing on or after 1 July 2009 but not yet adopted by the European Union.

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

1 GENERAL INFORMATION (CONTINUED)

IFRS 2 (Amendment) Share-based Payment Vesting Conditions and Cancellations. Effective for periods commencing on or after 1 January 2009.

IFRS 3 (Revised) Business Combinations. Effective for periods commencing on or after 1 July 2009 but not yet adopted by the European Union.

IFRS 8 Operating Segments. Effective for periods commencing on or after 1 January 2009.

IAS 1 (Revised 2007) Presentation of Financial Statements. Effective for periods commencing on or after 1 January 2009.

IAS 23 (Revised 2007) Borrowing Costs. Effective for periods commencing on or after 1 January 2009.

IAS 27 (Revised 2008) Consolidated and Separate Financial Statements. Effective for periods commencing on or after 1 July 2009.

IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 (Amendment) Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation. Effective for periods commencing on or after 1 January 2009 but not yet adopted by the European Union.

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement: Eligible Hedged Items. Effective for periods commencing on or after 1 July 2009.

IFRIC 12 Service Concession Arrangements. Effective for periods commencing on or after 1 January 2008 but not yet adopted by the European Union.

IFRIC 13 Customer Loyalty Programmes. Effective for periods commencing on or after 1 July 2008.

IFRIC 14/IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Adopted by the European Union as being effective for periods commencing on or after 1 January 2009.

IFRIC 15 – Agreements for the Construction of Real Estate. Effective for periods commencing on or after 1 January 2009 but not yet adopted by the European Union.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation. Effective for periods commencing on or after 1 October 2008 but not yet adopted by the European Union.

Improvements to IFRSs (May 2008). Effective for periods commencing on or after 1 January 2009 but not yet adopted by the European Union.

Whilst work has not yet been completed on the above standards, the directors do not foresee any material impact on the financial statements of the group as a result of adopting these standards. The current period's results were not significantly affected by the adoption of new standards or interpretations for the first time this year.

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 2008. Control is achieved where the company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the year 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 at cost within non-current assets as they are held as long-term investments. Dividend income is recognised in the income statement on an accruals basis when received.

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Property is carried at deemed cost at the date of transition to IFRS based on the previous UK GAAP valuations adopted in 1998. Plant and equipment held at the date of transition and subsequent additions to property, plant and equipment are stated at purchase cost including directly attributable costs. The group does not have a revaluation policy.

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

Property:	
Freehold and long leasehold buildings	2%
Short leasehold buildings	Period of the lease
Equipment for hire:	
Heating, air conditioning and other environmental control equipment	20%
Pumping equipment	10% to 33%
Accessories	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

Property leases are split into two elements, land and buildings and each considered in isolation. The land element is always classified as an operating lease and the building element is reviewed to determine if it is operating or finance in nature. 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 are 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.

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 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

Goodwill is tested annually for impairment, or more frequently if there are any changes in circumstances or events that indicate that a potential impairment may exist. Goodwill impairments cannot be reversed.

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 year 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 provided on unremitted earnings from overseas subsidiaries where it is probable that these earnings will be remitted to the UK in the foreseeable future. Deferred tax is measured using 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 timeframe 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 "available for sale" or as "held to maturity" investments. The only financial assets currently held at "fair value through profit or loss" are those derivative instruments that are not designated and effective as hedging instruments. The categories of financial assets are trade debtors, other debtors and cash.

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 effective as hedging instruments.

Loans and receivables

Trade receivables, loans and other receivables 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 36.

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 any forward exchange contracts and its 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.

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 uncollectible it is written off against the bad debt provision account. Subsequent recoveries of amounts written off are credited to the provision account. Changes to the carrying amount of the bad debt provision account are recognised in the income statement.

Other financial liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit and loss account 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 31 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.

The net of the interest cost and the expected return on assets is shown within finance costs or finance income as appropriate. 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 Recognised Income and Expense (SORIE).

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 deficits are presented separately on the balance sheet within non-current liabilities before tax relief. The attributable deferred tax 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 DEBT

Net debt is defined as cash and cash equivalents, bank and other loans, finance lease obligations and derivative financial instruments stated at current fair value.

REVENUE RECOGNITION

Revenue

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

Investment and interest income

Dividend income is recognised in the income statement when the group's right to receive payment has been established.

Interest income from bank deposit accounts is accrued on a time basis calculated by reference to the principal on deposit and the effective interest rate applicable.

GROUP ACCOUNTING POLICIES

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of other recognised income and expense. All other exchange differences are included within the 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 will be recognised in the income statement 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.

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.

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.

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.

PENSION SCHEME ASSUMPTIONS AND MORTALITY TABLES

As set out in note 31, the carrying value of the defined benefit pension scheme is valued 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 which are checked from time to time with benchmark surveys.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

4 REVENUE

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

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Continuing operations		
Hire	**51,575**	43,579
Sales	**10,904**	8,043
Installations	**4,915**	6,224
Group consolidated revenue from the sale of goods and provision of services	**67,394**	57,846
Income from other participating interests	**–**	209
Finance income	**673**	624
Gross consolidated revenue	**68,067**	58,679

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS

EXPLANATION

During the periods under review, the group operated in the United Kingdom, The Netherlands, Belgium, the United Arab Emirates and America providing the hire and sale of a range of environmental control equipment. It also installs fixed air conditioning equipment within the United Kingdom. The American operation was closed with effect from 31 December 2008 and this does not qualify as a discontinued operation on the grounds of materiality.

The directors consider that the nature of the risks and returns within the hire and sales market are comparable across the geographical sectors within which the group operates. However, different risks and returns are faced by the fixed air conditioning business.

The group hires and sells similar equipment to the same market from its depot network. However, the integrated nature of the operations do not permit a meaningful analysis of profit, assets or liabilities between hire and sales.

Principal business segment are therefore as follows:

The hire and sale of environmental control equipment – Hire & sales
The installation of fixed air conditioning equipment – Fixed installation

Direct costs are allocated to each segment, central costs are included in unallocated overheads and expenses.

Principal geographical segments are:
United Kingdom
Rest of Europe
Middle East and Africa
Rest of the World

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

Segmental information about these businesses is presented below. Inter-segment sales are charged at arms length prices.

BUSINESS SEGMENTS

Income Statement Analysis

12 months ended 31 December 2008

	Hire & sales £'000	Fixed installation £'000	Sub total £'000	Eliminations £'000	Consolidated results £'000
Revenue					
External sales	62,479	4,915	67,394	–	67,394
Inter-segment sales	76	11	87	(87)	–
Total revenue	62,555	4,926	67,481	(87)	67,394
Segment result	19,741	(107)	19,634	(13)	19,621
Unallocated overheads and expenses					(1,138)
Operating profit					18,483
Finance income					673
Finance costs					(3,779)
Profit before taxation					15,377
Taxation					(4,321)
Profit for the period from continuing and total operations					11,056

Balance Sheet Information

As at 31 December 2008

	Hire & sales £'000	Fixed installation £'000	Sub total £'000	Eliminations £'000	Consolidated results £'000
Segment assets	47,993	1,364	49,357	(157)	49,200
Trade investments					164
Assets held for sale					405
Unallocated corporate assets					10,988
Consolidated total assets					60,757
Segment liabilities	(10,897)	(636)	(11,533)	157	(11,376)
Current tax liabilities					(1,371)
Bank loans					(34,000)
Obligations under finance leases					(1,053)
Deferred tax liability					(90)
Derivative financial instruments					(108)
Unallocated corporate liabilities					(457)
Consolidated total liabilities					(48,455)

Other Information

12 months ended 31 December 2008

	Hire & sales £'000	Fixed installation £'000	Sub total £'000	Eliminations £'000	Consolidated results £'000
Capital additions	5,139	6	5,145	–	5,145
Depreciation	4,750	77	4,827	–	4,827

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

Income Statement Analysis

12 months ended 29 December 2007

	Hire & sales £'000	Fixed installation £'000	Sub total £'000	Eliminations £'000	Consolidated results £'000
Revenue					
External sales	51,622	6,224	57,846	–	57,846
Inter-segment sales	90	47	137	(137)	–
Total revenue	51,712	6,271	57,983	(137)	57,846
Segment result	14,144	143	14,287	(21)	14,266
Unallocated overheads and expenses					(82)
Pension curtailment charge					(911)
Operating profit					13,273
Income from other participating interests					209
Finance income					624
Finance costs					(1,728)
Profit before taxation					12,378
Taxation					(3,829)
Profit for the period from continuing and total operations					8,549

Balance Sheet Information

As at 29 December 2007

	Hire & sales £'000	Fixed installation £'000	Sub total £'000	Eliminations £'000	Consolidated results £'000
Segment assets	41,518	2,719	44,237	(501)	43,736
Trade investments					164
Deferred tax asset					1,404
Derivative financial instruments					13
Assets held for sale					494
Unallocated corporate assets					7,189
Consolidated total assets					53,000
Segment liabilities	(9,969)	(1,337)	(11,306)	501	(10,805)
Current tax liabilities					(1,370)
Bank loans					(24,000)
Obligations under finance leases					(1,421)
Provisions					(15)
Derivative financial instruments					(38)
Pensions					(1,238)
Unallocated corporate liabilities					(566)
Consolidated total liabilities					(39,453)

Other Information

12 months ended 29 December 2007

	Hire & sales £'000	Fixed installation £'000	Sub total £'000	Eliminations £'000	Consolidated results £'000
Capital additions	5,481	35	5,516	–	5,516
Depreciation	4,316	116	4,432	–	4,432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

5 BUSINESS AND GEOGRAPHICAL SEGMENTAL ANALYSIS (CONTINUED)

GEOGRAPHICAL SEGMENTS

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

	By origin		By destination	
	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000	**12 months ended 31 December 2008 £'000**	12 months ended 29 December 2007 £'000
United Kingdom	**48,649**	47,953	**47,211**	46,567
Rest of Europe	**6,969**	5,153	**7,883**	6,271
Middle East and Africa	**11,558**	4,667	**11,764**	4,671
Rest of the World	**218**	73	**536**	337
	67,394	57,846	**67,394**	57,846

The carrying amounts of segment assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located are as follows:

	Segment assets		Additions to property, plant and equipment	
	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000	**12 months ended 31 December 2008 £'000**	12 months ended 29 December 2007 £'000
United Kingdom	**33,426**	35,308	**3,628**	4,431
Rest of Europe	**5,795**	4,353	**813**	631
Middle East and Africa	**9,430**	3,836	**669**	357
Rest of the World	**549**	239	**35**	97
	49,200	43,736	**5,145**	5,516

6 FINANCE INCOME

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Interest receivable on bank deposit accounts	**673**	586
Net pension interest income	**–**	38
	673	624

7 FINANCE COSTS

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Interest charge on bank loans and overdrafts	**2,140**	1,570
Fair value losses on interest rate swaps that do not qualify for hedge accounting	**83**	48
Finance lease interest charge	**94**	110
Inter-company foreign exchange losses	**1,300**	415
Net pension interest charge	**162**	–
	3,779	2,143

Foreign exchange differences on inter-company loans amounting to £415,000 last year have been re-categorised from administration expenses to finance costs as set out above as this more accurately reflects the nature of the expense.

8 PENSION CURTAILMENT CHARGE

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Transfer value cash bonus and national insurance	**–**	2,315
Legal costs of pension transfer value offer	**–**	218
Settlement gain on transfer value offer	**–**	(1,622)
	–	911

During the previous financial period every member of the Andrews Sykes Group Defined Benefit Pension Scheme (ASGPS) was given the opportunity of transferring their accrued rights to an independent pension provider of their choice. An incentive equal to 40% of the normally available transfer value was offered and this could either have been paid directly to the member, as a cash bonus, or to their new pension provider, via the ASGPS, as an enhanced transfer value (ETV). As well as the presentations made by independent financial advisors, the group paid for independent financial advice that was made available to each member.

In addition to the above costs, during the last financial period the group paid total ETV payments of £1,880,000, as shown in note 31, directly to the pension scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

9 PROFIT BEFORE TAXATION

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

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Net foreign exchange gains and losses	**(54)**	26
Bank charges	**207**	71
Depreciation of property, plant and equipment	**4,827**	4,432
Goodwill impairment charge	**–**	31
Net foreign exchange gains and losses on inter-company financing (see note 7)	**1,300**	415
Profit on the sale of plant and equipment	**(749)**	(474)
Compensation receipts from third parties for lost or damaged plant and equipment	**(698)**	(563)
Operating lease rental payments:		
Property	**1,103**	818
Plant and machinery	**353**	92
Auditors' remuneration (see note 10)	**132**	119
Staff costs (see note 11)	**14,082**	13,342
Non-recurring items:		
Profit on the sale of property	**(559)**	–
Pension curtailment charge (see note 8)	**–**	911

Foreign exchange differences on inter company loans amounting to £1,300,000 (12 months ended 29 December 2007: £415,000) have been disclosed in finance costs in the current period. The comparatives have been restated accordingly.

10 AUDITORS' REMUNERATION

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

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Fees payable to the company's auditors in respect of audit services:		
The audit of the consolidated accounts	**25**	27
The audit of the group's subsidiaries pursuant to legislation	**100**	88
Total audit fees	**125**	115
Fees payable to the company's auditors in respect of non-audit services:		
Accountancy services	**7**	4
Total non-audit fees	**7**	4
	132	119

Fees payable to the auditors and their 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.

11 EMPLOYEE INFORMATION

STAFF COSTS CHARGED IN THE INCOME STATEMENT

The average number of employees employed during the period was:

	12 months ended 31 December 2008 Number	12 months ended 29 December 2007 Number
Sales and distribution	**146**	161
Engineers	**225**	196
Managers and administration	**125**	126
	496	483

Staff costs, including directors' remuneration, amounted to:

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Wages and salaries	**12,534**	11,724
Redundancy and reorganisation	**47**	198
Social security costs	**1,212**	1,160
Other pension costs	**289**	260
	14,082	13,342

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 2008 £'000	12 months ended 29 December 2007 £'000
Short-term employee benefits	**1,775**	1,601
Post employment benefits	**83**	66
Termination benefits	**18**	85
	1,876	1,752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

11 EMPLOYEE INFORMATION (CONTINUED)

DIRECTORS' EMOLUMENTS

Total directors' emoluments were as follows:

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Emoluments	**500**	282
Company contributions to a money purchase scheme	**23**	20
	523	302

No directors were either 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 2008 Number	12 months ended 29 December 2007 Number
Defined contribution	**1**	1
Defined benefit	**1**	1

Details in respect of the highest paid director are as follows:

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Emoluments	**309**	168
Company contributions to a money purchase scheme	**23**	19
	332	187

The highest paid director this year had an accrued annual pension of £17,190 (29 December 2007: £16,500), no contributions were paid during the current or previous financial periods.

12 TAXATION

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Current tax		
UK corporation tax at 28.5% (12 months ended 29 December 2007: 30%)		
based on the taxable profit for the period	**1,776**	1,650
Adjustments to corporation tax in respect of prior periods	**(29)**	(121)
	1,747	1,529
Overseas tax based on the taxable profit for the period	**639**	552
Adjustments to overseas tax in respect of prior periods	**(63)**	(7)
Withholding tax	**–**	65
Total current tax charge	**2,323**	2,139
Deferred tax		
Deferred tax on the origination and reversal of temporary differences	**1,916**	1,710
Adjustments to deferred tax in respect of prior periods	**82**	(20)
Total deferred tax charge	**1,998**	1,690
Total tax charge for the financial period attributable to continuing operations	**4,321**	3,829

The tax charge for the financial period can be reconciled to the profit before tax per the income statement multiplied by the standard effective corporation tax rate in the UK of 28.5% (12 months ended 29 December 2007: 30%) as follows:

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Profit before taxation from continuing and total operations	**15,377**	12,378
Tax at the UK effective corporation tax rate of 28.5% (12 months ended 29 December 2007: 30%)	**4,382**	3,713
Effects of:		
Expenses not deductible for tax purposes	**92**	108
Capital gain sheltered by capital losses and indexation allowance	**(130)**	–
Effects of different tax rates of subsidiaries operating abroad	**20**	22
Withholding tax	**–**	65
Effect of change in tax rate to 28%	**(33)**	69
Adjustments to tax charge in respect of previous periods	**(10)**	(148)
Total tax charge for the financial period	**4,321**	3,829

In addition to the amount charged in the income statement, deferred tax of £504,000 (12 months ended 29 December 2007: £107,000) attributable to pension scheme asset and liability adjustments has been credited (12 months ended 29 December 2007: charged) directly to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

13 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 earnings as set out below. There were no discontinued operations in either period.

	12 months ended 31 December 2008	
	Total earnings £'000	**Number of shares**
Basic earnings/weighted average number of shares	**11,056**	**44,493,594**
Basic earnings per ordinary share (pence)	**24.85p**	

	12 months ended 29 December 2007	
	Total earnings £'000	Number of shares
Basic earnings/weighted average number of shares	8,549	44,552,790
Basic earnings per ordinary share (pence)	19.19p	

ADJUSTED BASIC EARNINGS PER SHARE EXCLUDING PENSION CURTAILMENT CHARGE

The basic figures excluding the pension curtailment charge were calculated last year by reference to the weighted average number of ordinary shares in issue and the earnings as set out below:

	12 months ended 29 December 2007	
	Total earnings £'000	Number of shares
Basic earnings/weighted average number of shares	8,549	44,552,790
Add back pension curtailment charge net of tax	638	
Adjusted basic earnings/weighted average number of shares	9,187	44,552,790
Adjusted basic earnings per ordinary share (pence) excluding pension curtailment charge	20.62p	

The pension curtailment charge has no impact on the calculation of the basic earnings per ordinary share for the 12 months ended 31 December 2008.

DILUTED EARNINGS PER SHARE

The calculation of the diluted earnings per ordinary share is based on the profits and shares as set out in the tables below. There were no discontinued operations in either period. The share options have a dilutive effect for the period calculated as follows:

	12 months ended 31 December 2008	
	Total earnings £'000	**Number of shares**
Basic earnings/weighted average number of shares	**11,056**	**44,493,594**
Weighted average number of shares under option		**15,000**
Number of shares that would have been issued at fair value to satisfy above options		**(13,602)**
Earnings/diluted weighted average number of shares	**11,056**	**44,494,992**
Diluted earnings per ordinary share (pence)	**24.85p**	

13 EARNINGS PER SHARE (CONTINUED)

	12 months ended 29 December 2007 Total earnings £'000	12 months ended 29 December 2007 Number of shares
Basic earnings/weighted average number of shares	8,549	44,552,790
Weighted average number of shares under option		15,000
Number of shares that would have been issued at fair value to satisfy above options		(8,065)
Earnings/diluted weighted average number of shares	8,549	44,559,725
Diluted earnings per ordinary share (pence)	19.19p	

ADJUSTED DILUTED EARNINGS PER SHARE EXCLUDING PENSION CURTAILMENT CHARGE

The calculation of the diluted earnings per ordinary share excluding the pension curtailment charge last year was based on the profit and shares as set out in the table below. The share options have a dilutive effect for the period calculated as follows:

	12 months ended 29 December 2007 Total earnings £'000	12 months ended 29 December 2007 Number of shares
Basic earnings/weighted average number of shares	8,549	44,552,790
Add back pension curtailment charge net of tax	638	
Weighted average number of shares under option		15,000
Number of shares that would have been issued at fair value to satisfy above options		(8,065)
Adjusted earnings/diluted weighted average number of shares	9,187	44,559,725
Adjusted diluted earnings per ordinary share (pence) excluding pension curtailment charge	20.62p	

The pension curtailment charge has no impact on the calculation of the diluted earnings per ordinary share for the 12 months ended 31 December 2008.

14 GOODWILL

Cost	**£'000**
As at 31 December 2006	286
Written off against impairment provisions	(286)
As at 29 December 2007 and 31 December 2008	–
Accumulated impairment provisions	
As at 31 December 2006	255
Impairment charge	31
Goodwill written off	(286)
As at 29 December 2007 and 31 December 2008	–
Carrying value	
At 31 December 2008	**–**
At 29 December 2007	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

15 PROPERTY, PLANT AND EQUIPMENT

	Property £'000	Equipment for hire £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
Cost					
As at 31 December 2006	5,717	29,125	5,122	4,426	44,390
Exchange differences	12	206	36	11	265
Additions	23	4,515	463	515	5,516
Disposals	–	(2,118)	(755)	(81)	(2,954)
Transfer to assets held for sale	(416)	–	–	(87)	(503)
Reclassification	–	(30)	–	30	–
As at 29 December 2007	5,336	31,698	4,866	4,814	46,714
Exchange differences	**50**	**1,378**	**213**	**89**	**1,730**
Additions	**235**	**4,198**	**111**	**601**	**5,145**
Disposals	**(375)**	**(2,332)**	**(1,144)**	**(1,338)**	**(5,189)**
As at 31 December 2008	**5,246**	**34,942**	**4,046**	**4,166**	**48,400**
Accumulated depreciation					
As at 31 December 2006	2,554	19,046	3,777	3,812	29,189
Exchange differences	10	157	31	10	208
Charge for the period	145	3,350	597	340	4,432
Disposals	–	(1,812)	(754)	(81)	(2,647)
Transfer to assets held for sale	(50)	–	–	(86)	(136)
Reclassification	–	(13)	–	13	–
As at 29 December 2007	2,659	20,728	3,651	4,008	31,046
Exchange differences	**41**	**1,076**	**156**	**82**	**1,355**
Charge for the period	**146**	**3,829**	**466**	**386**	**4,827**
Disposals	**(345)**	**(2,133)**	**(1,125)**	**(1,333)**	**(4,936)**
As at 31 December 2008	**2,501**	**23,500**	**3,148**	**3,143**	**32,292**
Carrying value					
At 31 December 2008	**2,745**	**11,442**	**898**	**1,023**	**16,108**
At 29 December 2007	2,677	10,970	1,215	806	15,668

At 31 December 2008 the group's carrying value of plant and machinery held under finance leases and similar agreements was £14,000 (29 December 2007: £167,000). The depreciation charged in the period on these assets was £38,000 (12 months ended 29 December 2007: £Nil).

At 31 December 2008 the group had entered into contractual commitments for the acquisition of property, plant and equipment of £Nil (29 December 2007: £Nil).

The carrying value of the group's property is as follows:

	31 December 2008 £'000	29 December 2007 £'000
Freehold land and buildings	**2,162**	1,787
Long leasehold buildings	**163**	69
Short leasehold buildings	**420**	821
	2,745	2,677

As disclosed in note 27, the group's bank loans are secured by fixed and floating charges over the group's assets including property, plant and equipment.

16 LEASE PREPAYMENTS

	31 December 2008 £'000	29 December 2007 £'000
Long leasehold land prepayments:		
Total	**97**	103
Split:		
Non-current assets	**90**	96
Current assets	**7**	7
	97	103

The current element of long leasehold land premiums is included within trade and other receivables in note 22.

17 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.

18 TRADE INVESTMENTS

	31 December 2008 £'000	29 December 2007 £'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 classified as an associate as the group does not and is unable to exercise significant influence, including decisions concerning the declaration and payments of dividends, due to the existence of a 60% majority shareholder. 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 an accruals basis and the following amounts have been included in the income statement:

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Income from participating interests	**–**	209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

19 DEFERRED TAX (LIABILITY)/ASSET

The deferred tax assets and liabilities recognised by the group and the movements thereon during the current and prior reporting periods 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 2006 at 30%	217	1,973	(122)	1,133	3,201
Charged to income statement	(148)	(487)	(129)	(926)	(1,690)
Charged to equity	–	(107)	–	–	(107)
Effect of pension payments in excess of actuarial charges	–	(1,025)	–	1,025	–
Asset/(liability) at 29 December 2007	69	354	(251)	1,232	1,404
Credited/(charged) to income statement	**67**	**45**	**(971)**	**(1,139)**	**(1,998)**
Credited to equity	**–**	**504**	**–**	**–**	**504**
Effect of pension payments in excess of actuarial charges	**–**	**(903)**	**–**	**903**	**–**
(Liability)/asset at 31 December 2008 at 28%	**136**	**–**	**(1,222)**	**996**	**(90)**

Deferred tax at 29 December 2007 was calculated using the rate of tax that was expected to apply when the timing differences reverse. With the exception of certain pension payments that were expected to reverse before 1 April 2008 at 30%, a 28% tax rate was used.

At 31 December 2008 the group had unused capital losses of £2,200,000 (29 December 2007: £2,445,000) available for offset against future capital gains. The utilisation of capital losses is only recognised following the actual crystallisation of a taxable gain.

With the exception of the above, the group did not have any unrecognised deferred tax assets or liabilities as at 31 December 2008 or 29 December 2007.

Of the deferred tax asset as at 29 December 2007, £695,000 was expected to be recovered after more than 12 months.

20 DERIVATIVE FINANCIAL INSTRUMENTS – ASSETS

Derivative financial instruments classified as assets held for trading in accordance with IAS 39 were as follows:

	31 December 2008 £'000	29 December 2007 £'000
Interest rate cap held for trading	**–**	13
Total derivative financial instruments due after more than 12 months	**–**	13

Further details of the group's interest rate caps are given in note 30 below.

21 STOCKS

	31 December 2008 £'000	29 December 2007 £'000
Raw material and consumables	**131**	81
Work in progress	**10**	66
Finished goods	**7,852**	5,595
	7,993	5,742

As disclosed in note 27, the group's bank loans are secured by fixed and floating charges over the group's assets including stocks.

The cost of stocks recognised as an expense in the period was £18,027,000 (12 months ended 29 December 2007: £16,025,000) and the charge in the income statement for net realisable value provisions was £366,000 (12 months ended 29 December 2007: £531,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

22 TRADE AND OTHER RECEIVABLES

	31 December 2008 £'000	29 December 2007 £'000
Trade debtors:		
Current unimpaired debtors	8,537	8,375
Overdue impaired debtors:		
Gross	8,878	6,828
Less allowance for doubtful debts	(1,309)	(906)
Net overdue trade debtors	7,569	5,922
Net trade debtors	16,106	14,297
Amounts due from related parties	–	34
Lease prepayments – long leasehold land premiums	7	7
Prepayments and accrued income	1,268	1,535
Other debtors	383	444
	17,764	16,317

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 2008 is 40 days (29 December 2007: 41 days).

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

	31 December 2008 £'000	29 December 2007 £'000
Not more than 3 months overdue	6,899	5,516
More than 3 months and not more than 6 months overdue	658	406
More than 6 months and not more than 12 months overdue	12	–
Net overdue trade debtors	7,569	5,922

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 2008 £'000	29 December 2007 £'000
Balance at the beginning of the period	906	967
Foreign exchange difference	99	–
Net amounts written off during the period	(382)	(81)
Income statement charge	686	20
Balance at the end of the year	1,309	906

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 36.

23 CASH AND CASH EQUIVALENTS

	31 December 2008 £'000	29 December 2007 £'000
Cash at bank	**7,229**	5,707
Deposit accounts	**10,699**	7,008
Capital reduction trust account	**305**	387
	18,233	13,102

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 5.08% (12 months ended 29 December 2007: 5.6%).

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 4.18% (12 months ended 29 December 2007: 5.0%).

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 2008 and 29 December 2007 was not significant. Total monetary assets and liabilities denominated in foreign currencies are disclosed in note 36.

24 ASSETS HELD FOR SALE

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

	31 December 2008 £'000	29 December 2007 £'000
Property, plant and equipment	**405**	367
Lease prepayments	**–**	127
Total assets classified as held for sale	**405**	494

The group has decided to close and sell certain depots and relocate its operations to alternative premises. This action does not result in a discontinued operation as defined by IFRS 5. The assets and liabilities were previously included within the hire and sales business segment as set out in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

25 TRADE AND OTHER PAYABLES

	31 December 2008 £'000	29 December 2007 £'000
Trade creditors	**5,481**	5,347
Amounts due to related parties	**111**	–
Other tax and social security	**1,190**	1,360
Accruals and deferred income	**4,949**	4,406
Other creditors	**102**	258
	11,833	11,371

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 49 days (29 December 2007: 49 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 36.

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

26 CURRENT TAX LIABILITIES

	31 December 2008 £'000	29 December 2007 £'000
Corporation tax	**1,116**	1,204
Overseas tax (denominated in Euros)	**255**	166
	1,371	1,370

27 BANK LOANS

	31 December 2008 £'000	29 December 2007 £'000
The borrowings are repayable as follows:		
On demand or within one year	**5,000**	5,000
In the second year	**6,000**	5,000
In the third to fifth years inclusive	**23,000**	14,000
Total	**34,000**	24,000
Disclosed:		
Within current liabilities (on demand or within one year)	**5,000**	5,000
Within non-current liabilities	**29,000**	19,000
Total	**34,000**	24,000

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 refinanced during the year with the previous loan being repaid on 13 May 2008 and new loans being drawn down on the same date. Capital repayments will commence on 30 April 2009 and 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 period 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 29 December 2007: 0.5% to 1.25%). As disclosed in note 36, 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 6.70% (12 months ended 29 December 2007: 6.15%). There are no fixed rate liabilities at either period 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 notes 20 and 30.

The maturity profile of the group's undrawn committed borrowing facilities at 31 December 2008 was:

	31 December 2008 £'000	29 December 2007 £'000
Expiring within one year	**2,000**	2,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

28 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	31 December 2008 £'000	29 December 2007 £'000	**31 December 2008 £'000**	29 December 2007 £'000
Amounts payable under finance leases:				
Within one year	**233**	434	**217**	415
In the second to fifth years inclusive	**751**	889	**585**	716
After five years	**442**	576	**251**	290
	1,426	1,899	**1,053**	1,421
Less future finance charges	**(373)**	(478)		
Present value of lease obligations	**1,053**	1,421		
Disclosed:				
Within current liabilities (payable within one year)			**217**	415
Within non-current liabilities			**836**	1,006
Total			**1,053**	1,421

As set out in the accounting policies, it is the group's policy to lease certain properties. The average lease term is 7.5 years (29 December 2007: 8.5 years), the present value of the minimum lease payments has been calculated based on the group's weighted average cost of capital as the interest rates implicit in the leases are not known. Of the total present value of minimum lease payments, £1,039,000 (29 December 2007: £1,239,000) relates to properties and £14,000 (29 December 2007: £182,000) relates to plant and equipment on lease purchase agreements all due within one year.

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 and plant and equipment being leased, the carrying value of which are set out in note 15.

29 PROVISIONS

	Onerous leases £'000
At 29 December 2007 (current liability)	15
Release to the income statement	(15)
At 31 December 2008	**–**

The onerous lease provision at 29 December 2007 represented the directors' best estimate of the likely cost of settling lease obligations in respect of properties that were no longer used for the purpose of the group's trade. The directors now consider that the group does not have a material exposure in this respect and therefore no provision is required at 31 December 2008.

30 DERIVATIVE FINANCIAL INSTRUMENTS – LIABILITIES

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

	31 December 2008 £'000	29 December 2007 £'000
Interest rate caps held for trading	**108**	38
Total derivative financial instruments due after more than 12 months	**108**	38

With effect from 1 May 2008 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%. Prior to this, and for all of the last financial period, the margin was between 0.5% 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 at fair value, classified as assets or liabilities as set out below:

12 months ended 31 December 2008

Maturity date	**LIBOR Cap**	**Principal £'000**	**Asset/ (liability) £'000**
31/10/2010	**6.25%**	**10,000**	**(23)**
31/10/2011	**6.50%**	**4,000**	**(30)**
30/04/2013	**5.50%**	**15,000**	**(55)**
		29,000	**(108)**

12 months ended 29 December 2007

Maturity date	LIBOR Cap	Principal £'000	Asset/ (liability) £'000
27/07/2010	5.50%	15,000	13
31/10/2011	6.50%	4,000	(38)
		19,000	(25)

Analysed:	
Asset due after more than 12 months (note 20)	13
Liability due after more than 12 months	(38)
	(25)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

31 RETIREMENT BENEFIT OBLIGATIONS

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 are making additional contributions to remove the funding deficit in the group pension scheme. These contributions include both one-off and regular monthly payments, currently £125,000 per month, and are agreed with the trustees of the pension scheme. The current best estimate of employer contributions to be paid during the year commencing 1 January 2009 is £1,500,000.

As at 31 December 2008 the group had a net defined benefit pension scheme surplus, calculated in accordance with IAS 19 using the assumptions as set out below, of £275,000. This asset has not been recognised in these financial statements due to the uncertainty of its recoverability in future periods. This is due to the scheme being closed and the group not having an unconditional right to a refund of surplus contributions.

Contributions are continuing to be made in accordance with the agreed schedule of contributions of £125,000 per month until December 2009. To protect the shareholders in the event that these contributions are not ultimately required by the pension scheme and to facilitate a subsequent repayment to the group, the directors and the pension scheme trustees are drafting an agreement to provide that monies may be paid in the future into escrow. The balance on the escrow account will be reviewed at the date of each full actuarial valuation and will then be either (i) transferred to the pension scheme; (ii) held in escrow until the next valuation date; or (iii) repaid to the company dependent upon the results of this valuation.

ASSUMPTIONS

A 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 deficit 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 2008	29 December 2007	31 December 2006
Rate of increase in pensionable salaries	**N/A**	N/A	N/A
Rate of increase in pensions in payment	**3.00%**	3.40%	3.00%
Discount rate applied to scheme liabilities	**6.00%**	5.90%	5.40%
Inflation assumption	**3.00%**	3.40%	3.00%

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics.

The current mortality table used is PA92YOBMC+2 (29 December 2007: 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 2008	29 December 2007	31 December 2006
Male, current age 45	**21.3 years**	21.2 years	19.8 years
Female, current age 45	**24.0 years**	24.0 years	22.8 years

31 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	31 December 2008	29 December 2007	31 December 2006
Long-term rate of return on:			
Equities	**7.50%**	7.50%	7.50%
Corporate bonds	**5.50%**	5.90%	5.40%
Gilts	**3.75%**	4.50%	4.60%
Cash	**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 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
UK equities	**7,049**	9,061	19,214
Corporate bonds	**10,021**	2,979	3,095
Gilts	**9,077**	13,434	10,972
Cash	**293**	439	164
Total fair value of plan assets	**26,440**	25,913	33,445
Present value of defined benefit obligation calculated in accordance with stated assumptions	**(26,165)**	(27,151)	(40,022)
Asset/(deficit) in the scheme calculated in accordance with stated assumptions	**275**	(1,238)	(6,577)
Net pension asset not recognised due to uncertainty over future recoverability	**(275)**	–	–
Pension liability recognised in the balance sheet	**–**	(1,238)	(6,577)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

31 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
Fair value of plan assets at the start of the period	**25,913**	33,445	30,633
Expected return on plan assets	**1,401**	1,926	1,777
Actuarial gains recognised in the SORIE	**(2,764)**	154	636
Employer contributions – normal	**1,500**	1,500	1,503
Employer contributions – transfer value exercise	**–**	1,880	–
Employer contributions – non-recurring	**1,700**	–	–
Benefits paid	**(1,310)**	(1,269)	(1,104)
Settlements and curtailments	**–**	(11,723)	–
Fair value of plan assets at the end of the period	**26,440**	25,913	33,445

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 either period end.

The movement in the present value of the defined benefit obligation during the period was as follows:

	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	**(27,151)**	(40,022)	(37,025)
Interest on defined benefit obligation	**(1,563)**	(1,888)	(1,824)
Actuarial gain/(loss) recognised in SORIE calculated in accordance with stated assumptions	**1,239**	145	(2,277)
Benefits paid	**1,310**	1,269	1,104
Settlements and curtailments	**–**	13,345	–
Present value of defined benefit obligation calculated in accordance with stated assumptions	**(26,165)**	(27,151)	(40,022)
Net pension asset not recognised due to uncertainty over future recoverability	**275**	–	–
Present value of defined benefit funded obligation at the end of the period	**(25,890)**	(27,151)	(40,022)

AMOUNTS RECOGNISED IN THE INCOME STATEMENT:

	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	**1,401**	1,926	1,777
Interest on pension scheme liabilities	**(1,563)**	(1,888)	(1,824)
Net pension interest (charge)/income (notes 6 and 7)	**(162)**	38	(47)
Settlements and curtailments (included in pension curtailment charge, note 8)	**–**	1,622	–
	(162)	1,660	(47)

31 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

ACTUARIAL GAINS AND LOSSES RECOGNISED IN THE STATEMENT OF RECOGNISED INCOME AND EXPENSE (SORIE)

	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
The amounts credited/(charged) in the SORIE were:			
Actual return less expected return on scheme assets	**(2,764)**	154	636
Experience gains and losses arising on plan obligation	**(196)**	424	(340)
Changes in demographic and financial assumptions underlying the present value of plan obligations	**1,435**	(279)	(1,937)
Actuarial gain/(loss) calculated in accordance with stated assumptions	**(1,525)**	299	(1,641)
Net pension asset not recognised due to uncertainty over future recoverability	**(275)**	–	–
Actuarial gain/(loss) recognised in the SORIE	**(1,800)**	299	(1,641)
Cumulative actuarial loss recognised in the SORIE	**(3,142)**	(1,342)	(1,641)

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

	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
Expected return on plan assets	**1,401**	1,926	1,777
Actuarial gain recognised in the SORIE reflecting the difference between expected and actual return on assets	**(2,764)**	154	636
Actual return on plan assets	**(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 experienced in the respective markets.

HISTORY OF EXPERIENCE GAINS AND LOSSES

	31 December 2008 £'000	29 December 2007 £'000	31 December 2006 £'000
Difference between the expected and actual return on scheme assets:			
Amount	**(2,764)**	154	636
Percentage of scheme assets	**(10.5%)**	0.6%	1.9%
Experience gains and losses arising on scheme liabilities:			
Amount	**(196)**	424	(340)
Percentage of present value of plan obligation	**(0.7%)**	1.6%	(0.8%)
Effects to changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:			
Amount	**1,435**	(279)	(1,937)
Percentage of present value of plan obligation	**5.5%**	(1.0%)	(4.8%)
Net pension asset not recognised due to uncertainty over future recoverability:			
Amount	**(275)**	–	–
Percentage of present value of plan obligation	**(1.1%)**	0.0%	0.0%
Total amount recognised in the SORIE:			
Amount	**(1,800)**	299	(1,641)
Percentage of present value of plan obligation	**(6.9%)**	1.1%	(4.1%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

31 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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 individuals' length of service within the company. The employer's contribution rates vary from 3% to 15%, the current average being 4.9%. (12 months ended 29 December 2007: 4.2%). The income statement charge in the current period amounted to £245,000 (12 months ended 29 December 2007: £226,000).

OVERSEAS PENSION ARRANGEMENTS

Overseas companies make their own pension arrangements, the charge for the period being £44,000 (29 December 2007: £34,000). No additional disclosure is given on the basis of materiality.

32 CALLED-UP SHARE CAPITAL

	31 December 2008 £'000	29 December 2007 £'000
Authorised:		
1,398,170,943 ordinary shares of one pence each (29 December 2007: 1,398,170,943 ordinary shares of one pence each)	**13,982**	13,982
Issued and fully paid:		
44,268,365 ordinary shares of one pence each (29 December 2007: 44,552,865 ordinary shares of one pence each)	**443**	446

During the period the company purchased 284,500 shares for cancellation for a total consideration of £258,620 (12 months ended 29 December 2007: Nil).

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

At 31 December 2008 and 29 December 2007 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 2008**	29 December 2007
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.

33 SHARE CAPITAL AND RESERVES

	Share capital £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000
At 31 December 2006	446	3,854	(321)	222	4,201
Total recognised income and expense	–	8,741	595	–	9,336
At 29 December 2007	446	12,595	274	222	13,537
Total recognised income and expense	**–**	**9,760**	**4,223**	**–**	**13,983**
Purchase of own shares	**(3)**	**(258)**	**–**	**3**	**(258)**
Dividends paid	**–**	**(14,970)**	**–**	**–**	**(14,970)**
At 31 December 2008	**443**	**7,127**	**4,497**	**225**	**12,292**

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

Other reserves comprise:

	31 December 2008 £'000	29 December 2007 £'000
Capital redemption reserve	**137**	134
UAE legal reserve	**79**	79
Netherlands capital reserve	**9**	9
	225	222

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 by £3,000 (12 months ended 31 December 2007: £Nil) due to the purchase and cancellation of 284,500 ordinary shares of 1p each during the period. There were no movements in any of the above other reserves during either the current or preceding financial periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

34 CASH GENERATED FROM OPERATIONS

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Profit for the period attributable to equity shareholders	**11,056**	8,549
Adjustments for:		
Taxation charge	**4,321**	3,829
Pension curtailment charge	**–**	911
Finance costs	**3,779**	2,143
Finance income	**(673)**	(624)
Income from other participating interests	**–**	(209)
Profit on the sale of property, plant and equipment	**(1,308)**	(474)
Depreciation	**4,827**	4,432
Impairment losses	**–**	31
Cash paid in connection with pension transfer value exercise	**–**	(4,279)
Excess of normal pension contributions compared with service cost	**(3,200)**	(1,500)
Cash-generated from operations before movements in working capital	**18,802**	12,809
Increase in stocks	**(2,251)**	(1,406)
Increase in trade and other receivables	**(1,647)**	(350)
Increase in trade and other payables	**684**	582
Decrease in provisions	**(15)**	(9)
Cash-generated from operations	**15,573**	11,626

Foreign exchange differences on inter-company loans amounting to £415,000 last year have been re-categorised to finance costs and are now included within "effect of foreign exchange rate changes" to be consistent with the presentation in the current period.

35 ANALYSIS OF NET DEBT

	31 December 2008 £'000	29 December 2007 £'000
Cash and cash equivalents per cash flow and note 23	**18,233**	13,102
Derivative financial instruments per note 20	**–**	13
	18,233	13,115
Bank loans per note 27	**(34,000)**	(24,000)
Obligations under finance leases per note 28	**(1,053)**	(1,421)
Derivative financial instruments per note 30	**(108)**	(38)
Gross debt	**(35,161)**	(25,459)
Net debt	**(16,928)**	(12,344)

36 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 35, and equity comprising issued share capital, reserves and retained earnings as disclosed in note 33. The gearing ratio is:

	31 December 2008 £'000	29 December 2007 £'000
Net debt per note 35	**16,928**	12,344
Equity per note 33	**12,292**	13,537
Net debt to equity percentage	**137.7%**	91.2%

SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and liability are disclosed in note 2 to the financial statements.

CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying values of each category of financial instrument are as follows:

	31 December 2008 £'000	29 December 2007 £'000
Financial assets		
Fair value through profit and loss – held for trading	**–**	13
Loans and receivables (including cash and cash equivalents):		
Trade debtors and amounts due by related parties	**16,106**	14,331
Other debtors	**383**	444
Cash and cash equivalents	**18,233**	13,102
	34,722	27,877
	34,722	27,890
Financial liabilities		
Fair value through profit and loss – held for trading	**108**	38
Amortised cost:		
Trade creditors and amounts due to related parties	**5,592**	5,347
Accruals and other creditors	**7,612**	7,394
Loans	**34,000**	24,000
Finance lease obligations	**1,053**	1,421
	48,257	38,162
	48,365	38,200

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

36 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

With effect from 1 May 2008 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%. Prior to this, and for all of the last financial period, the margin was between 0.5% 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 2008 £'000	29 December 2007 £'000
Total bank loans		**34,000**	24,000
Average bank loan agreement rate		**6.81%**	6.41%
Notional capital value of interest rate caps and effective cap rate:			
Cap to run to 31 October 2010	Notional capital value	**10,000**	–
	Capped interest rate	**6.25%**	–
Cap to run to 31 October 2011	Notional capital value	**4,000**	–
	Capped interest rate	**6.50%**	–
Cap to run to 30 April 2013	Notional capital value	**15,000**	–
	Capped interest rate	**5.50%**	–
Cap to run to 27 July 2010 (cancelled w.e.f. 1 May 2008)	Notional capital value	**–**	15,000
	Capped interest rate	**–**	5.50%
Cap to run to 27 July 2011 (cancelled w.e.f. 1 May 2008)	Notional capital value	**–**	4,000
	Capped interest rate	**–**	6.50%

The interest rate caps held as at 29 December 2007 were surrendered for the new caps following the refinancing of the external bank loans on 1 May 2008. The bank loans were drawn down on 13 May 2008 and the old loans repaid on the same date.

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 £143,000 (12 months ended 29 December 2007: £61,000), a 1% decrease would decrease it by £338,000 (12 months ended 29 December 2007: £196,000).

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.

36 FINANCIAL INSTRUMENTS (CONTINUED)

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

	31 December 2008 £'000	29 December 2007 £'000
Assets denominated in:		
Euros	**2,794**	2,636
UAE Dirhams	**6,394**	2,311
Liabilities denominated in:		
Euros	**1,556**	1,599
UAE Dirhams	**2,618**	1,199

A 10% increase in the Euro:Sterling exchange rate would reduce the consolidated operating profit by £196,000 (12 months ended 29 December 2007: £178,000). 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 £268,000 (12 months ended 29 December 2007: £45,000). 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.

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 2008 amounted to £18,233,000 (29 December 2007: £13,102,000), 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 regularly discussing its covenants with the bank. As at 31 December 2008 the group had undrawn borrowing facilities of £2,000,000 (29 December 2007: £2,000,000) to further reduce liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

36 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 in respect of fixed interest finance leases represents the finance charges that will be charged to the income statement in future periods and have not been included within the carrying amount of the financial liability:

31 December 2008

	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		9,880	3,324	–	–	–	13,204
Variable interest bank loans	6.70%	–	5,000	29,000	–	–	34,000
Fixed interest finance leases	8.00%	–	233	751	442	(373)	1,053
Total		9,880	8,557	29,751	442	(373)	48,257

29 December 2007

	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		9,603	3,138	–	–	–	12,741
Variable interest bank loans	6.15%	–	5,000	19,000	–	–	24,000
Fixed interest finance leases	8.00%	–	434	889	576	(478)	1,421
Total		9,603	8,572	19,889	576	(478)	38,162

The value of the derivative financial assets and liabilities as at 31 December 2008 and 29 December 2007 carried at fair value through the profit and loss account are disclosed in notes 20 and 30 respectively. Both the derivative financial assets and liabilities mature between 1 and 5 years from the balance sheet date.

37 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 2008 £'000	29 December 2007 £'000	**31 December 2008 £'000**	29 December 2007 £'000
Amounts payable under operating leases:				
Within one year	**769**	662	**557**	45
In the second to fifth years inclusive	**2,504**	2,217	**1,047**	31
After five years	**2,532**	2,106	**–**	–
	5,805	4,985	**1,604**	76

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.

38 RELATED PARTY TRANSACTIONS

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

TRADING TRANSACTIONS

During the year, the group entered into the following transactions with associated companies on an arms length basis:

	31 December 2008 £'000	29 December 2007 £'000
Sale of goods and services	**46**	127
Purchase of goods and services	**256**	130
Amounts owed to the group by associates	**17**	–
Amount owed by the group to associates	**156**	–

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the previous period the group installed air conditioning equipment with a sales value of £34,000, calculated on an arm's length basis, in premises belonging to the Chairman, Mr JG Murray. The balance was repaid during the current financial period.

The group did not hold any security and there were no impairment charges in respect of any of the above transactions.

Remuneration paid to key management personnel is disclosed in note 11 above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

39 DIVIDEND PAYMENTS

The directors declared the following interim dividends in respect of the period ended 31 December 2008:

	Pence per share	£'000
Interim dividend declared on 26 March 2008 and paid to shareholders on the register as at 4 April 2008 on 18 April 2008	6.5p	2,896
Interim dividend declared on 24 April 2008 are paid to shareholders on the register as at 2 May 2008 on 16 May 2008	27.1p	12,074
	33.6p	14,970

The above interim dividends were charged against reserves as shown in note 33 to these financial statements.

No interim dividends were declared or paid during the previous financial period and the directors do not recommend the payment of a final dividend for the period ended 31 December 2008.

40 ULTIMATE PARENT COMPANY

As at 17 June 2009 EOI Sykes Sarl, which is incorporated in Luxembourg, held 82.17% 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANDREWS SYKES GROUP PLC

We have audited the parent company financial statements of Andrews Sykes Group plc for the 12 months ended 31 December 2008 which comprise the balance sheet and the related notes 1 to 13. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Andrews Sykes Group plc for the 12 months ended 31 December 2008.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 AUDITORS

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANDREWS SYKES GROUP PLC

OPINION

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom

17 June 2009

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	**31 December 2008** £'000	**31 December 2008** £'000	29 December 2007 £'000	29 December 2007 £'000
Fixed assets					
Investments	3		**32,623**		32,623
Current assets					
Debtors	4	**10,564**		11,378	
Cash at bank and in hand	5	**10,785**		7,367	
		21,349		18,745	
Creditors: Amounts falling due within one year	6	**(13,433)**		(11,264)	
Net current assets			**7,916**		7,481
Total assets less current liabilities			**40,539**		40,104
Creditors: Amounts falling due after more than one year	6		**(29,000)**		(19,000)
Provision for liabilities	8		**(1,170)**		(216)
Net assets			**10,369**		20,888
Capital and reserves					
Called-up share capital	9		**443**		446
Profit and loss account	10		**7,578**		18,097
Other reserves	10		**2,348**		2,345
Shareholders' funds	11		**10,369**		20,888

These financial statements were approved and authorised for issue by the board of directors on 17 June 2009 and were signed on its behalf by:

JC Pillois French ACA
Finance Director

COMPANY ACCOUNTING POLICIES

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 131 of the Companies Act 1985 applies;
(c) the market value of the company's shares on the date they were issued where Section 131 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.

EMPLOYEES

Other than the directors who are listed on page 22 and whose emoluments are disclosed in note 11 to the consolidated financial statements, the company did not have any employees in either the current or previous financial year.

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 because consolidated financial statements have been prepared.

2 PROFIT FOR THE FINANCIAL PERIOD

As permitted by Section 230 of the Companies Act 1985, 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 £4,709,000 (12 months ended 29 December 2007: £6,381,000).

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

3 FIXED ASSET INVESTMENTS

	Subsidiary undertakings shares £'000
Cost	
At the beginning of the period	**40,748**
Provisions	
At the beginning and end of the period	**8,125**
Net book value	
At 31 December 2008	**32,623**
At 29 December 2007	32,623

The company's principal subsidiary undertakings (* denotes directly owned by Andrews Sykes Group plc) as at 31 December 2008 were as follows:

Andrews Sykes Hire Limited*
Andrews Air Conditioning & Refrigeration Limited*
Andrews Sykes Investments Limited* (Intermediate holding company)
A.S. Group Management Limited* (Intermediate holding company)
Heat for Hire Limited* (Intermediate holding company)
Andrews Sykes Properties Limited* (Property holding company)
AS Holding BV (Netherlands, Intermediate holding company)
Khansaheb Sykes LLC (49%, United Arab Emirates)
Andrews Sykes BV (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.

4 DEBTORS

	31 December 2008 £'000	29 December 2007 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	**8,354**	9,837
Corporation tax and group relief	**2,179**	1,460
Other debtors	**30**	80
Prepayments and accrued income	**1**	1
	10,564	11,378

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

5 CASH AT BANK AND IN HAND

	31 December 2008 £'000	29 December 2007 £'000
Cash at bank and in hand	**10,500**	7,000
Capital reduction trust account	**285**	367
	10,785	7,367

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 2008 £'000	29 December 2007 £'000
Amounts falling due within one year:		
Bank loans and overdrafts	**5,192**	5,412
Amounts owed to group undertakings	**7,785**	5,142
Other taxes and social security	**–**	1
Other creditors	**–**	36
Accruals and deferred income	**456**	673
	13,433	11,264

	31 December 2008 £'000	29 December 2007 £'000
Amounts falling due after more than one year:		
Bank loans	**29,000**	19,000
	29,000	19,000

Total company bank loans and overdrafts of £34,192,000 (29 December 2007: £24,412,000) 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 (29 December 2007: £10,000,000)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 maturity profile of the company's undrawn committed borrowing facilities available as at 31 December 2008 was:

	31 December 2008 £'000	29 December 2007 £'000
Expiring within one year	**2,000**	2,000

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 36 of the consolidated financial statements and these are also applicable to the company.

8 PROVISION FOR LIABILITIES

	Deferred tax £'000
At the beginning of the period	216
Profit and loss account charge	954
At the end of the period	**1,170**

The liability for deferred taxation at 28% (29 December 2007: 28%)is analysed as follows:

	31 December 2008 £'000	29 December 2007 £'000
Unremitted overseas earnings	**1,223**	251
Other short-term timing differences	**(53)**	(35)
	1,170	216

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

9 CALLED-UP SHARE CAPITAL

	31 December 2008 £'000	29 December 2007 £'000
Authorised:		
1,398,170,943 ordinary shares of one pence each (29 December 2007: 1,398,170,943 ordinary shares of one pence each)	**13,982**	13,982
Issued and fully paid:		
44,268,365 ordinary shares of one pence each (29 December 2007: 44,552,865 ordinary shares of one pence each)	**443**	446

During the period the company purchased 284,500 shares for cancellation for a total consideration of £258,620 (12 months ended 29 December 2007: Nil).

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

At 31 December 2008 and 29 December 2007 cash options to subscribe for ordinary shares under the executive share option scheme were held as follows:

Date of Grant	**Date normally exercisable**	**Subscription price per share**	**Number of one pence ordinary shares 31 December 2008**	29 December 2007
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.

Nos hare options were exercised during either the current or previous financial periods.

10 RESERVES

	Profit and loss account £'000	Other reserves £'000	Total £'000
At the beginning of the period	18,097	2,345	20,442
Profit for the period	**4,709**	**–**	**4,709**
Purchase of own shares	**(258)**	**3**	**(255)**
Dividends declared and paid	**(14,970)**	**–**	**(14,970)**
At the end of the period	**7,578**	**2,348**	**9,926**

Other reserves comprise:

	31 December 2008 £'000
Capital redemption reserve	**137**
Non-distributable dividends received from subsidiaries	**2,211**
	2,348

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000
Profit for the financial period	**4,709**	6,381
Consideration for the purchase of own shares	**(258)**	–
Dividends declared and paid	**(14,970)**	–
Net (decrease)/increase in shareholders' funds	**(10,519)**	6,381
Shareholders' funds at the beginning of the period	**20,888**	14,507
Shareholders' funds at the end of the period	**10,369**	20,888

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2008

12 CAPITAL COMMITMENTS AND GUARANTEES

The company has guaranteed certain property leases of subsidiary undertakings occupied for the purposes of the group's trade. At 31 December 2008 the annual commitment under such leases totalled £99,500 (29 December 2007: £81,000), all expiring in five years or more.

13 ULTIMATE PARENT COMPANY

As at 17 June 2009 EOI Sykes Sarl, which is incorporated in Luxembourg, held 81.32% 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 sixth Annual General Meeting of Andrews Sykes Group plc will be held at Floor 5, 10 Bruton Street, London, W1J 6PX on 30 July 2009 at 10.30 a.m. for the following purposes:

AS ORDINARY BUSINESS:
ORDINARY RESOLUTIONS

1. That the financial statements for the 12 months ended 31 December 2008 together with the report of the directors and of the auditors, be and they are hereby received and adopted.
2. That Mr JP Murray, who was appointed as a director by the board on 14 August 2008, retires in accordance with the Articles of Association 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.
4. That Mr JJ Murray, who retires by rotation and offers himself for re-election, be and is hereby re-elected.
5. The Mr EDOA Sebag, who retires by rotation and offers himself for re-election, be and is hereby re-elected.
   Details of directors are set out on page 22 of the financial statements.
6. That Deloitte LLP be and are hereby reappointed as auditors 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

7. 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 80 of the Companies Act 1985 to allot or grant options over relevant securities (as therein defined) up to a maximum aggregate nominal amount of £66,402 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.
8. That the general authority given by the company to make market purchases (as defined by the Companies Act 1985 Section 163(3)) 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 11 June 2008 be, and it is hereby renewed, subject as follows:
   8.1 the maximum number of shares which may be so acquired is 5,533,545 Ordinary Shares of one pence each;
   8.2 the minimum price which may be paid for such shares is the nominal value of such shares;
   8.3 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;
   8.4 the authority conferred by this resolution shall expire on 30 January 2011 or the date of the Annual General Meeting for the period ending 31 December 2009 whichever is the earlier.

SPECIAL RESOLUTIONS

9. That subject to the passing of resolution numbered 7 above the directors be and they are hereby generally and unconditionally authorised to allot equity securities (defined in Section 94(2) of the Companies Act 1985) pursuant to the authority conferred by the resolution number 7 above as if Section 89(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 94(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 maybe) 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 £66,402; 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.
10. That the company's Articles of Association be amended as follows:
    10.1 That Articles 100 to 175 be renumbered and re-designated as Articles 104 to 179; and
    10.2 That the following provisions be inserted following the existing Article 99 and prior to Article 104, re-numbered pursuant to the Resolution 10.1 above:

NOTICE OF ANNUAL GENERAL MEETING

100 Subject to the provisions of the Statutes, the board shall have the authority to approve that a director may hold additional directorships in other companies. No such director or intending director shall be disqualified by his office from holding such directorships, nor shall any such contract or any contract or arrangement entered into on behalf of the company in which any director is in any way directly or indirectly interested due to his directorships be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the company for any profit realised by any such directorships, or of the fiduciary relationship thereby established, provided that the nature of this interest has been declared by him at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, or if the director was not at the date of that meeting interested in the proposed contract or arrangement, then at the next meeting of the board held after he became so interested, and in a case where the director becomes interested in a contract or arrangement, after it is made, then at the first meeting of the board held after he becomes so interested. A general notice in writing given to the board by any director to the effect that he is a director of (or otherwise interested in) any specified company or firm, and is to be regarded as interested in any contract which may thereafter be made with such company or firm, shall (if such director shall give the same at a meeting of the board or shall take reasonable steps to secure that the same is brought up and read at the next meeting of the board after it is given) be deemed a sufficient declaration of interest in relation to any contract so made. In addition, a general notice given to the board that a director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the director has an interest in any such transaction of the nature and extent so specified; and an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

101 Any director that holds additional directorships in other companies shall not be required to disclose confidential information of which he has become aware solely by reason of such additional directorship(s). Failure to disclose any such confidential information shall not be deemed a breach of directors' duties to the company under the 2006 Act or otherwise.

102 Where a director receives confidential information as a result of any additional directorship(s) which may directly or indirectly conflict with the interests of the company, he shall not be required to disclose the confidential information to the company or use it for the company's benefit provided that where the conflict arises the director notifies the board of such conflict. Where the director has conflicting interests, the director shall not receive information of the company relating to the conflict or participate in board discussions where the conflict is relevant.

103 The board shall have the power to authorise directors' conflicts of interest in respect of any contract, arrangement, any other proposal or additional directorships in which he has a material interest. Such authorisation will only be effective if quorum requirements are met without the relevant director voting, or would be met without his votes being counted."

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 2,148,368 ordinary shares representing approximately 4.85% 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 8 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

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

MJ Calderbank ACA
Company Secretary

17 June 2009

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 10.30 a.m. on 28 July 2009. Changes to entries on the register of members after 10.30 a.m. on 28 July 2009 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

FIVE YEAR HISTORY

	IFRS			UKGAAP†	
	12 months ended 31 December 2008 £'000	12 months ended 29 December 2007 £'000	12 months ended 31 December 2006 £'000	12 months ended 31 December 2005 £'000	12 months ended 27 December 2004 £'000
Revenue	**67,394**	57,846	59,768	55,088	62,680
Operating profit from continuing activities*					
Trading profit before exceptional and goodwill charges	**17,924**	14,630	15,696	11,342	12,899
Pension curtailment offer	**–**	(911)	–	–	–
Exceptional reorganisation and redundancy payments	**–**	–	(630)	–	–
Cash cancellation offer	**–**	–	–	–	(4,872)
Goodwill amortisation and impairment charges	**–**	(31)	–	(14)	(14)
Profit on the disposal of property	**559**	–	206	–	–
	18,483	13,688	15,272	11,328	8,013
Income from other participating interests	**–**	209	–	–	304
Net interest	**(3,106)**	(1,519)	(1,272)	(662)	(842)
Profit before taxation	**15,377**	12,378	14,000	10,666	7,475
Taxation	**(4,321)**	(3,829)	(4,150)	(2,838)	(2,236)
Profit for the financial period from continuing activities	**11,056**	8,549	9,850	7,828	5,239
(Loss)/profit on disposal of businesses after tax	**–**	–	(142)	6,299	(305)
Profit for the financial period	**11,056**	8,549	9,708	14,127	4,934
Dividends paid during the year	**14,970**	–	–	8,119	2,320
Basic earnings per share from continuing operations	**24.85p**	19.19p	22.11p	15.24p	8.13p
Ordinary dividend per share paid in the year	**33.60p**	–	–	14.0p	4.0p

* Defined as at the end of each reporting period.

† Prior year periods are stated under UK GAAP as the transition to IFRS did not have a material impact on the reported profit. Presentational adjustments have been made where material.

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