COMPANY NUMBER

175912

ANDREWS SYKES

ANNUAL REPORT 1995

SYKES PUMPS

•

ANDREWS HEAT FOR HIRE

•

AIR CONDITIONING

•

DRYING

•

VENTILATION

ANDREWS SYKES

Andrews Sykes provides services to
30,000 customers from
40 locations throughout the UK and in
Europe, and the Middle East.

We hire, sell, install and service the most
comprehensive range of products for heating,
air conditioning, drying, ventilating and
pumping.

Contents

Pumps

Heating

Air Conditioning

Drying

Ventilation

English China Clays

Sykes custom built pumps are specifically designed to meet heavy duty and high lift applications. The versatility of the pumpset makes the range ideally suited for uses where performance and durability are paramount.

Chairman's Statement

I am pleased to report that progress has been made in the reorganisation of the Group which has led to an operating profit from continuing operations of £1.9 million before exceptionals compared with £0.6 million last year.

However, as indicated at the interim stage, because of net exceptional costs of £3.3 million, which include a £1.6 million write-down of goodwill, we have reported a net loss of £2.9 million compared with a loss of £5.8 million last year.

I am particularly pleased to report that the substantial borrowings that had been accumulated in the past have been reduced from £16.8 million at 31 March 1994 to £8.1 million at 31 March 1995 with gearing falling to the much more acceptable level of 122%. This has been achieved through a major cost reduction programme in the Group's core businesses, the disposal of the Group's non-core activities, sale of surplus freehold property and a repayment from the Group's pension scheme after enhancement of members' benefits.

This has enabled the arrears of preference dividend for the six months to 30 November 1994 to be paid on 1 June 1995. The Company is now in a much stronger position and it should be possible to bring preference dividend payments up to date at the interim stage, which would allow a return to ordinary dividends to be considered at the end of the financial year.

Two further directors were appointed to the board in December 1994. Jean-Jacques Murray was appointed as a non-executive Director and John Hall, the Operations Director of the main UK subsidiary, as an Executive Director.

The new year has started well and I am confident that we will make further progress as well as consolidating the considerable improvements already generated by the restructuring.

J G Murray
Chairman

26 June 1995

Submersible pump
Sykes submersible pumps are ideal for a broad range of applications.

Chief Executive's Review

Reorganisation

In the twelve months to 31 March 1995 considerable progress has been made in the regeneration of the Group. In particular, the substantial borrowings which were impeding the Group's progress have been reduced.

Whilst operating profits from continuing businesses are improving they are only just beginning to reflect the fundamental changes to the Group's operating businesses and its cost structure which began when I was appointed Chief Executive by the new board in May 1994. Since then the following actions have been taken.

- The UK workforce within the core business has been reduced by over 20% from 698 to 554 since March 1994.
- A new area management structure has been introduced in the UK which is profit responsible and clearly focused on the core business activities.
- Head office has been streamlined and moved to smaller more appropriate premises.
- The centralised pump repair facility at Tipton, West Midlands has been closed and pumps are now repaired locally.
- The heater manufacturing facility in Marston Road, Wolverhampton, which had a substantial cost base, has been closed and the activity subcontracted.
- Andrews Water Heaters which had net assets of £0.7 million was sold for £2.6 million.
- Calorex Heat Pumps which had net assets of £0.7 million was sold for £1.725 million.
- The loss making operation in Hungary has been sold.
- Surplus freehold properties have been sold for net asset value generating £0.9 million in cash.
- The Group's UK pension funds have been consolidated and benefit improvements made to members together with a cash repayment to the Group.

The strategy set out in my last review of focusing on the core activities of the hire, sale and installation of pumps, heating and air conditioning is now in place. With the worst behind us we are now concentrating our efforts on operational matters in order to rebuild margins and support profits in the future.

Cash flow

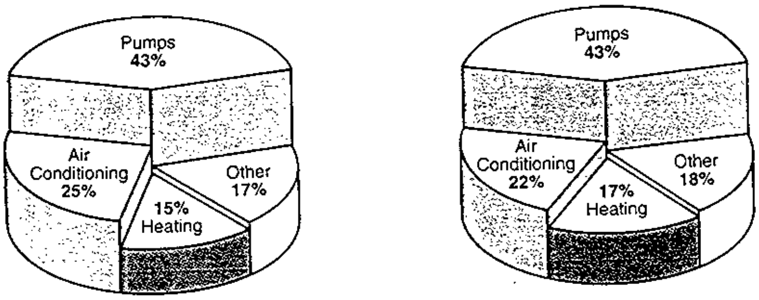
As a consequence of these actions overall borrowings have been reduced by £8.7 million during the year despite the cash cost of the reorganisation which has been considerable. At the same time we have been able to maintain expenditure on the critical areas of hire fleet renewal and marketing.

Gearing (total borrowings as a percentage of net assets) reduced from over 240% at 31 March 1994 to 122% at 31 March 1995.

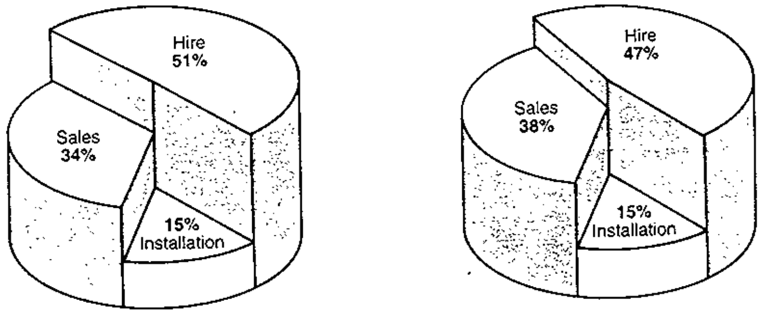
Turnover

Turnover from continuing operations increased by 4% to £46.9 million. Business mix did not change substantially, however the increased focus on the core UK hire business was reflected in an increase in hire income as a proportion of turnover.

1995 Turnover mix by product 1994



1995 Turnover mix by activity 1994



Inset picture: *Andrews portable heaters in use at Coventry Cathedral during a gala performance by Birmingham's Royal Ballet Company.*

HEATING PHOTO

Main picture: *Andrews volume site heaters used on the £11 million phase two expansion of the Hope Hospital in Salford, to allow internal finishing trades to work.*

Chief Executive's Review
continued

Operating profit/(loss)

Operating profits from continuing businesses improved to £1.9 million from £0.6 million before charging £4.2 million (1994: £2.1 million) of exceptional costs arising from the reorganisation. These costs comprise:

	1995	1994
	£m	£m
Provision for permanent diminution in value of goodwill	**1.6**	–
Write-offs of property related redundant assets	**1.1**	–
Provisions for surplus and vacant leasehold property	**0.7**	–
Stock obsolescence on withdrawal from manufacturing	**0.7**	–
Redundancy	**0.9**	0.7
Other exceptional costs	**0.3**	0.1
Pension refund	**(1.1)**	–
Revaluation of properties	–	0.9
Stocks and other asset obsolescence on withdrawals from minor peripheral activities	–	0.4
	4.2	2.1

Continuing UK operations generated a profit of £0.8 million before exceptional items compared with a loss of £0.4 million in 1994 with the benefits of the cost reduction programme beginning to come through only towards the end of the year.

Our overseas operations performed well again in 1995. In the Middle East we benefitted from continuing high levels of construction activity in the UAE and maintained profits at £0.6 million. Both the Netherlands and our small Polish subsidiary performed well and consequently operating profits from the Rest of Europe increased from £0.4 to £0.5 million.

Discontinued operations in 1995 include the results of Andrews Water Heaters and Calorex Heat Pumps prior to disposal in November 1994 and February 1995, net of small losses from our operations in Hungary and the Czech Republic. The profit of £1.3 million arising on disposal of these businesses is net of £0.9 million of goodwill previously written-off to reserves on the original acquisition of Calorex.

Taxation

Advance Corporation Tax arising during the year of £0.3 million has been written off (1994: £0.3 million). The charge for the year also includes £0.4 million of income tax paid on the pension refund, £0.2 million of overseas taxes (1994: £0.2 million) and a charge of £0.2 million in respect of business disposal profits net of the utilisation of £0.7 million of brought forward capital losses.

After the fire . . .
After the Norwich City Library fire, water damaged documents were dried and stored using Andrews portable air conditioners and dehumidifiers.

Roof mounted air conditioning condenser units provide ease of maintenance.

Boots opt for comfort cooling
Andrews Sykes install and service air conditioning for a number of nationwide retailers, providing comfort cooling for their customers.

Net assets

Net assets were maintained at £6.6 million at 31 March 1995 compared with £6.9 million at 31 March 1994, as the retained deficit for the year of £2.8 million included goodwill totalling £2.5 million previously written-off to reserves on acquisition.

Finally, I should like to express my thanks to our suppliers and bankers who have supported us during the last year and especially our employees who have worked hard and diligently throughout a difficult period.

E W Hook
Chief Executive

26 June 1995

Corporate Governance

Andrews Sykes subscribes to the recommendations of the Cadbury Committee on the Financial Aspects of Corporate Governance and, with the exception of the matters referred to below, has complied throughout the year with the provisions of the Code of Best Practice which are currently in force. The only element of the code not yet in force is that relating to reporting on internal controls in relation to which guidance for directors has only recently been published. It will be effective for our next financial year.

- The Audit Committee was formally constituted on 31 October 1994.
- The finance function is the responsibility of the Company Secretary, who attends all board meetings and is a Chartered Accountant. The Company Secretary reports directly to the Chief Executive, himself a qualified accountant, who is a signatory to the accounts.
- There was no formal schedule of matters reserved for decision by the board during the year, as the board met regularly to consider all relevant issues. The minimum requirements specified by the Code are matters which would be routinely considered by the full board. A formal schedule was adopted by the board in May 1995.
- The majority of non-executive directors are not considered independent, Messrs J G Murray, J J Murray, Maury, Pillois and Chudnoff are deemed to be connected with European Fire Protection Holding BV and, as such, declare their interest and take no part in decisions when appropriate. Mr Haines and Mr Gailer are considered independent.
- Three non-executive directors, Mr Chudnoff, Mr Maury and Mr Pillois and the alternate director, Mr Mechoulam, have been awarded share options in recognition of their continuing services to the Company. They receive no fees or other remuneration. Details of their options are set out in note 9 to the accounts on page 28.

The Board

The board meets regularly to review current trading and to make key operational and strategic decisions.

The Chairman and other non-executive directors do not have service contracts. Mr Hook and Mr Hall have service contracts which are terminable by the Company by two years' notice.

The appointment of directors involves selection by the full board and directors so appointed must be re-elected at the following Annual General Meeting. All directors are subject to retirement by rotation.

Each director has the facility of independent professional advice in connection with their duties at the Company's expense.

The Audit Committee is chaired by Mr Haines and includes Mr Gailer and Mr Pillois. The Committee provides a regular line of communication between the Board and the Company's auditors. It reviews and considers the Company's annual and interim reports prior to their submission for approval by the board.

The Remuneration Committee is chaired by Mr Pillois and includes Mr Haines and Mr Gailer. The Committee is responsible for determining the terms and conditions of employment of directors.

Going concern

Having made appropriate enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and the financial statements have accordingly been prepared on a going concern basis.

Review by the auditors

The auditors, KPMG, have confirmed that in their opinion, with respect to the directors' statement on going concern above, the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and the statement is not inconsistent with the information of which they are aware from their audit on the financial statements, and that the above directors' statement appropriately reflects the Company's compliance with the other paragraphs of the Code specified by the Listing Rules for their review.

They have carried out their review in accordance with the Bulletin issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of the Company's system of corporate governance procedures, or on the ability of the Group to continue in operational existence.

Directors and Advisors

Executive directors

E W Hook FCCA, Chief Executive
Age 41. Appointed as Chief Executive on 12 May 1994. Previously Finance Director of the plant hire division of Lex Service plc.

J R Hall, Operations Director
Age 50. Appointed to the main board on 16 December 1994. Operations Director of the main UK subsidiary.

Non-executive directors

J G Murray, Chairman
Age 75. Chairman of Nu Swift Limited. Mr Murray has a long and successful history in the industrial services sector through the various interests of his private company European Fire Protection Holding BV.

A Chudnoff MBA Harvard
Age 71. Formerly Acquisitions Director with ITT Corp. Director of Clarke, Nickolls & Coombs plc and London Securities plc.

F M B Gailer
Age 59. Director of International Strategic Alliances Limited.

M G M Haines CA
Age 59. Chairman of the Lambeth Building Society, Homerton Hospital NHS Trust and Housing Securities Limited and Non-executive Director of Cluff Resources plc.

P Maury MBA
Age 41. Director of Nu Swift Limited.

P Mechoulam
Age 43. Alternate Director to Mr J G Murray.

J J Murray MBA
Age 29. Director of Nu Swift Limited

J C Pillois
Age 39. Finance Director of Nu Swift Limited.

Secretary and registered office

S R Harbridge ACA
Premier House
Darlington Street
Wolverhampton
WV1 4J J

Registrars

Lloyds Bank Registrars
Goring-by-Sea
West Sussex
BN12 6DA

Stockbrokers

Teather & Greenwood
Salisbury House
London Wall
London
EC2M 5TH

Solicitors

Wragge & Co
55 Colmore Row
Birmingham
B3 2AS

Auditors

KPMG
2 Cornwall Street
Birmingham
B3 2DL

Bankers

Midland Bank plc
Poultry and Princes Street
London
EC2P 2BX

Directors' Report

Principal activities and business review

The principal activity of the Group continues to be the hire, sale, installation and service of specialist environmental control products, principally portable heating, air conditioning, drying, ventilating and pumping equipment.

A review of the Group's activities and an indication of likely future developments are set out in the Chairman's Statement and Chief Executive's Review on pages 3 to 7.

Results, dividends and transfers to reserves

The results for the year are set out in the accompanying financial statements on pages 16 to 39.

The directors do not recommend the payment of an ordinary dividend in respect of the year ended 31 March 1995 *(1994: £Nil)*.

Preference dividends have been declared and paid in respect of periods up to 30 November 1994, the preference dividend for the 6 months ended 30 November 1994 being paid on 1 June 1995.

The retained deficit of £2,866,000 after deduction of finance costs of £215,000 in respect of accrued undeclared preference dividends for the 4 months ended 31 March 1995 has been deducted from reserves.

Directors

The current directors are shown on page 10. The interests of the directors in office at 31 March 1995 in the share capital of the Company are shown in note 9 to the accounts. At an Extraordinary General Meeting held on 12 May 1994 J G Murray, A Chudnoff, P Maury, J C Pillois and E W Hook were appointed and D E A Crowe and S Ross were removed as directors. M E Doherty resigned as a director on 12 May 1994 and D A Martin and R D C Hubbard (Chairman) resigned as directors on 31 May and 30 June 1994 respectively.

J G Murray was appointed Chairman on 30 June 1994 following the resignation of Mr Hubbard.

F M B Gailer and M G M Haines were appointed as directors on 30 June 1994 and 5 July 1994 respectively and J J Murray and JR Hall were appointed on 16 December 1994.

P Mechoulam was appointed as alternate director to J G Murray on 19 January 1995.

At the forthcoming Annual General Meeting Mr Gailer, Mr Haines, Mr J J Murray and Mr Hall retire in accordance with the Articles and, being eligible, offer themselves for re-election. Mr Pillois and Mr Maury retire by rotation and, being eligible, offer themselves for re-election. Mr Hall has a service contract with the Company terminable by the Company by two years notice. No other director offered for re-election has a service contract.

Directors' Report

continued

Substantial shareholdings

At 23 June 1995 the directors were aware or had been notified of the following as being interested in 3% or more of the Company's issued ordinary share capital:

	Number	Percent
European Fire Protection Holding BV	8,497,965	59.49
St. Lawrence Beneficiaries Limited	1,431,327	10.02
Manchester & London Investment Trust plc	980,000	6.86
TR Smaller Companies Investment Trust plc	500,000	3.50

Fixed assets

Information relating to movements in tangible fixed assets is set out in note 13 to the accounts. The Group's freehold and long leasehold properties were last valued professionally in January 1994 at open market values on the basis of existing use. Their carrying value in the accounts is based on that valuation and the directors do not believe their value at 31 March 1995 to be materially different.

Acquisitions and disposals

These are described in the Chief Executive's Review on pages 4 to 7 and are detailed in note 23 on page 38.

Health, safety and the environment

The maintenance and improvement of working standards to safeguard the health and well being of staff and customers alike is a continuing priority. Health and Safety Officers are appointed at each location and receive periodic training to keep abreast of both legislative requirements and technological advances. It is Group policy to operate in a reasonable manner with regard to the environment.

Employment of disabled persons

The Group makes every effort to ensure that applications for employment by disabled persons are fully and fairly considered and that disabled employees have equal opportunity in training and promotion.

Employee involvement

The Group recognises the need to ensure effective communications with employees. Policies and procedures have been developed to suit the needs of each subsidiary undertaking, taking into account factors such as numbers employed and location.

Liability insurance for Company officers

During the year the Company maintained insurance cover for directors and officers of the Company and its subsidiary undertakings against liabilities which they might incur personally.

Special business

A special resolution will be proposed at the Annual General Meeting to confer powers on the directors to allot for cash the amount of relevant securities set out in the resolution otherwise than pro rata to existing shareholders.

Close company status

The Company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

Change of year end

The Company's accounting reference date will be changed to 31 December which is a more natural year end for a Company of this nature. For the period which commenced on 1 April 1995 interim results for the six months to 30 September 1995 will be reported in November 1995 and final results for the nine months to 31 December 1995 will be reported in March 1996.

Share capital

No shares were issued by the Company during the year other than 8,908 new ordinary shares due to the exercise of options under the Executive and Savings Related Share Option Schemes.

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and accordingly, have signed their report in their new name.

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

S R Harbridge

S R Harbridge
Secretary

Premier House
Darlington Street
Wolverhampton
WV1 4JJ

26 June 1995

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements the directors are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable Accounting Standards have been followed, subject to any material departures being disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditors' Report

To the Members of Andrews Sykes Group plc

We have audited the financial statements on pages 16 to 39.

Respective responsibilities of directors and auditors
As described on page 14 the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the 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 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 financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 1995 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors
Birmingham

26 June 1995

Consolidated Profit and Loss Account

for the year ended 31 March 1995

	Note	1995 Before exceptional items £000	1995 Exceptional items £000	1995 Total £000	1994 Before exceptional items £000	1994 Exceptional items £000	1994 Total £000
Turnover	1						
Continuing operations		46,888	–	46,888	45,195	–	45,195
Discontinued operations		4,504	–	4,504	7,734	–	7,734
		51,392	–	51,392	52,929	–	52,929
Operating profit/(loss)	2						
Continuing operations		1,883	(4,217)	(2,334)	571	(2,068)	(1,497)
Discontinued operations		599	–	599	426	–	426
		2,482	(4,217)	(1,735)	997	(2,068)	(1,071)
Profit/(loss) on disposal of discontinued operations	23	–	1,274	1,274	–	(2,054)	(2,054)
Profit/(loss) on ordinary activities before interest		2,482	(2,943)	(461)	997	(4,122)	(3,125)
Net interest payable	4	(1,500)	–	(1,500)	(1,624)	–	(1,624)
Profit/(loss) on ordinary activities before taxation	5	982	(2,943)	(1,961)	(627)	(4,122)	(4,749)
Tax on profit/(loss) on ordinary activities	6	118	(309)	(191)	(651)	316	(335)
Profit/(loss) on ordinary activities after taxation		1,100	(3,252)	(2,152)	(1,278)	(3,806)	(5,084)
Minority interests – non-equity				(70)			(70)
Loss for the financial year				(2,222)			(5,154)
Dividends – non-equity shares	12			(644)			(644)
Deficit for the financial year attributable to ordinary shareholders	20			(2,866)			(5,798)
Loss per ordinary share	11			(20.1)			(40.6)
Adjusted earnings/(loss) per ordinary share	11			4.3			(12.4)

Movements in reserves are set out in note 20.

Consolidated Balance Sheet

at 31 March 1995

	Note	1995		1994 As restated	
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	13		**13,035**		16,986
Investments	14		**164**		164
			13,199		17,150
Current assets					
Properties held for disposal		**65**		115	
Stocks	15	**3,814**		6,785	
Debtors	16	**12,525**		11,594	
Cash at bank and in hand		**573**		472	
		16,977		18,966	
Creditors: Amounts falling due within one year	17	**(16,919)**		(18,492)	
Net current assets			**58**		474
Total assets less current liabilities			**13,257**		17,624
Creditors: Amounts falling due after more than one year	17		**(4,460)**		(10,431)
Provisions for liabilities and charges	18		**(2,142)**		(274)
Net assets			**6,655**		6,919
Capital and reserves					
Called up share capital	19		**18,884**		18,875
Share premium account	20		**4**		2
Revaluation reserve	20		**409**		652
Other reserves	20		**(10,628)**		(11,580)
Profit and loss account	20		**(2,645)**		(1,661)
			6,024		6,288
Shareholders' funds					
Equity			**1,209**		1,473
Non-equity			**4,815**		4,815
			6,024		6,288
Minority interests (non-equity)	21		**631**		631
			6,655		6,919

These financial statements were approved by the board of directors on 26 June 1995 and were signed on its behalf by:

E W Hook – *Chief Executive*

J G Murray – *Chairman*

Consolidated Cash Flow Statement

for the year ended 31 March 1995

	Note	1995 £000	1994 £000
Net cash inflow from operating activities	23	**9,790**	7,671
Returns on investments and servicing of finance			
Interest paid		**(1,462)**	(1,624)
Preference dividends paid to shareholders		**(644)**	(750)
Preference dividends paid to minority shareholders		**(70)**	(70)
Net cash outflow from returns on investments and servicing of finance		**(2,176)**	(2,444)
Taxation			
Corporation tax		**(112)**	(349)
Overseas tax		**(176)**	(167)
Income tax paid on pension fund		**(442)**	–
Total tax paid		**(730)**	(516)
Investing activities			
Purchase of tangible fixed assets		**(4,215)**	(4,938)
Sale of properties held for disposal		**43**	–
Sale of tangible fixed assets		**2,218**	1,937
Disposal of businesses	23	**3,948**	545
Net cash inflow/(outflow) from investing activities		**1,994**	(2,456)
Net cash inflow before financing		**8,878**	2,255
Financing			
Capital element of finance lease and similar hire purchase payments		**1,432**	1,529
Repayment of loans		**5,219**	1,503
Issues of ordinary share capital		**(11)**	–
Net cash outflow from financing	23	**6,640**	3,032
Increase/(decrease) in cash and cash equivalents	23	**2,238**	(777)
		8,878	2,255

Consolidated Statement of Total Gains and Losses

for the year ended 31 March 1995

	1995 £000	1994 £000
Loss for the financial year	(2,222)	(5,154)
Currency translation differences on foreign currency net investments	62	(23)
Deficit on revaluation of properties	–	(98)
Total recognised gains and losses relating to the financial year	(2,160)	(5,275)
Prior year adjustment (note 20)	215	
Total gains and losses recognised since the last annual report	(1,945)	

Note of Consolidated Historical Cost Profits and Losses

for the year ended 31 March 1995

	1995 £000	1994 £000
Reported loss on ordinary activities before taxation	(1,961)	(4,749)
Realisation of property revaluation gains of previous years	221	–
Difference between historical cost depreciation charge and the actual charge calculated on the revalued amount	22	36
Historical cost loss on ordinary activities before taxation	(1,718)	(4,713)
Historical cost loss for the year retained after taxation and dividends	(2,623)	(5,762)

Reconciliation of Movements in Group Shareholders' Funds

for the year ended 31 March 1995

	1995 £000	1994 £000
Loss for the financial year	(2,222)	(5,154)
Dividends	(644)	(644)
Other recognised gains and losses (net)	62	(121)
Goodwill taken to profit and loss account on the disposal of businesses and permanent diminution in value	2,529	1,818
Proceeds from ordinary shares issued	11	–
Net decrease in shareholders' funds	(264)	(4,101)
Shareholders' funds at beginning of year (originally £6,073,000 before adding a prior year adjustment of £215,000)	6,288	10,389
Shareholders' funds at end of year	6,024	6,288

Company Balance Sheet

at 31 March 1995

	Note	1995		1994 As restated	
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	13		–		79
Investments	14		51,707		36,263
			51,707		36,342
Current assets					
Debtors	16	786		1,828	
Creditors: Amounts falling due within one year	17	(16,124)		(9,901)	
Net current liabilities			(15,338)		(8,073)
Total assets less current liabilities			36,369		28,269
Creditors: Amounts falling due after more than one year	17		(12,624)		(9,013)
Provisions for liabilities and charges	18		(125)		–
Net assets			23,620		19,256
Capital and reserves					
Called up share capital	19		18,884		18,875
Share premium account	20		4		2
Other reserves	20		4,048		153
Profit and loss account	20		684		226
			23,620		19,256
Shareholders' funds					
Equity			18,805		14,441
Non-equity			4,815		4,815
			23,620		19,256

These financial statements were approved by the board of directors on 26 June 1995 and were signed on its behalf by:

E W Hook – *Chief Executive*

J G Murray – *Chairman*

Accounting Policies

Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of freehold and long leasehold land and buildings and in accordance with applicable Accounting Standards.

Comparative figures in the consolidated profit and loss account and the five year summary have been restated in accordance with Financial Reporting Standard Number 3. Comparative figures have been restated to reflect the requirements of Financial Reporting Standard Number 4. Creditors due within one year have been reduced by £215,000 to eliminate accrued undeclared preference dividends and an equivalent amount added to profit and loss reserves.

Basis of consolidation

The consolidated accounts incorporate the results of the Company and its subsidiary undertakings. The accounts of all subsidiary undertakings are made up to 31 March.

Results of subsidiary undertakings acquired or disposed of during the year are consolidated from the date of acquisition or up to the date of disposal.

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of Andrews Sykes Group plc has not been presented separately in these financial statements.

Goodwill

Goodwill arising on consolidation representing the difference between the fair value of the consideration paid on acquisition of a subsidiary undertaking and the fair value of its separable net assets at the date of acquisition is written off to reserves on acquisition.

Goodwill arising on the original acquisition is taken into account in calculating the profit or loss arising on the sale or closure of previously acquired businesses.

Goodwill arising on the original acquisition is written off through the profit and loss account to the extent that it is considered to have suffered a permanent diminution in value.

Turnover

Turnover represents the net amount invoiced to customers for the hire, sale, installation and service of environmental control products less trade discounts, excluding intra-group sales and Value Added Tax.

Fixed assets

Fixed assets are shown at original historic cost or subsequent valuation, less depreciation. No depreciation is provided on freehold land. Depreciation of other tangible fixed assets is provided on a straight line basis using rates calculated to write down the cost or valuation of each asset to its estimated residual value over its estimated useful life, as follows:

Freehold and long leasehold buildings	2%
Short leasehold buildings	Over the period of the lease
Plant and machinery	7.5% to 25%
Motor vehicles	20% to 25%
Equipment for hire:	
Heating, air conditioning and other equipment	20%
Pumping equipment	14% to 33%

Accounting Policies

continued

Investments

The company's cost of investment in subsidiary undertakings is stated at the aggregate of:

(a) the cash consideration,

(b) the nominal value of shares issued as consideration where sections 131 and 133 of the Companies Act 1985 apply,

(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.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation is provided in respect of timing differences to the extent that such liabilities are expected to become payable in the foreseeable future. Advance corporation tax payable is written off except when recoverability against corporation tax payable is considered to be reasonably assured.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date and trading results of overseas subsidiary undertakings are translated at the average rate for the year. Exchange differences are dealt with as a movement on reserves where they arise from the translation of opening net assets of overseas subsidiary undertakings. Exchange differences on foreign currency loans, to the extent that they relate to investments in overseas operations, are also taken to reserves. All other exchange differences both realised and unrealised are taken to the profit and loss account.

Leased assets

Assets acquired under finance leases and similar hire purchase contracts are treated as tangible fixed assets and depreciation is provided accordingly. The capital element of future rentals payable is included under creditors. Lease payments are treated as consisting of capital and interest elements and interest is charged to the profit and loss account using the annuity method. Rental costs arising from operating leases are charged to the profit and loss account as they arise.

Pension costs

The Group operates defined benefit pension schemes for the majority of employees as disclosed in note 25. The amount charged to the profit and loss account in respect of defined benefit pension schemes is calculated so as to spread the cost of pensions over the average remaining service life of employees in accordance with the advice of qualified actuaries.

Notes to the Financial Statements

1 Segmental analysis

The Group's turnover may be analysed between the following principal activities and product groups:

	1995 £000	1994 £000
Product group:		
Pumps	**19,990**	19,467
Heating	**7,266**	7,639
Air conditioning	**11,505**	9,869
Other	**8,127**	8,220
Total continuing operations	**46,888**	45,195
Activity:		
Hire	**23,736**	21,308
Sales	**16,081**	17,269
Installation	**7,071**	6,618
Total continuing operations	**46,888**	45,195
Discontinued operations (other sales)	**4,504**	7,734
	51,392	52,929

The integrated nature of the Group's operations does not permit a meaningful analysis of operating loss and net assets by activity.

The geographical analysis of the Group's turnover is as follows:

	By geographical origin		By geographical destination	
	1995 £000	1994 £000	1995 £000	1994 £000
Continuing operations:				
United Kingdom	**39,774**	38,860	**39,542**	37,277
Rest of Europe	**3,454**	2,876	**3,325**	3,905
Middle East and Africa	**3,660**	3,459	**3,991**	3,841
Rest of World	**–**	–	**30**	172
	46,888	45,195	**46,888**	45,195
Discontinued operations:				
United Kingdom	**4,420**	7,082	**3,384**	5,599
Rest of Europe	**84**	652	**886**	1,663
Rest of World	**–**	–	**234**	472
	51,392	52,929	**51,392**	52,929

Notes to the Financial Statements
continued

1 Segmental analysis *(continued)*

The analysis of operating profit/(loss) before interest and net assets by geographical origin is as follows:

	Operating profit/(loss) before interest		Net assets	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Continuing operations:				
United Kingdom	**(3,425)**	(2,555)	**11,548**	19,799
Rest of Europe	**481**	369	**662**	1,085
Middle East and Africa	**610**	689	**2,158**	1,803
	(2,334)	(1,497)	**14,368**	22,687
Discontinued operations:				
United Kingdom	**616**	661	**–**	1,268
Rest of Europe	**(17)**	(235)	**–**	(114)
	(1,735)	(1,071)	**14,368**	23,841
Net borrowings			**(8,123)**	(16,793)
Taxation and dividends payable			**410**	(129)
			6,655	6,919

2 Operating profit/(loss)

	1995			1994		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	£000	**£000**	**£000**	£000	£000	£000
Turnover	**46,888**	**4,504**	**51,392**	45,195	7,734	52,929
Cost of sales	**(26,503)**	**(2,669)**	**(29,172)**	(27,368)	(4,661)	(32,029)
Gross profit	**20,385**	**1,835**	**22,220**	17,827	3,073	20,900
Distribution costs	**(9,237)**	**(618)**	**(9,855)**	(6,832)	(1,164)	(7,996)
Administrative expenses	**(13,535)**	**(618)**	**(14,153)**	(12,640)	(1,484)	(14,124)
Other operating income	**53**	**-**	**53**	148	1	149
Operating (loss)/profit	**(2,334)**	**599**	**(1,735)**	(1,497)	426	(1,071)

The operating (loss)/profit in respect of continuing operations includes £4,217,000 *(1994: £2,068,000)* of exceptional costs which are set out in note 3.

3 Exceptional items

Exceptional items are analysed as follows:

	1995 £000	1994 £000
Continuing operations		
Cost of sales	719	507
Distribution costs	1,359	322
Administrative expenses	2,139	1,239
	4,217	2,068
Discontinued operations		
(Profit)/loss on disposal of discontinued operations	(1,274)	2,054
	2,943	4,122

Exceptional items in respect of continuing operations are further analysed as follows:

	1995 £000	1994 £000
Write-off of fixtures, fittings and leasehold improvements in respect of vacant and surplus properties	1,139	–
Provisions for vacant and surplus leasehold property	672	–
Stock obsolescence following withdrawal from manufacturing	719	–
Redundancy costs	873	670
Revaluation of properties	–	891
Stocks and other asset obsolescence on withdrawals from minor peripheral activities	–	367
Other exceptional costs	308	140
Pension refund (note 25)	(1,105)	–
Provision for permanent diminution in value of goodwill	1,611	–
	4,217	2,068

4 Net interest payable

	1995 £000	1994 £000
Interest payable and similar charges		
On bank loans and overdrafts	1,314	1,437
On finance leases and similar hire purchase contracts	203	249
	1,517	1,686
Interest receivable	(17)	(62)
	1,500	1,624

Notes to the Financial Statements

continued

5 Profit/(loss) on ordinary activities before taxation

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

	1995	1994
	£000	£000
Depreciation of tangible fixed assets	**4,973**	4,653
Auditors' remuneration		
– audit fee and expenses	**75**	100
Operating lease rentals		
– property rents	**1,260**	1,292
– hire of plant and machinery	**84**	247
– motor vehicles	**438**	759

Fees for non-audit services amounted to £212,000 *(1994: £74,000)* including £89,000 in respect of the disposal of businesses and £100,000 for advice in respect of the two offers made by European Fire Protection Holding BV for the ordinary share capital of the Company.

6 Tax on profit/(loss) on ordinary activities

	1995	1994
	£000	£000
UK corporation tax at 33% *(1993: 33%)* on the profit/(loss) on ordinary activities	**165**	(531)
Deferred tax	**(823)**	442
ACT written off	**227**	227
Adjustment in respect of prior years	**(1)**	23
Overseas taxation	**181**	174
Income tax on pension scheme refund	**442**	–
	191	335

The UK corporation tax charge of £165,000 relates to the profit on disposal of discontinued operations after utilisation of brought forward losses and other losses arising during the year.

The charge for the year includes income tax charged at 40% to the Andrews Sykes Group Executive Pension Scheme on the gross surplus refunded to the Company.

The charge for the year has been reduced by the utilisation of £702,000 of brought forward capital losses.

7 Profit applicable to the ordinary shareholders of Andrews Sykes Group plc

The profit for the financial year dealt with in the profit and loss account of the Company was £1,102,000 *(1994: loss of £205,000)*

8 Directors' remuneration

The total remuneration of the directors of the company is analysed as follows:

	1995	1994
	£000	£000
Emoluments:		
- fees	**15**	48
- emoluments as executives of the Company	**138**	184
Compensation for loss of executive office	**–**	394
	153	626

No element of directors' emoluments was specifically performance related. Details of directors' share options are included in note 9.

The emoluments of the directors, excluding pension charges, were within the following ranges:

	Number of directors	
	1995	1994
£0 – £5,000	**11**	–
£ 5,001 – £10,000	**2**	2
£15,001 – £20,000	**1**	–
£25,001 – £30,000	**–**	1
£45,001 – £50,000	**–**	1
£50,001 – £55,000	**–**	1
£85,001 – £90,000	**–**	1
£110,001 – £115,000	**1**	–

The above table includes the emoluments of the two Chairmen who served during the year, both inclusive and exclusive of pension contributions, at £Nil *(1994: £28,000)* and the highest paid director at £110,364 excluding pension charges and £115,505 including pension charges *(1994: £85,000).*

Notes to the Financial Statements
continued

9 Directors' interests

Other than the interests disclosed below, no director in office at 31 March 1995 had any disclosable interest in the share capital of the Company or any subsidiary undertaking.

	Ordinary shares		Preference shares	
	At 31 March 1995	At 1 April 1994 (or later date of appointment)	**At 31 March 1995**	At 1 April 1994 (or later date of appointment)
J G Murray	**8,497,965**	4,235,818	**770,999**	-
M G M Haines	**2,360**	-	-	-
J C Pillois	**20,000**	20,000	-	-

Mr J G Murray's interests represent those of European Fire Protection Holding BV of which he is the sole beneficial shareholder.

The following options to subscribe for ordinary shares are held:

	Number of ordinary shares	Period of exercise	Exercise price pence
Executive Scheme			
E W Hook	*250,000	8 December 1997 – 8 December 2004	112
J R Hall	10,000	15 December 1990 – 15 December 1997	223
	2,500	26 July 1993 – 26 July 2000	198
	12,500	23 July 1994 – 23 July 2001	125
	5,000	20 January 1995 – 20 January 2002	125
	7,500	16 June 1995 – 16 June 2002	145
	*25,000	22 December 1997 – 22 December 2004	127
Share Save Scheme			
J R Hall	5,120	1 November 1997 – 30 April 1998	104
Unapproved share options			
A Chudnoff	100,000	8 December 1995 – 8 December 2001	112
J C Pillois	185,000	8 December 1995 – 8 December 2001	112
P Maury	185,000	14 December 1995 – 14 December 2001	112
P Mechoulam	185,000	8 December 1995 – 8 December 2001	112

*Mr Hook and Mr Hall were granted 250,000 and 25,000 options respectively during the year under the Executive Share Option Scheme.

Mr Chudnoff, Mr Pillois, Mr Maury and Mr Mechoulam were granted options during the year, as detailed above, under deeds separate to the Inland Revenue approved Executive and Savings Related Share Option Schemes. This constituted a related party transaction under the London Stock Exchange listing rules.

No director exercised options during the year.

No changes took place in the interests of the above directors in the share capital of the Company between 31 March 1995 and 26 June 1995.

The mid-market price of the Company's ordinary shares at 31 March 1995 was 156p. The highest and lowest mid-market prices during the year were 167p and 47p.

10 Employees

The average number of persons employed during the year was:

	1995 Number	1994 Number
Manufacturing	24	36
Sales, distribution and administration	740	818
	764	854

	1995 £000	1994 £000
Staff costs amounted to:		
Wages and salaries (including redundancy)	12,131	12,523
Social security costs	911	1,083
Pension costs (note 25)	309	137
	13,351	13,743

11 Loss per ordinary share

(Loss)/earnings per ordinary share is calculated by dividing the loss after taxation, minority interests, preference dividends and finance costs of preference dividends of £2,866,000 *(1994: loss £5,798,000)* by the average number of ordinary shares in issue during the year of 14,275,753 *(1994: 14,274,786).*

The adjusted earnings/(loss) per ordinary share has been calculated as follows:

	1995 Pence per share	1994 Pence per share
Loss per ordinary share	(20.1)	(40.6)
(Profit)/loss on disposal of discontinued operations	(7.8)	14.4
Provision for permanent diminution in value of goodwill	11.3	-
Effect of other exceptional items, net of taxation	19.3	12.2
ACT written off	1.6	1.6
Adjusted earnings/(loss) per ordinary share	**4.3**	(12.4)

The adjusted earnings/(loss) per ordinary share is based on profit/(loss) from continuing operations before exceptional items but after taxation excluding ACT written off, minority interest and preference dividends. The directors consider that the adjusted earnings per ordinary share more fairly reflects the underlying performance of the Group.

12 Dividends and other appropriations

	1995 £000	1994 £000
Non-equity convertible preference shares		
Dividends previously appropriated	(537)	(215)
Paid during year	644	322
Proposed at year end	322	322
Additional finance cost for the year	215	215
	644	644

Notes to the Financial Statements
continued

13 Tangible fixed assets

Group	Land and buildings £000	Motor vehicles £000	Equipment for hire £000	Plant and machinery £000	Total £000
Cost or valuation					
At beginning of year	4,035	5,120	18,339	5,609	33,103
Exchange differences	11	5	7	1	24
Additions	–	484	3,760	221	4,465
Disposals	(1,262)	(1,148)	(3,857)	(1,684)	(7,951)
At end of year	2,784	4,461	18,249	4,147	29,641
Depreciation					
At beginning of year	365	1,793	10,321	3,638	16,117
Exchange differences	11	1	(25)	6	(7)
Charge for the year	317	1,088	2,894	674	4,973
Disposals	(152)	(575)	(2,778)	(972)	(4,477)
At end of year	541	2,307	10,412	3,346	16,606
Net book value					
At 31 March 1995	**2,243**	**2,154**	**7,837**	**801**	**13,035**
At 31 March 1994	3,670	3,327	8,018	1,971	16,986

Land and buildings at net book value comprise:

	Group 1995 £000	Group 1994 £000
Freehold	**1,726**	2,714
Long leasehold	**423**	423
Short leasehold	**94**	533
	2,243	3,670

Included within freehold and long leasehold land and buildings is land valued at £1,045,000 which is not depreciated.

The freehold and long leasehold properties of the Group were revalued in January 1994, at open market value for existing use in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes. This valuation was adopted as at 31 March 1994.

The historical cost and aggregate historical cost depreciation of the Group's land and buildings is:

	1995 £000	1994 £000
Cost	**2,482**	3,490
Aggregate depreciation	**(648)**	(472)
	1,834	3,018

The net book value of the Group's tangible fixed assets includes an amount of £1,999,000 in respect of assets held under finance leases and similar hire purchase contracts, primarily representing motor vehicles. Depreciation on these assets amounted to £983,000 during the year.

13 Tangible fixed assets *(continued)*

Company	Motor vehicles £000	Fixtures & fittings £000	Total £000
Cost			
At beginning of year	100	46	146
Additions	–	1	1
Disposals	(45)	–	(45)
Transfers to subsidiary undertakings	(55)	(47)	(102)
At end of year	–	–	–
Depreciation			
At beginning of year	25	42	67
Charge for the year	9	2	11
Disposals	(13)	–	(13)
Transfers to subsidiary undertakings	(21)	(44)	(65)
At end of year	–	–	–
Net book value			
At 31 March 1995	–	–	–
At 31 March 1994	75	4	79

14 Fixed asset investments

Group	Other investment £000
At beginning and end of year	**164**

The other investment represents the cost of 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. This interest is not accounted for as an associated undertaking as Andrews Sykes Group plc is not in a position to exercise a significant influence over the company.

Company	Subsidiary undertakings Shares £000	Subsidiary undertakings Loans £000	Other investment £000	Total £000
Cost				
At beginning of year	38,975	(673)	–	38,302
Transfers from subsidiary undertakings	4,874	–	350	5,224
Amounts written off	(2,258)	–	–	(2,258)
Other movements during the year	–	12,478	–	12,478
At end of year	41,591	11,805	350	53,746
Provisions				
At beginning and end of year	2,039	–	–	2,039
Net book value				
At 31 March 1995	**39,552**	**11,805**	**350**	**51,707**
At 31 March 1994	36,936	(673)	–	36,263

Notes to the Financial Statements

continued

14 Fixed asset investments *(continued)*

The principal subsidiary undertakings of the Group at 31 March 1995 were as follows:

Andrews Sykes Limited
A.S Group plc* (Holding company)
Braithwaite Investments Limited* (Property holding company)
Engineering Appliances Limited*
Khansaheb Sykes Limited* (United Arab Emirates)
Andrews Sykes BV* (Netherlands)

Unless otherwise indicated all are incorporated in Great Britain and registered in England and Wales and undertake hire, installation, service and/or sale of specialist environmental control products. The Group holds 100% of the ordinary share capital of all of the above. All are wholly owned, except for preference shares in A.S Group plc. Companies marked * are direct subsidiary undertakings of Andrews Sykes Group plc.

15 Stocks

Group	**1995 £000**	1994 £000
Raw materials and consumables	**63**	1,053
Work in progress	**13**	176
Finished goods	**3,738**	5,556
	3,814	6,785

16 Debtors

	Group		**Company**	
	1995 £000	1994 £000	**1995 £000**	1994 £000
Amounts falling due within one year				
Trade debtors	**10,401**	9,812	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**–**	218
ACT recoverable	**986**	643	**786**	1,304
Other debtors	**63**	64	**–**	–
Prepayments and accrued income	**1,025**	1,075	**–**	25
	12,475	11,594	**786**	1,547
Amounts falling due after more than one year				
Other debtors	**50**	–	**–**	281
Total	**12,525**	11,594	**786**	1,828

17 Creditors

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Amounts falling due within one year				
Bank loans and overdrafts	**3,479**	5,616	**15,157**	8,377
Finance lease and similar hire purchase obligations	**856**	1,252	**–**	20
Trade creditors	**8,268**	7,555	**–**	–
Corporation tax	**98**	32	**–**	–
ACT payable	**90**	144	**81**	134
Other taxes and social security	**917**	1,076	**–**	–
Other creditors	**399**	351	**395**	322
Accruals and deferred income	**2,490**	2,144	**169**	726
Accrued convertible preference dividend	**322**	322	**322**	322
	16,919	18,492	**16,124**	9,901

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Amounts falling due after more than one year				
Bank loans	**3,750**	9,000	**3,750**	9,000
Finance lease and similar hire purchase obligations	**611**	1,397	**–**	13
Amounts owed to subsidiary undertakings	**–**	–	**8,874**	–
Other creditors	**99**	34	**–**	–
	4,460	10,431	**12,624**	9,013

Total Group bank loans and overdrafts of £7,229,000 *(1994: £14,616,000)* and total Company bank loans and overdrafts of £18,907,000 *(1994: £17,377,000)* which bear interest at variable commercial rates are secured by fixed and floating charges on the assets of the Group and by cross guarantees between Group undertakings.

All bank loans, finance lease and similar hire purchase obligations falling due after more than one year are repayable within two to five years.

18 Provisions for liabilities and charges

	Deferred taxation	**Pension**	**Other**	**Total**
Group	£000	£000	£000	£000
At beginning of year	274	–	–	274
Advance corporation tax	611	–	–	611
Profit and loss account	(819)	280	1,796	1,257
At end of year	**66**	**280**	**1,796**	**2,142**

Other provisions include provisions in respect of vacant and surplus leasehold properties and other reorganisation costs.

Notes to the Financial Statements
continued

18 Provisions for liabilities and charges *(continued)*

The potential liability for deferred tax calculated at 33% *(1994: 33%)* is analysed as follows:

	1995		1994	
	Provided	**Unprovided**	Provided	Unprovided
	£000	**£000**	£000	£000
Accelerated capital allowances	**11**	–	521	–
Other timing differences	**158**	**(45)**	467	–
On revaluation of land and buildings	–	**135**	–	215
Advance corporation tax recoverable	**(103)**	–	(714)	–
	66	**90**	274	215

Other timing differences include full provision for the unremitted retained earnings of Khansaheb Sykes Limited, upon which a tax liability would arise on remittance to the UK, and amounts in respect of the provision for pension costs.

Company	Deferred taxation
	£000
At beginning of year	–
Advance corporation tax	(193)
Profit and loss account	318
At end of year	**125**

The potential liability for deferred taxation calculated 33% *(1994: 33%)* is analysed as follows:

	1995		1994	
	Provided	**Unprovided**	Provided	Unprovided
	£000	**£000**	£000	£000
Accelerated capital allowances	–	–	–	19
Other timing differences	**318**	–	–	(19)
Advance corporation tax recoverable	**(193)**	–	–	–
	125	–	–	–

19 Share capital

	1995	1994
Authorised	**£000**	£000
Ordinary shares of £1 each	**18,245**	18,245
Convertible preference shares of 50p each	**4,605**	4,605
	22,850	22,850
Allotted, called up and fully paid		
14,283,711 ordinary shares *(1994: 14,274,803)*	**14,284**	14,275
9,200,978 convertible preference shares	**4,600**	4,600
	18,884	18,875

During the year 908 ordinary shares were issued under the Savings Related Share Option Scheme for £944 in cash and 8,000 ordinary shares were issued under the Executive Share Option Scheme for £9,988 in cash.

The Convertible Preference Shares may, at the shareholders' option exercisable annually on 30 September up to 1999, be converted on the basis of £100 in nominal amount of ordinary shares for every £225 in nominal amount of fully paid Convertible Preference Shares of 50p each. Convertible Preference Shares participate cumulatively in profits at the rate of 7p net per share and rank in preference to ordinary shares on a winding up. Holders are not normally entitled to vote at General Meetings, unless preference dividends are more than six months in arrears in which case they have one vote per Convertible Preference Share.

19 Share capital *(continued)*

At 31 March 1995 options to subscribe for ordinary shares under various Share Option Schemes were held as follows:

	Number of shares	Date of grant	Subscription price per share	Dates normally exercisable
Executive Share	35,000	December 1987	223p	Up to December 1997
Option Scheme	7,500	June 1988	249p	Up to June 1998
	5,000	June 1989	283p	Up to June 1999
	7,500	July 1990	198p	Up to July 2000
	56,500	July 1991	125p	Up to July 2001
	44,000	January 1992	125p	January 1995 to January 2002
	54,000	June 1992	145p	June 1995 to June 2002
	250,000	December 1994	112p	December 1997 to December 2004
	55,000	December 1994	127p	December 1997 to January 2004
Savings Related Share Option Scheme	159,896	October 1992	104p	November 1997 to April 1998
Unapproved Share Option Schemes	655,000	December 1994	112p	December 1995 to December 2001

20 Reserves

Group	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000	Total £000
At beginning of year as previously stated	2	652	(11,580)	(1,876)	(12,802)
Prior year adjustment	–	–	–	215	215
At beginning of year as restated	2	652	(11,580)	(1,661)	(12,587)
Deficit for the year	–	–	–	(2,866)	(2,866)
Exchange differences	–	–	–	62	62
Transfer to UAE legal reserve*	–	–	23	(23)	–
Capital reserve**	–	–	11	(11)	–
Revaluation surplus realised	–	(243)	–	243	–
Previously acquired goodwill transferred to the profit and loss account on the disposal of businesses and permanent diminution in value	–	–	918	1,611	2,529
Ordinary shares issued	2	–	–	–	2
At end of year	**4**	**409**	**(10,628)**	**(2,645)**	**(12,860)**

Notes to the Financial Statements
continued

20 Reserves *(continued)*

Other reserves comprise:

	1995	1994
	£000	£000
Capital redemption reserve	153	153
Merger reserve	23,608	23,608
Goodwill write-off reserve	(34,487)	(35,405)
UAE legal reserve	87	64
Netherlands capital reserve	11	–
	(10,628)	(11,580)

* Local legislation in the United Arab Emirates required Khansaheb Sykes to build up a non-distributable reserve equal to 50% of its share capital. This level was achieved during the year.

** Under Netherlands law Andrews Sykes BV is required to maintain a minimum aggregate share capital and capital reserve of £40,000.

The prior year adjustment reflects the requirements of Financial Reporting Standard Number 4 with accrued undeclared preference dividends being eliminated from creditors due within one year and shown within shareholders' funds.

Company	Share premium account £000	Other reserves £000	Profit and loss account £000	Total £000
At beginning of year as previously stated	2	153	11	166
Prior year adjustment (as described above)	–	–	215	215
At beginning of year as restated	2	153	226	381
Ordinary shares issued	2	–	–	2
Surplus for the year	–	–	458	458
Dividends receivable	–	3,895	–	3,895
At end of year	4	4,048	684	4,736

Other reserves comprise the capital redemption reserve of £153,000 and dividends received from subsidiaries totalling £3,895,000 which are not considered to be distributable by the Company.

21 Minority interests

	1995	1994
	£000	£000
Non-equity preference shares in subsidiary undertaking	600	600
Accrued finance costs to year end	31	31
	631	631

Minority interests represents externally held 11.75% preference shares in A.S Group plc, a subsidiary of Andrews Sykes Group plc. Holders participate cumulatively in the profits of A.S Group plc and are not normally entitled to vote at General Meetings of A.S Group plc, unless their dividend is more than six months in arrears. Andrews Sykes Group plc owns 100% of the ordinary share capital of A.S Group plc.

22 Capital commitments

Commitments for capital expenditure for the Group not otherwise included in these accounts are:

	1995 £000	1994 £000
Authorised but not yet committed	**30**	94

23 Notes to the consolidated cash flow statement

(i) *Reconciliation of operating loss to net cash inflow from operating activities*

	1995 £000	1994 £000
Operating loss	**(1,735)**	(1,071)
Depreciation	**4,973**	4,653
(Profit)/loss on sale of fixed assets	**(173)**	63
Exceptional fixed asset write offs	**1,139**	–
Provision for permanent diminution in value of goodwill	**1,611**	–
Revaluation of properties	–	891
Writedown of property held for disposal	**7**	44
Decrease in stocks	**1,855**	1,912
(Increase)/decrease in debtors	**(2,199)**	1,478
Increase/(decrease) in creditors	**2,236**	(84)
Movement in provisions	**2,076**	(215)
Net cash inflow from operating activities	**9,790**	7,671

The operating loss of £1,735,000 includes an exceptional pre–tax pension refund of £1,105,000. The net cash inflow from operations of £9,790,000 includes £357,000 from discontinued activities.

(ii) *Analysis of changes in cash and cash equivalents during the year*

	1995 £000	1994 £000
At beginning of year	**(4,144)**	(3,367)
Net cash inflow/(outflow)	**2,238**	(777)
At end of year	**(1,906)**	(4,144)

(iii) *Analysis of cash and cash equivalents as shown in the balance sheet*

	1995 £000	Movement £000	1994 £000	Movement £000	1993 £000
Cash at bank and in hand	**573**	**101**	472	4	468
Bank overdrafts	**(2,479)**	**2,137**	(4,616)	(781)	(3,835)
	(1,906)	**2,238**	(4,144)	(777)	(3,367)

Notes to the Financial Statements
continued

23 Notes to the consolidated cash flow statement *(continued)*

(iv) *Analysis of changes in financing during the year*

	Finance leases and similar hire purchase obligations £000	Loans £000	Share capital (including premium) £000	Total £000
At 1 April 1993	(2,119)	(11,500)	(18,877)	(32,496)
Inception of finance lease and similar hire purchase contracts	(2,059)	–	–	(2,059)
Foreign exchange	–	(3)	–	(3)
Cash outflow from financing	1,529	1,503	–	3,032
At 1 April 1994	(2,649)	(10,000)	(18,877)	(31,526)
Inception of finance lease and similar hire purchase contracts	**(250)**	–	–	**(250)**
Foreign exchange	–	**31**	–	**31**
Cash outflow/(inflow) from financing	**1,432**	**5,219**	**(11)**	**6,640**
At end of year	**(1,467)**	**(4,750)**	**(18,888)**	**(25,105)**

(v) *Disposals and closures*

The net effect of disposals during the year was as follows:

	Andrews Water Heaters £000	Calorex Heat Pumps Limited £000	Other £000	Total £000
Tangible fixed assets	187	103	–	290
Stocks	406	703	7	1,116
Debtors	560	783	368	1,711
Cash	–	160	–	160
Creditors	(434)	(1,008)	181	(1,261)
Net assets	719	741	556	2,016
Profit/(loss) on disposal	1,740	(38)	(428)	1,274
Goodwill	–	918	–	918
Consideration received	2,459	1,621	128	4,208
Satisfied by:				
Cash	2,576	1,625	133	4,334
Deferred consideration	–	100	–	100
Less: disposal costs	(117)	(104)	(5)	(226)
	2,459	1,621	128	4,208
Deferred consideration				(100)
Cash balances retained in businesses sold				(160)
Net cash proceeds				**3,948**

24 Other financial commitments

At 31 March the Group had annual commitments under non-cancellable operating leases as follows:

	1995		1994	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Expiring within one year	**167**	**227**	167	306
Expiring between two and five years inclusive	**126**	**430**	44	553
Expiring in five years or more	**899**	**–**	1,049	–
	1,192	**657**	1,260	859

Commitments for the Company are not material and accordingly have not been disclosed. Group undertakings also have contingent liabilities under performance and trade guarantees entered into in the normal course of business.

25 Pensions

The Group operates defined benefit pension schemes for the majority of employees, the assets of which are held in separate trustee administered funds.

At the beginning of the year two main schemes were in operation, the Andrews Sykes Group Pension Scheme and the Andrews Sykes Group Executive Pension Scheme.

These funds were formally valued by independent Actuaries for funding purposes as at 5 April 1994 using the projected unit method of valuation. The principal financial assumptions were that the investment return would be 9% per annum, that salary increases would average 7% per annum, and that future pensions would increase in line with the then present rules of the schemes. The adoption of these assumptions gave rise to an actuarial surplus of £2.4 million, the actuarial value of the funds' assets was 124% of the benefits that had accrued to members and the market value of the funds' assets was approximately £13.9 million.

During the year the members of the Andrews Sykes Group Executive Pension Scheme transferred to the Andrews Sykes Group Pension Scheme and the former scheme was wound up, giving rise to a repayment to the Group, net of tax, of £663,000. The members of both schemes were granted one-off benefit improvements equivalent to an actuarial value of £325,000.

The repayment has been accounted for as a one-off exceptional receipt during the year.

The remaining surplus after the repayment and the benefit improvements was valued by the Actuaries at £1.4 million based on the same assumptions as above, except that salary increases would average 6 1/2% per annum. This surplus is being spread over the average remaining service life of employees.

The actuarial assessment of the regular pension cost to the Group's UK subsidiaries arising in the year ended 31 March 1995 was approximately £409,000 *(1994: £539,000)*. The net UK pension cost charged to the profit and loss account was £228,000 *(1994: £54,000)*, before the exceptional credit of £1,105,000.

26 Ultimate parent company

As a result of the public offer which closed on 7 November 1994, European Fire Protection Holding BV, which is incorporated in the Netherlands, holds 59.49% of the Company's ordinary share capital and is therefore the ultimate parent company.

As described in note 19 the Company's preference shares are convertible annually at the shareholders' option. Full conversion would reduce European Fire Protection Holding BV's percentage holding to 53.09%.

Five Year Summary

	1995 £000	1994 £000	1993 £000	1992 £000	1991 £000
Turnover					
Continuing operations	**46,888**	45,195	47,115	48,461	53,975
Discontinued operations	**4,504**	7,734	9,062	8,351	8,642
	51,392	52,929	56,177	56,812	62,617
Operating (loss)/profit					
Continuing operations (excluding exceptional)	**1,883**	571	2,950	2,626	4,617
Discontinued operations	**599**	426	1,068	1,019	618
Exceptional items	**(4,217)**	(2,068)	(844)	(208)	(941)
Profit/(loss) on disposal and closure of discontinued operations	**1,274**	(2,054)	–	–	–
(Loss)/profit before interest	**(461)**	(3,125)	3,174	3,437	4,294
Interest	**(1,500)**	(1,624)	(1,899)	(2,236)	(2,979)
(Loss)/profit before taxation	**(1,961)**	(4,749)	1,275	1,201	1,315
Taxation	**(191)**	(335)	(634)	(310)	(147)
(Loss)/profit after taxation	**(2,152)**	(5,084)	641	891	1,168
Minority interests	**(70)**	(70)	(70)	(70)	(70)
	(2,222)	(5,154)	571	821	1,098
Dividends	**(644)**	(644)	(1,272)	(1,272)	(1,272)
Loss for the year	**(2,866)**	(5,798)	(701)	(451)	(174)
Total borrowings	**8,123**	16,793	17,454	16,266	18,945
(Loss)/earnings per share	**(20.1)p**	(40.6)p	(0.5)p	1.2p	3.2p
Adjusted earnings/(loss) per share	**4.3p**	(12.4)p	3.7p	2.2p	7.5p
Ordinary dividend per share	–	–	4.4p	4.4p	4.4p

The directors consider that the adjusted earnings per share more fairly reflects the underlying performance of the Group.

Notice of Annual General Meeting

Notice is hereby given that the seventy-third Annual General Meeting of Andrews Sykes Group plc will be held at Wragge & Co, 55 Colmore Row, Birmingham B3 2AS on Monday 31 July at 2:30pm for the following purposes:

As ordinary business:

1 To receive and adopt the financial statements for the year ended 31 March 1995 and the report of the directors and of the auditors.

2 To re-elect the following directors who retire by rotation and offer themselves for re-election:

(a) J C Pillois

(b) P Maury

3 To re-elect the following directors who were appointed by the board during the year and therefore, in accordance with the Articles, offer themselves for re-election.

(a) F M B Gailer

(b) M G M Haines

(c) J J Murray

(d) J R Hall

4 To re-appoint KPMG as auditors and authorise the directors to agree their remuneration.

As special business:

5 That the directors, in substitution for all authorities previously conferred upon them (save to the extent that such authorities shall have been exercised) be and they are hereby authorised generally and unconditionally for the purposes of Section 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 £2,631,893 such authority to expire at the end of the next Annual General Meeting of the Company save where the directors exercise such authority pursuant to an offer or agreement made prior to the date of such meeting.

6 That the directors be and they are hereby generally and unconditionally authorised to allot equity securities (as defined in Section 94 (2) of the Companies Act 1985) 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

Notice of Annual General Meeting

continued

would or might require equity securities to be allotted after the expiry of such authority provided that the authority hereby conferred shall be limited (a) to the allotment of equity securities in connection with a rights issue in favour of the holders of equity securities in proportion to their respective holdings of such securities or (as the case may be) in accordance with the rights attached hereto, but subject to such exclusions or arrangements as the directors shall deem necessary in relation to fractional entitlements or pursuant to the laws of any territory or requirements of any regulatory body or any Stock Exchange in any territory, and (b) the allotment (otherwise than pursuant to (a) of this provision) of equity securities up to an aggregate nominal amount of £784,186; this authority to expire at the end of the next Annual General Meeting of the Company save to the extent that the same is renewed or extended at or before such meeting.

By order of the board

S R Harbridge
Secretary

Darlington Street
Premier House
Wolverhampton
WV1 4JJ

26 June 1995

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 and Debenture 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 a proxy does not preclude a member from attending the meeting and voting in person if he or she so wishes.

Form of Proxy

For use at the Annual General Meeting

I/We the undersigned, being member(s) of the Company, hereby appoint the Chairman of the Meeting* ....

(PLEASE USE BLOCK LETTERS)

as my/our proxy to vote on my/our behalf as indicated below (or at his/her discretion in respect of any other matters arising) at the Annual General Meeting of the Company to be held at Wragge & Co. 55 Colmore Row, Birmingham B3 2AS on Monday 31 July 1995.

Ordinary Resolutions	For	Against
1 To adopt the directors' report and the financial statements for the year ended 31 March 1995.		
2 To re-elect the following directors who retire by rotation: (a) J C Pillois		
(b) P Maury		
3 To re-elect the following directors in accordance with the Articles: (a) F M B Gailer		
(b) M G M Haines		
(c) J J Murray		
(d) J R Hall		
4 To re-appoint KPMG as auditors and authorise the directors to agree their remuneration.		
Special Resolutions		
5 To allot relevant securities as set out in the notice of meeting.		
6 To allot equity securities as set out in the notice of meeting.		

Please indicate which way you wish your proxy to vote by inserting "X" in the appropriate box above. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain from voting.

Dated 1995

Signature(s) or common seal ....

Full name(s) ....

(PLEASE USE BLOCK LETTERS)

Address ....

....

*If it is desired to appoint another person as a proxy, delete 'the Chairman of the Meeting', initial the alteration and insert the name and address of the proxy, who need not be a holder of Ordinary shares.

Notes:

1 A holder of Ordinary shares who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a holder of Ordinary shares.

2 In the case of joint holders the vote of the senior (as his name stands in the register of members) who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other of the names appearing in the register of members in respect of the joint holding.

3 In the case of a corporation the Form of Proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.

4 To be effective this Form of Proxy, together with any power of attorney or other authority under which it is executed, or a notarially certified copy thereof, must be sent to the Company's registrars, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex, BN99 6DB so as to arrive not later than 10 am on 28 July 1995.

5 Any alteration to the Form of Proxy must be initialled.

6 Completion and return of a Form of Proxy will not affect the right of a holder of Ordinary shares to attend and vote at the Meeting in person.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. BR 3006

1

Lloyds Bank Plc
The Causeway
Worthing
West Sussex
BN99 6DB

FIRST FOLD

THIRD FOLD

Andrews Sykes Locations

United Kingdom

Ashford, Kent
Tel: 01233 624461

Avonmouth, Bristol
Tel 01272 827677

Basildon, Essex
Tel: 01268 284440

Birmingham
Tel: 0121 359 5651

Carlisle, Cumbria
Tel: 01228 49909

Charlton, London
Tel: 0181 858 8121

Coventry, West Midlands
Tel: 01203 301227

Deeside, Clwyd
Tel: 01244 537741

Glasgow
Tel: 0141 954 2241

Gloucester
Tel: 01452 330245

Grangemounth, Sterlingshire, Scotland
Tel: 01324 474550

Leeds
Tel: 01132 761444

Liverpool
Tel: 0151 920 8200

London, W1 (City and West End)
Tel: 0171 837 0505

Manchester
Tel: 0161 945 8588

Milton Keynes
Tel: 01908 666880

Newcastle, Tyne and Wear
Tel: 0191 414 5858

Norwich
Tel: 01603 766388

Nottingham
Tel: 0115 975 7700

Oldham, Lancashire
Tel: 0161 652 5380

Peterborough, Cambridgeshire
Tel: 01733 555767

Plymouth, Devon
Tel: 01752 698100

Pontypridd, Mid Glamorgan
Tel: 01443 486789

Poole, Dorset
Tel: 01202 666555

Portsmouth, Hampshire
Tel: 01705 376425

Preston, Lancashire
Tel: 01772 651668

Scunthorpe, South Humberside
Tel: 01724 868661

Sedgefield, Stockton on Tees, Cleveland
Tel: 01740 201141

Sheffield, Yorkshire
Tel: 0114 243 2222

Slough, Berkshire
Tel: 01753 820622

Stoke on Trent, Staffs
Tel: 01782 263864

Swansea, West Glamorgan
Tel: 01792 701701

Wolverhampton, West Midlands
Tel: 01902 454454

Wolverhampton, West Midlands (Head Office)
Tel: 01902 328700

Other businesses

Engineering Appliances Limited
Tel: 01932 788888

Overseas locations

Andrews Sykes BV, 2665 Bleiswijk, Hoefweg, 151-155, Holland
Tel: 00 31 1892 14455

Khansaheb Sykes, PO Box 1848, Sharjah, UAE
Tel: 00 971 633 4131

Khansaheb Sykes, PO Box 4056, Abu Dhabi, UAE
Tel: 00 971 255 4131

Oasis Sykes, PO Box 479, Al-Khobar 31952 Saudi Arabia
Tel: 00 966 3 842 4750

A.S Poland, 012-133 Warszawa, Al Krakowska 285 Poland
Tel: 00 48 22 36 69 29

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