Andrews Sykes Group plc
Summary of results
For the 12 months ended 31 December 2017

	12 months ended 31 December 2017 £'000	12 months ended 31 December 2016 £'000
Revenue from continuing operations	**71,300**	65,389
EBITDA* from continuing operations	**22,851**	20,664
Operating profit	**17,589**	15,816
Profit after tax for the financial period	**14,101**	14,473
Basic earnings per share from total operations (pence)	**33.37p**	34.25p
Interim and final dividends paid per equity share (pence)	**23.80p**	23.80p
Proposed final dividend per equity share (pence)	**11.90p**	11.90p
Net cash inflow from operating activities	**17,862**	15,133
Total interim and final dividends paid	**10,058**	10,058
Net funds	**20,293**	17,673

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

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Overview and financial highlights

Summary

The group's revenue for the year ended 31 December 2017 was £71.3 million, an increase of £5.9 million, or 9.0%, compared with the same period last year. This increase had a more than proportionate impact on operating profit which increased by 11.2%, or £1.8 million, from £15.8 million last year to £17.6 million in the year under review. This increase, which follows a 19.7% increase last year, reflects strong and improved performances from both our hire and sales businesses in the UK and Europe and a strong and stable performance from our business in the Middle East.

Net finance costs were £0.3 million this year compared with an income of £1.7 million in 2016. This is largely attributable to a foreign exchange loss arising on the retranslation of inter-company balances of £0.3 million this year compared with a gain of £1.6 million in 2016. Last year's gain was mainly due to the relative weakening of Sterling compared with overseas currencies, notably the Euro and the UAE Dirham. This year, movements in foreign exchange rates have been much smaller and mixed, Sterling weakening slightly against the Euro but strengthening against the UAE Dirham and the US Dollar, the combined effect of which has resulted in an exchange loss of £0.3 million in the current year.

Despite the increase in operating profit, our basic earnings per share decreased by 2.6% from 34.25p in 2016 to 33.37p in 2017. However, last year's result was significantly impacted by the one-off foreign exchange gain on inter-company loans discussed above. The most important factor is that the group's operating profit improved again this year which has enhanced the quality of earnings. The basic EPS remains strong and is indicative of the underlying business performance and strength of the group.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £17.9 million compared with £15.1 million last year. Despite shareholder related cash outflows of £10.1 million on ordinary dividends, net funds increased by £2.6 million from £17.7 million at 31 December 2016 to £20.3 million at 31 December 2017.

Our policy of returning affordable dividends to shareholders continues and, over the last five financial years, the group has paid £47.8 million in cash to shareholders. This has not been at the expense of our other obligations; the group pays its external creditors in accordance with their agreed credit terms, it operates well within its banking covenants and has paid nearly £1 million into the defined benefit pension scheme during 2017 to eliminate the funding deficit of £0.7 million as at 31 December 2016. Therefore, in the light of the improved operating profit and substantial net funds that are available, the Board is once again proposing a further final dividend payment amounting to £5.0 million which, if approved at the forthcoming AGM, will be paid in June 2018.

Cost control, cash and working capital management continue to be priorities for the group. Capital expenditure is concentrated on assets that give a good return and in total £6.9 million was invested in the hire fleet this year, £0.7 million more than last year and significantly more than the wasting depreciation charge of £5.1 million. In addition, the group invested a further £1.0 million in property, plant and equipment. These actions will ensure that the group's infrastructure and revenue generating assets are sufficient to support future growth and profitability. Hire fleet utilisation, condition and availability continue to be the subjects of management focus.

Operating performance

The following table splits the results between the first and second half years:

	Turnover	Operating profit
	£'000	**£'000**
1st half 2017	**35,334**	**8,171**
1st half 2016	30,287	6,395
2nd half 2017	**35,966**	**9,418**
2nd half 2016	35,102	9,421
Total 2017	**71,300**	**17,589**
Total 2016	65,389	15,816

The above table demonstrates that the successful performance in the first half of the year continued into the second half. Turnover in the first half of the year showed a 16.7% improvement over the same period in 2016 and operating profit was 27.8% higher than the equivalent period last year. Such significant improvements cannot be maintained indefinitely, especially when compared to a strong second half result in the previous year. Consequently, turnover in the second half improved by a more modest 2.5% compared with 2016 and operating profit was virtually unchanged from the same period in last year.

The above significant improvement in operating profit has been achieved despite any significant extremes in climatic conditions. The operating profit of our main business segment in the UK and Northern Europe increased from £13.8 million last year to £15.2 million in the year under review. The warmer than expected start to the summer in June 2017 was short-lived and in general the 2017 summer was cool and wet which didn't stimulate demand for our air conditioning products. The pumping business again performed well following a successful year in 2016. Generally the underlying performance was better than last year across the business sector due to robust operational management. Our traditional businesses continue to be developed and supported by the expansion of non-weather dependent niche markets which benefit the performance of our specialist hire divisions. This year's result further demonstrates that with a diverse product range we are able to return a strong performance despite the absence of any significant extreme weather conditions.

Our hire and sales business in the Middle East had another strong trading year. The operating profit for this business segment was maintained at £2.9 million, the same result as that achieved in 2016. Trading was strong throughout the UAE and our climate rental division returned a positive contribution to the business results.

Our fixed installation business sector in the UK returned a slightly improved operating profit of £0.4 million this year compared with £0.3 million in 2016. The market continues to be fragmented with high levels of price competition.

Central overheads decreased from £1.2 million in 2016 to £0.9 million in the current year.

Profit for the financial year

Profit before tax was £17.3 million this year compared with £17.5 million last year. This is attributable to the above £1.8 million increase in operating profit which was offset by a £2.0 million adverse swing in finance expenses from a credit of £1.7 million last year to a charge of £0.3 million this year. This was primarily due to foreign exchange rate movements as discussed above.

Tax charges increased slightly from £3.1 million in 2016 to £3.2 million this year. The overall effective tax rate increased from 17.5% in 2016 to 18.4%, primarily due to a change in mix of profits with a greater percentage of the group's profits being earned in Europe this year compared with the Middle East where corporation tax rates are very low. A detailed reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by 19.25% and the actual tax charge is given in note 11 to the consolidated financial statements. Profit for the financial year was £14.1 million compared with £14.4 million last year.

Equity dividends

The company paid two dividends during the year. On 26 June 2017, a final dividend for the year ended 31 December 2016 of 11.9 pence per ordinary share was paid and this was followed on 3 November 2017 by the payment of an interim dividend for 2017, also of 11.9 pence per share. Therefore, during 2017, a total of £10.1 million in cash dividends has been returned to our ordinary shareholders.

I am pleased to announce that, in view of the group's ongoing profitability and its significant cash resources, the Board has proposed a final dividend for 2017, also of 11.9 pence per ordinary share. If approved at the forthcoming Annual General Meeting this dividend, which in total amounts to £5.0 million, will be paid on 25 June 2018 to shareholders on the register as at 1 June 2018.

Net funds

At 31 December 2017, the group had net funds of £20.3 million compared with £17.7 million last year, an increase of £2.6 million despite the payment of the above equity dividends totalling £10.1 million during the year.

Bank loan facilities

On 30 April 2017, and in accordance with the agreed repayment profile, the group repaid the final instalment of £5 million that was due for repayment on that date. Subsequently, the group took out a new loan of £5 million which is repayable by four equal annual instalments of £0.5 million per annum followed by a final balloon repayment of £3 million due in April 2022. The first annual loan repayment of £0.5 million was made on 30 April 2018.

Share buybacks

During the current year the company did not purchase any ordinary shares for cancellation. However, in prior periods such purchases were made and these enhanced earnings per share and were for the benefit of all shareholders.

The Board believes that it is in the best interests of shareholders if it has this authority in order that market purchases may be made in the right circumstances if the necessary funds are available. Accordingly, at the next Annual General Meeting, shareholders will be asked to vote in favour of a resolution to renew the general authority to make market purchases of up to 12.5% of the ordinary share capital in issue.

Outlook

The group's policy to increase investments in new technologically advanced and environmentally friendly non-seasonal products will be continued into 2018. Investments will also continue in our traditional businesses to ensure we are ready to support our customers in times of extreme weather conditions.

The group continues to face both challenges and opportunities in all of its geographical markets but our business remains strong, cash generative and well developed, with positive net funds. The Board is therefore cautiously optimistic for further success in 2018, always being mindful of the favourable or adverse impact that the weather can have on our business.

JG Murray

Chairman

17 May 2018

Andrews Sykes Group plc
Consolidated Income Statement
For the 12 months ended 31 December 2017

	12 months ended 31 December 2017 £'000	12 months ended 31 December 2016 £'000
Continuing operations		
Revenue	**71,300**	65,389
Cost of Sales	**(30,086)**	(26,677)
Gross profit	**41,214**	38,712
Distribution costs	**(11,571)**	(11,512)
Administrative expenses	**(12,054)**	(11,384)
Operating profit	**17,589**	15,816
EBITDA*	**22,851**	20,664
Depreciation and impairment losses	**(5,917)**	(5,310)
Profit on the sale of plant and equipment	**655**	462
Operating profit	**17,589**	15,816
Finance income	**82**	1,875
Finance costs	**(386)**	(150)
Profit before taxation	**17,285**	17,541
Taxation	**(3,184)**	(3,068)
Profit for the financial period	**14,101**	14,473

There were no discontinued operations in either of the above periods

Earnings per share		
Basic (pence)	**33.37p**	34.25p
Diluted (pence)	**33.37p**	34.25p
Interim and final dividends paid per equity share (pence)	**23.80p**	23.80p
Proposed final dividend per equity share (pence)	**11.90p**	11.90p

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

Andrews Sykes Group plc
Consolidated Statement of Comprehensive Total Income
For the 12 months ended 31 December 2017

	12 months ended 31 December 2017 £'000	12 months ended 31 December 2016 £'000
Profit for the financial period	**14,101**	14,473
Other comprehensive income / (charges)		
Items that may be reclassified to profit and loss:		
Currency translation differences on foreign currency net Investments	**(2)**	1,924
Items that will never be reclassified to profit and loss:		
Remeasurement of defined benefit assets and liabilities	**1,391**	(2,201)
Related deferred tax	**(264)**	418
Other comprehensive income for the period net of tax	**1,125**	141
Total comprehensive income for the period	**15,226**	14,614

Andrews Sykes Group plc
Consolidated Balance Sheet
As at 31 December 2017

	31 December 2017		31 December 2016	
	£'000	**£'000**	£'000	£'000
Non-current assets				
Property, plant and equipment		**21,911**		20,062
Lease prepayments		**47**		49
Trade investments		**-**		164
Deferred tax asset		**102**		559
Retirement benefit pension surplus		**3,364**		1,161
		25,424		21,995
Current assets				
Stocks	**3,860**		4,994	
Trade and other receivables	**17,852**		18,425	
Cash and cash equivalents	**25,311**		22,819	
	47,023		46,238	
Current liabilities				
Trade and other payables	**(12,358)**		(13,055)	
Current tax liabilities	**(1,696)**		(1,825)	
Bank loans	**(493)**		(4,995)	
Obligations under finance leases	**(43)**		(102)	
	(14,590)		(19,977)	
Net current assets		**32,433**		26,261
Total assets less current liabilities		**57,857**		48,256
Non-current liabilities				
Bank loans	**(4,475)**		-	
Obligations under finance leases	**(7)**		(49)	
		(4,482)		(49)
Net assets		**53,375**		48,207
Equity				
Called-up share capital		**423**		423
Share premium		**13**		13
Retained earnings		**48,789**		43,619
Translation reserve		**3,895**		3,897
Other reserves		**245**		245
Surplus attributable to equity holders of the parent		**53,365**		48,197
Non-controlling interests		**10**		10
Total equity		**53,375**		48,207

Andrews Sykes Group plc
Consolidated Cash Flow Statement
For the 12 months ended 31 December 2017

	12 months ended 31 December 2017 £'000	12 months ended 31 December 2016 £'000
Cash flows from operating activities		
Cash generated from operations	**21,090**	17,693
Interest paid	**(84)**	(136)
Net UK corporation tax paid	**(2,142)**	(1,846)
Overseas tax paid	**(1,002)**	(578)
Net cash flow from operating activities	**17,862**	15,133
Investing activities		
Sale of property, plant and equipment	**861**	673
Purchase of property, plant and equipment	**(5,790)**	(5,392)
Interest received	**51**	241
Net cash flow from investing activities	**(4,878)**	(4,478)
Financing activities		
Loan repayments	**(5,000)**	(1,000)
New loans raised	**4,973**	-
Finance lease capital repayments	**(101)**	(116)
Equity dividends paid	**(10,058)**	(10,058)
Net cash flow from financing activities	**(10,196)**	(11,174)
Net increase/(decrease) in cash and cash equivalents	**2,788**	(519)
Cash and cash equivalents at the beginning of the period	**22,819**	20,715
Effect of foreign exchange rate changes	**(296)**	2,623
Cash and cash equivalents at the end of the period	**25,311**	22,819

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

Net increase/(decrease) in cash and cash equivalents	**2,788**	(519)
Cash outflow from the repayment of loans and finance leases	**5,101**	1,115
Cash inflow from the drawdown of new loans net of charges	**(4,963)**	
Non-cash movement in respect of raising loan finance	**(10)**	(20)
Non-cash movements re new finance leases and hire purchase agreements	**-**	(84)
Increase in net funds during the period	**2,916**	492
Opening net funds at the beginning of the period	**17,673**	14,558
Effect of foreign exchange rate changes	**(296)**	2,623
Closing net funds at the end of the period	**20,293**	17,673

Andrews Sykes Group plc

Consolidated Statement of Changes in Equity
For the 12 months ended 31 December 2017

	Attributable to equity holders of the parent company						Minority interest	Total equity
	Share capital £'000	Share Premium £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000	£'000	£'000
At 31 December 2015	423	13	40,987	1,973	245	43,641	10	43,651
Profit for the financial period	-	-	14,473	-	-	14,473	-	14,473
Other comprehensive income and (charges):								
Items that may be reclassified to profit and loss:								
Currency translation differences on foreign currency net investments	-	-	-	1,924	-	1,924	-	1,924
Items that will never be reclassified to profit and loss:								
Remeasurement of defined benefit assets and liabilities	-	-	(2,201)	-	-	(2,201)	-	(2,201)
Related deferred tax	-	-	418	-	-	418	-	418
Total other comprehensive income and (charges)	-	-	(1,783)	1,924	-	141	-	141
Transactions with owners recorded directly in equity								
Dividends paid	-	-	(10,058)	-	-	(10,058)	-	(10,058)
Total transactions with owners	-	-	(10,058)	-	-	(10,058)	-	(10,058)
At 31 December 2016	423	13	43,619	3,897	245	48,197	10	48,207
Profit for the financial period	**-**	**-**	**14,101**	**-**	**-**	**14,101**	**-**	**14,101**
Other comprehensive income and (charges):								
Items that may be reclassified to profit and loss:								
Currency translation differences on foreign currency net investments	-	-	-	**(2)**	-	**(2)**	-	**(2)**
Items that will never be reclassified to profit and loss:								
Remeasurement of defined benefit assets and liabilities	**-**	**-**	**1,391**	**-**	**-**	**1,391**		**1,391**
Related deferred tax	-	-	**(264)**	-	-	**(264)**	-	**(264)**
Total other comprehensive income and (charges)	**-**	**-**	**1,127**	**(2)**	**-**	**1,125**	**-**	**1,125**
Transactions with owners recorded directly in equity:								
Dividends paid	**-**	**-**	**(10,058)**	**-**	**-**	**(10,058)**	**-**	**(10,058)**
Total transactions with owners	**-**	**-**	**(10,058)**	**-**	**-**	**(10,058)**	**-**	**(10,058)**
At 31 December 2017	**423**	**13**	**48,789**	**3,895**	**245**	**53,365**	**10**	**53,375**

Andrews Sykes Group plc
Notes
For the 12 months ended 31 December 2017

1. Basis of preparation

Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. Therefore the financial information set out above does not constitute the company's financial statements for the 12 months ended 31 December 2017 or 31 December 2016 but it is derived from those financial statements.

2. Going Concern

The Board remains satisfied with the group's funding and liquidity position. The group has operated throughout the 2017 financial year and until the date of signing these accounts within its financial covenants as contained in the bank agreement.

Both loan capital and interest payments have been made in accordance with the bank agreements. A new loan was negotiated with the bank to finance the final balloon repayment of £5 million due under the previous loan on 30 April 2017. The first annual payment under the new loan agreement of £0.5 million was made in accordance with the agreement on 30 April 2018. The group's profit and cash flow projections indicate that the financial covenants within the new bank loan agreement will be met for the foreseeable future.

The group continues to have substantial cash resources which at 31 December 2017 amounted to £25.3 million compared with £22.8 million as at 31 December 2016. Profit and cash flow projections for 2018 and 2019, which have been prepared on a conservative basis taking into account reasonably possible changes in trading performance, indicate that the group will be profitable and generate positive cash flows after loan repayments. These forecasts and projections indicate that the group should be able to operate within the new bank facility agreement and that all associated covenants will be met.

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

After making enquiries, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis when preparing this Annual Report and Financial Statements.

3. Distribution of Annual Report and Financial Statements

The group expects to distribute copies of the full Annual Report and Financial Statements that comply with IFRSs by 25 May 2018 following which copies will be available either from the registered office of the company; St David's Court, Union Street, Wolverhampton, WV1 3JE; or from the company's website; www.andrews-sykes.com. The Annual Report and Financial Statements for the 12 months ended 31 December 2016 have been delivered to the Registrar of Companies and those for the 12 months ended 31 December 2017 will be filed at Companies House following the company's Annual General Meeting. The auditor has reported on those financial statements; the report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain details of any matters on which they are required to report by exception.

4. Date of Annual General Meeting

The group's Annual General Meeting will be held at 10.30 a.m. on Wednesday, 20 June 2018 at 2 Eaton Gate, London, SW1W 9BJ.