

Andrews Sykes Group plc
Summary of results
For the 12 months ended 31 December 2018

	12 months ended 31 December 2018 £'000	12 months ended 31 December 2017 £'000
Revenue from continuing operations	78,563	71,300
EBITDA* from continuing operations	26,737	22,851
Operating profit	20,681	17,589
Profit after tax for the financial period	17,046	14,101
Basic earnings per share from total operations (pence)	40.39p	33.37p
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	19,110	17,862
Total interim and final dividends paid	10,048	10,058
Net funds	23,381	20,293

* 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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Andrews Sykes Group plc
Chairman's Statement
Overview and financial highlights

Summary

The group's revenue for the year ended 31 December 2018 was £78.6 million, an increase of £7.3 million, or 10.2%, compared with the same period last year. This increase had a more than proportionate impact on operating profit which increased by 17.6%, or £3.1 million, from £17.6 million last year to £20.7 million in the year under review. This increase, which follows a 11.2% 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 income was £0.4 million this year compared with net finance costs of £0.3 million in 2017. This is largely attributable to a foreign exchange gain arising on the retranslation of inter-company balances of £0.3 million this year compared with a loss of £0.3 million in 2017. This reflects further weakening of Sterling compared with both the Euro and UAE Dirham.

The group has reported an increase in the basic earnings per share of 7.02p, or 21%, from 33.37p in 2017 to 40.39p in the current year. This is mainly attributable to the above improvement in the group's operating profit which has enhanced the quality of earnings. The growth in the basic EPS 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 £19.1 million compared with £17.9 million last year. Despite shareholder related cash outflows of £10.5 million on ordinary dividends and share buybacks, net funds increased by £3.1 million from £20.3 million at 31 December 2017 to £23.4 million at 31 December 2018.

Our policy of returning affordable dividends to shareholders continues and, over the last five financial years, the group has paid £50.3 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 met its obligations as they fall due to fund the defined benefit pension scheme. 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 2019.

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 £7.5 million was invested in the hire fleet this year, £0.6 million more than last year and significantly more than the wasting depreciation charge of £5.9 million. In addition, the group invested a further £1.1 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 2018	37,815	9,280
1st half 2017	35,334	8,171
2nd half 2018	40,748	11,401
2nd half 2017	35,966	9,418
Total 2018	78,563	20,681
Total 2017	71,300	17,589
/		

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 7.0% improvement over the same period in 2017 and, in the second half, the percentage improvement increased to 13.3%. Operating profit for the first half year showed a 13.6% improvement compared with the same period in 2017 and a 21.1% improvement for the second half year. Traditionally, the group makes more profit in the second half year due to the higher profit margins on its air conditioning products which are hired predominantly in the second half of the year. The effect this year was even more pronounced than normal due to the long and hot summer throughout Northern Europe providing excellent opportunities for this area of our business.

The operating profit of our main business segment in the UK and Northern Europe increased from £15.2 million last year to £19.1 million in the year under review. During the first quarter a period of very cold weather created good opportunities for our heating and boiler hire activities and this was followed by a long hot summer which provided excellent opportunities for our air conditioning and chiller products. The group's management team took advantage of the opportunities presented to them and the improved profitability would not have been forthcoming without the considerable efforts of all our staff. The pumping business again performed well following continued success over recent years. 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 demonstrates that with properly directed investment, a well maintained hire fleet, a knowledgeable management team and dedicated employees we are able to take full advantage of opportunities when they are presented to us and deliver a strong performance for the benefit of all shareholders.

Our hire and sales business in the Middle East had another satisfactory trading year. Although the operating profit for this business segment reduced from £2.9 million in 2017 to £2.4 million in the current year, the majority of this reduction occurred in the first half of the year. Trading showed a significant improvement in the second half of the year.

Our fixed installation business sector in the UK returned a reduced operating profit of £0.1 million this year compared with £0.4 million in 2017. The market continues to be fragmented with high levels of price competition.

Central overheads were £0.9 million in both the current year and 2017.

Profit for the financial year

Profit before tax was £21.1 million this year compared with £17.3 million last year, an increase of £3.8 million. This is attributable to the above £3.1 million increase in operating profit which is supplemented by a swing in finance costs from a net charge of £0.3 million last year to a net credit of £0.4 million this year. This was primarily due to foreign exchange rate movements as discussed above.

Tax charges increased from £3.2 million in 2017 to £4.0 million this year. The overall effective tax rate increased from 18.4% in 2017 to 19.0%, 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% and the actual tax charge is given in note 11 to the consolidated financial statements. Profit for the financial year was £17.1 million compared with £14.1 million last year.

Equity dividends

The company paid two dividends during the year. On 25 June 2018, a final dividend for the year ended 31 December 2017 of 11.9 pence per ordinary share was paid and this was followed on 9 November 2018 by the payment of an interim dividend for 2018, also of 11.9 pence per share. Therefore, during 2018, 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 2018, 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 21 June 2019 to shareholders on the register as at 31 May 2019.

Share buybacks

The company purchased 87,723 of its own one pence ordinary shares for cancellation during the period for a consideration of £0.4 million. This purchase enhanced earnings per share and was for the benefit of all shareholders. As at 9 May 2019, there remained an outstanding general authority for the directors to purchase 5,195,037 ordinary one pence shares that was granted at last year's Annual General Meeting.

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.

Net funds

At 31 December 2018, the group had net funds of £23.4 million compared with £20.3 million last year, an increase of £3.1 million despite shareholder related cash outflows of £10.5 million on ordinary dividends and share buybacks during the year.

Bank loan facilities

The group continues to operate within its bank covenants. In April 2017 a bank loan of £5 million was taken out with the group's bankers, Royal Bank of Scotland. The first loan repayment of £0.5 million was made in accordance with the bank agreement on 30 April 2018. The remaining balance of £4.5 million will be repaid by three equal annual instalments of £0.5 million per annum commencing on 30 April 2019 followed by a final balloon repayment of £3 million due on 30 April 2022.

Outlook

The group's policy to increase investments in new technologically advanced and environmentally friendly non-seasonal products will be continued into 2019. 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 remains mindful of the favourable or adverse impact that the weather can have on our business.

JG Murray

Chairman

9 May 2019

Andrews Sykes Group plc

Consolidated Income Statement For the 12 months ended 31 December 2018

	12 months ended 31 December 2018 £'000	12 months ended 31 December 2017 £'000
Continuing operations		
Revenue	78,563	71,300
Cost of Sales	(31,908)	(30,086)
Gross profit	46,655	41,214
Distribution costs	(12,073)	(11,571)
Administrative expenses	(13,901)	(12,054)
Operating profit	20,681	17,589
EBITDA*	26,737	22,851
Depreciation and impairment losses	(6,666)	(5,917)
Profit on the sale of plant and equipment	610	655
Operating profit	20,681	17,589
Finance income	461	82
Finance costs	(97)	(386)
Profit before taxation	21,045	17,285
Taxation	(3,999)	(3,184)
Profit for the financial period attributable to equity holders of the parent	17,046	14,101
There were no discontinued operations in either of the above periods		
Earnings per share		
Basic (pence)	40.39p	33.37p
Diluted (pence)	40.39p	33.37p
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 2018

	12 months ended 31 December 2018 £'000	12 months ended 31 December 2017 £'000
Profit for the financial period	<u>17,046</u>	<u>14,101</u>
Other comprehensive (charges) / income		
Items that may be reclassified to profit and loss:		
Currency translation differences on foreign operations	405	(2)
Items that will never be reclassified to profit and loss:		
Remeasurement of defined benefit assets and liabilities	(1,649)	1,391
Related deferred tax	313	(264)
Other comprehensive (charges) / income for the period net of tax	<u>(931)</u>	<u>1,125</u>
Total comprehensive income for the period	<u><u>16,115</u></u>	<u><u>15,226</u></u>

Andrews Sykes Group plc
Consolidated Balance Sheet
As at 31 December 2018

	31 December 2018		31 December 2017	
	£'000	£'000	£'000	£'000
Non-current assets				
Property, plant and equipment		23,651		21,911
Lease prepayments		45		47
Deferred tax asset		677		102
Retirement benefit pension surplus		1,356		3,364
		<u>25,729</u>		<u>25,424</u>
Current assets				
Stocks	5,083		3,860	
Trade and other receivables	19,994		17,852	
Cash and cash equivalents	27,862		25,311	
	<u>52,939</u>		<u>47,023</u>	
Current liabilities				
Trade and other payables	(12,889)		(12,358)	
Current tax liabilities	(2,294)		(1,696)	
Bank loans	(493)		(493)	
Obligations under finance leases	(5)		(43)	
	<u>(15,681)</u>		<u>(14,590)</u>	
Net current assets		37,258		32,433
Total assets less current liabilities		<u>62,987</u>		<u>57,857</u>
Non-current liabilities				
Bank loans	(3,983)		(4,475)	
Obligations under finance leases	-		(7)	
		<u>(3,983)</u>		<u>(4,482)</u>
Net assets		<u>59,004</u>		<u>53,375</u>
Equity				
Called-up share capital		423		423
Share premium		13		13
Retained earnings		54,013		48,789
Translation reserve		4,300		3,895
Other reserves		246		245
Surplus attributable to equity holders of the parent		58,994		53,365
Non-controlling interests		10		10
Total equity		<u>59,004</u>		<u>53,375</u>

Andrews Sykes Group plc
Consolidated Cash Flow Statement
For the 12 months ended 31 December 2018

	12 months ended 31 December 2018 £'000	12 months ended 31 December 2017 £'000
Cash flows from operating activities		
Cash generated from operations	22,888	21,090
Interest paid	(88)	(84)
Net UK corporation tax paid	(2,236)	(2,142)
Overseas tax paid	(1,454)	(1,002)
Net cash flow from operating activities	19,110	17,862
Investing activities		
Sale of property, plant and equipment	944	861
Purchase of property, plant and equipment	(7,142)	(5,790)
Interest received	41	51
Net cash flow from investing activities	(6,157)	(4,878)
Financing activities		
Loan repayments	(500)	(5,000)
New loans raised	-	4,973
Finance lease capital repayments	(45)	(101)
Equity dividends paid	(10,048)	(10,058)
Purchase of own shares	(438)	-
Net cash flow from financing activities	(11,031)	(10,196)
Net increase in cash and cash equivalents	1,922	2,788
Cash and cash equivalents at the beginning of the period	25,311	22,819
Effect of foreign exchange rate changes	629	(296)
Cash and cash equivalents at the end of the period	27,862	25,311

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

Net increase in cash and cash equivalents	1,922	2,788
Cash outflow from the repayment of loans and finance leases	545	5,101
Cash inflow from the drawdown of new loans net of charges	-	(4,963)
Non-cash movement in respect of raising loan finance	(8)	(10)
Increase in net funds during the period	2,459	2,916
Opening net funds at the beginning of the period	20,293	17,673
Effect of foreign exchange rate changes	629	(296)
Closing net funds at the end of the period	23,381	20,293

Andrews Sykes Group plc

**Consolidated Statement of Changes in Equity
For the 12 months ended 31 December 2018**

	Attributable to equity holders of the parent company						Minority interest	Total equity
	Share capital	Share Premium	Retained earnings	Translation reserve	Other reserves	Total		
	£'000	£'000	£'000	£'000	£'000	£'000		
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 operations	-	-	-	(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
Profit for the financial period	-	-	17,046	-	-	17,046	-	17,046
Other comprehensive (charges) and income:								
Items that may be reclassified to profit and loss:								
Currency translation differences on foreign operations	-	-	-	405	-	405	-	405
Items that will never be reclassified to profit and loss:								
Remeasurement of defined benefit assets and liabilities	-	-	(1,649)	-	-	(1,649)	-	(1,649)
Related deferred tax	-	-	313	-	-	313	-	313
Total other comprehensive (charges) and income	-	-	(1,336)	405	-	(931)	-	(931)
Transactions with owners recorded directly in equity:								
Purchase of own shares	(1)	-	(438)	-	1	(438)	-	(438)
Dividends paid	-	-	(10,048)	-	-	(10,048)	-	(10,048)
Total transactions with owners	(1)	-	(10,486)	-	1	(10,486)	-	(10,486)
At 31 December 2018	422	13	54,013	4,300	246	58,994	10	59,004

Andrews Sykes Group plc
Notes
For the 12 months ended 31 December 2018

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 2018 or 31 December 2017 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 2018 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. The first annual repayment due in accordance with the loan agreement dated 30 April 2017 of £0.5 million was made on 30 April 2018. The group's profit and cash flow projections indicate that the financial covenants included 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 2018 amounted to £27.9 million compared with £25.3 million as at 31 December 2017. Profit and cash flow projections for 2019 and 2020, 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 successfully, 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 the Annual Report and Financial Statements from which this preliminary announcement is derived.

3. Distribution of Annual Report and Financial Statements

The group expects to distribute copies of the full Annual Report and Financial Statements that comply with IFRSs by 17 May 2019 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 2017 have been delivered to the Registrar of Companies and those for the 12 months ended 31 December 2018 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 Tuesday, 18 June 2019 at 2 Eaton Gate, London, SW1W 9BJ.