ANDREWS SYKES GROUP PLC

Andrews Sykes Group plc

Annual Report and Financial Statements 2021

SYKES PUMPS · ANDREWS AIR CONDITIONING · ANDREWS HEAT FOR HIRE · ANDREWS DEHUMIDIFICATION · ANDREWS CHILLERS · ANDREWS BOILERS · ANDREWS VENTILATION

Contents

Summary of Results

	12 months ended 31 December 2021 £'000	12 months ended 31 December 2020 £'000
Revenue from continuing operations	**75,219**	67,259
Adjusted EBITDA* from continuing operations	**28,946**	26,089
Operating profit	**20,074**	16,386
Profit after tax for the financial period	**15,540**	13,020
Net cash inflow from operating activities	**23,589**	22,255
Net funds	**16,509**	7,672
Total interim and final dividends paid	**9,869**	19,442
Basic earnings per share from total operations (pence)	**36.85p**	30.87p
Interim and final dividends paid per equity share (pence)	**23.40p**	46.10p
Proposed final dividend per equity share (pence)	**12.50p**	11.50p

* 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.

Chairman's Statement
Overview and financial highlights

Overview and outlook

Andrews Sykes' trading has recovered strongly after the unprecedented challenge posed by the coronavirus pandemic.

We are thankful and proud of our team members who responded as essential service providers throughout the various stages of the pandemic. The wellbeing of our employees and business partners has always been of paramount importance as we adhered to the various local government guidelines which evolved throughout 2020 and 2021. Our priority of keeping our operations safe for customers, employees, and business partners has allowed Andrews Sykes to weather hopefully the worst of the pandemic and still produce strong financial results for shareholders.

Despite these unprecedented circumstances, we are encouraged how the business has constantly adapted to overcome operational issues and explore new revenue opportunities which have arisen through various avenues such as the supporting of COVID testing and vaccinations stations. The group has also achieved a rebound in revenues from our core traditional markets of "comfort" cooling and heating despite various lockdowns and "stay at home" guidance being in effect at multiple different times throughout the year.

This year was once again supported by another strong year for our UK pump hire business, which finished the year 16% up on the previous year's revenue and continues the recent history of setting record levels of revenue yearly.

The group is confident in its core markets, its revenues and its profits.

2021 trading summary

The group's revenue for the year ended 31 December 2021 was £75.2 million, an increase of £8.0 million, or 11.8%, compared with the same period last year. This increase had a more than proportionate impact on operating profit which increased by 22.5%, or £3.7 million, from £16.4 million last year to £20.1 million in the year under review. This increase reflects a much higher level of trading across most of our businesses as the effects of the coronavirus pandemic started to recede. Turnover for the second half of the year was up 10.7% on the first half, further underlining the improving market conditions in which we operate.

Net finance costs were £0.6 million this year compared with £0.6 million last year. Profit before taxation was £19.5 million *(2020: £15.8 million)* and profit after taxation was £15.5 million *(2020: £13.0 million)*.

The group has reported an increase in the basic earnings per share of 5.98p, or 19.4%, from 30.87p in 2020 to 36.85p in the current year. This is mainly attributable to the above increase in the group's operating profit.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £23.6 million compared with £22.3 million last year reflecting strong cash management.

Cost control, cash and working capital management continue to be priorities for the group with stocks reduced by £2.4 million during the year. Capital expenditure is concentrated on assets with strong returns; in total, £5.0 million was invested in the hire fleet this year. In addition, the group invested a further £0.4 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 £'000	Operating profit £'000
1st half 2021	**35,693**	**7,955**
1st half 2020	33,480	7,000
2nd half 2021	**39,526**	**12,119**
2nd half 2020	33,779	9,386
Total 2021	**75,219**	**20,074**
Total 2020	67,259	16,386

The above table reflects the continued recovery from the coronavirus pandemic, with second-half revenues being 10.7% up on first half revenues and second half profitability returning to pre-pandemic levels.

The turnover of our main business segment in the UK increased from £38.3m last year to £45.2m with operating profit increasing from £11.5m to £15.4m. This result was supported by an exceptional overall year for our pump hire business and our core markets of heating and air conditioning recovered strongly from 2020 being 33% and 36% higher in 2021.

Our European businesses recorded similar increases in turnover, increasing from £16.1 million last year to £19.4 million, and operating profit increasing from £3.6 million to £5.2 million in 2021. This reflects a strong rebound in both air conditioning and heater hire revenues following a general return to work and a cold end to the winter period in mainland Europe. Both our Dutch and Italian subsidiaries reported record turnover levels in 2021.

The turnover of our hire and sales business in the Middle East decreased from £10.3 million last year to £7.9 million, and operating profit decreased from £2.0 million to £0.3 million in the year under review. COVID restrictions continued to impact HVAC rental division product demand during Ramadan in the first half of the year and a lack of significant infrastructure projects is depressing turnover in the pumps division. Whilst turnover in the second half of the year was below that in the first half, it is encouraging to note that fourth quarter revenue was 6.7% above third quarter revenue.

Our fixed installation business sector in the UK returned an operating profit of £0.2 million this year; the same as that achieved in 2020. The market continues to be fragmented with high levels of price competition.

Central overheads were £1.1 million in the current year compared with £0.8 million in 2020.

Profit for the financial year

Profit before tax was £19.5 million this year compared with £15.8 million last year; an increase of £3.7 million. This is wholly attributable to the above £3.7 million increase in operating profit with net interest costs remaining the same at £0.6 million.

Tax charges increased from £2.8 million in 2020 to £4.0 million this year. The overall effective tax rate increased slightly from 17.8% in 2020 to 20.3% this year. 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 10 to the consolidated financial statements. Profit for the financial year was £15.5 million compared with £13.0 million last year.

Defined benefit pension scheme

A formal funding valuation as at 31 December 2020, together with a revised schedule of contributions and recovery plan, was agreed by the Board with the pension scheme trustees in March 2021. In accordance with this agreement, the group paid and will be paying £1.3 million per annum into the pension scheme in both 2021 and 2022.

Chairman's Statement

Overview and financial highlights (continued)

Equity dividends

The company paid two dividends during the year. On 18 June 2021, a final dividend for the year ended 31 December 2020 of 11.50 pence per ordinary share was paid. This was followed by an interim dividend for 2021 of 11.90 pence per ordinary share, which was paid on 5 November 2021. Therefore, during 2021, a total of £9.9 million in cash dividends has been returned to our ordinary shareholders.

The Board has decided to propose a final dividend of 12.50 pence per share. If approved at the forthcoming Annual General Meeting, this dividend, which in total amounts to £5.27 million, will be paid on 17 June 2022 to shareholders on the register as at 27 May 2022.

Share buybacks

The company did not purchase any of its own ordinary shares for cancellation during the period under review. In previous years, purchases were made which enhanced earnings per share and were for the benefit of all shareholders. As at 3 May 2022, there remained an outstanding general authority for the directors to purchase 5,271,794 ordinary shares, which was granted at last year's Annual General Meeting.

The Board believes that it is in the best interests of shareholders to have 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

Net funds increased by £8.8 million from £7.7 million at 31 December 2020 to £16.5 million at 31 December 2021; this increase is after the cash distribution of £9.9m in dividend payments during 2021.

Bank loan facilities

In April 2017, a bank loan of £5 million was taken out with the group's bankers, Royal Bank of Scotland. The first four loan repayments of £0.5 million were made in accordance with the bank agreement on 30 April 2018, 2019, 2020 and 2021. The remaining balance of £3.0 million, outstanding as at 31 December 2021, was repaid by a final balloon repayment on 30 April 2022.

JG Murray
Chairman
3 May 2022

Strategic Report
Operational performance

Principal objectives and strategy

The Andrews Sykes Group is one of the market leaders in the rental of specialist hire equipment, offering bespoke solutions to our customers for their temporary or emergency needs. Our product range includes pumping equipment, air conditioning, chillers, heaters, boilers, dehumidifiers and ventilation units.

We aim to provide the most modern, technically advanced and environmentally friendly rental equipment in the market. Our products and services are supplied throughout the UK, Europe and the Middle East, via a network of depots which are supported by regional agents. Having been originally established in the UK since 1857, we now have over 40 locations and operate with around 600 staff worldwide. Our operations in mainland Europe began over 40 years ago in Rotterdam and now extend to depots located throughout Holland, Belgium, Luxembourg, France, Italy and Switzerland. In the Middle East, we have been operating from Dubai since the 1970s and now have locations in Dubai, Abu Dhabi and Sharjah, with agents and partners based throughout the Middle East.

In addition to renting our products, we provide our equipment for sale along with a full service and repair back up. In the UK, we also have a specialist air conditioning installation, service and maintenance subsidiary, which provides a nationwide coverage from a base in Manchester.

By providing a premium level of service 24 hours per day, 365 days per year, we have become the preferred suppliers to many major businesses and operations spanning a huge range of industries and geographic locations. Our reputation for providing high levels of training to our staff whilst maintaining a strict health and safety workplace, within an environmentally conscious culture, makes us an employer of choice for our industry.

Continual investment in new technology ensures that we provide our customers with new solutions to overcome their operational challenges. We constantly review and refresh our fleet of rental equipment to ensure that we set the standards within the rental industry throughout the UK, Europe and the Middle East.

Future development of the business

Our success has been centred on providing technically advanced climate rental and pumping products to numerous geographic locations and market sectors. We plan to continue to develop new products and services within our specialist portfolio whilst continuing to expand our geographic coverage both within existing territories and new markets. During 2021, we continued to develop new products and have a number of new developments ready for launching in 2022, which will extend our product offering to both new and existing customers.

Although our business benefits from extreme climate conditions and is affected by regional economic influences, we aim to provide acceptable levels of success without relying on advantageous market conditions, whilst optimising favourable conditions when they arise. At the same time, the company continues to carefully control its cost base to ensure that satisfactory levels of profit can be achieved even during difficult market conditions. In 2021, the unprecedented impact of the COVID-19 pandemic both on the business and the markets it serves worldwide was partially reflected in the year-end numbers, but of equal importance is our proven ability to adapt and continue to find new COVID-secure methods of operating our business as circumstances changed throughout the year. 2021, above all else, reflects this flexibility in our group business and its ability to adapt to service our markets safely and securely on a sustainable basis moving forward.

2021 operational performance

With 2021 still being impacted by the effects of COVID-19, we are pleased to report that our business continued to adapt well to the ever-changing challenges that the pandemic created for us and profits returned to pre-pandemic levels. The group operating profit increased by £3.7 million in 2021 to £20.1m *(2020: £16.4m)*. We are pleased that we have managed our way through the year with agility in response to each change in our business on both a regional and country level.

The UK hire business experienced a 16% turnover increase when compared to last year, supported by an exceptional overall year for our pump hire business in the UK. We are pleased to report company turnover surpassed the previous record set in 2018. Our core markets of heating and air conditioning (in the traditional markets of "comfort" cooling and heating) recovered strongly from 2020 being 33% and 36% higher respectively in 2021. Chiller and boiler revenue was the only part of the business not to improve on 2020 revenues, being 7% down on 2020.

Strategic Report
Operational performance

In mainland Europe, our total turnover experienced an even stronger recovery than in the UK, rising 20% on the previous year, with operating profit up 47% on the previous year. As with the UK, there was a strong recovery in the comfort cooling and heating sectors, helped by late winter low temperatures. In the Benelux region, our business performed strongly with Holland comfortably surpassing previous record turnover set in 2019 by 7% and being 26% favourable to 2020. Belgium and Luxembourg, being more heavily impacted by COVID restrictions, remain below pre-COVID levels but pleasingly grew 26% and 41% respectively in the year. Our Italian subsidiary, Nolo Climat, reported continued strong growth in 2021; this continued the year-on-year growth we have enjoyed since entering the Italian market in 2011. Turnover increased 20% compared to 2020 and reached new record levels. In France, turnover increased 13% and returned to pre-COVID levels. Whilst France remains the only loss-making geographic location, that operating loss was reduced in 2021. Management continue to focus on revenue growth opportunities and are investing in human resource across the country in order to grow the business further and improve the operating profit performance. Switzerland, whilst being the smallest of our operations, experienced a very strong recovery, increasing turnover 94% and returning to the strong growth path experienced pre-COVID.

In the Middle East, Khansaheb Sykes remains the company most heavily impacted from COVID and the market remained challenging for the entire year. Turnover decreased 18% compared to 2020 with 2020 being 22% down on 2019. Operating profit was adverse 85% as compared to the prior year. COVID restrictions continued to impact HVAC rental division product demand during Ramadan in the first half of the year and a lack of significant infrastructure projects is depressing turnover in the pumps division.

The overall group operating profit of £20.1 million increased 23% or £3.7 million when compared to the prior year *(2020: £16.4 million)*. Net funds of £16.5 million as at 31 December 2021 is an increase of £8.8 million on the prior year *(2020: £7.7 million)*.

Hire and sales UK
Andrews Sykes Hire Limited

Our main UK trading subsidiary, Andrews Sykes Hire, has 26 locations covering the UK and employing around 300 members of staff. During the year, we continued to develop both our product range and service offering, with further investments in our hire fleet, depots, and infrastructure. The profit for 2021 of £15.4 million was an increase of £3.9 million, or 34%, on 2020. This result, we believe, shows the ability of the business to react to changing customer needs and market circumstances, and to mobilise quickly to adapt to customer requirements.

Hire and sales Europe
Summary

Turnover of the European hire and sales business sector increased from £16.2 million last year to £19.5 million in the current year; an increase of £3.3 million or 20% compared with last year. Operating profit increased by £1.7 million, or 47%, from 2020 to 2021. A reconciliation of the result of this and other business sectors to the consolidated results for the year is given in note 5 to the financial statements.

Andrews Sykes BV

With over 40 years of experience in the Dutch market, we currently have four depots strategically located throughout the Netherlands providing full coverage of the country. Our Dutch business also provides back up support to our operations in Belgium and Luxembourg. This subsidiary performed exceptionally well with total revenue 26% above that of the previous year.

Andrews Sykes BVBA

Our Belgian subsidiary is based in Brussels and provides the full range of Andrews Sykes climate rental products throughout Belgium. Trading in both French and Flemish languages, the business has dual language branding, literature and website for the Belgian market. A second depot in Antwerp was opened in Q4 2021. Turnover increased 26% as compared to prior year.

Andrews Sykes Sarl

Our operation in Luxembourg was opened in 2014 and is strategically located to provide the full range of our climate rental products throughout the country. This subsidiary produced 41% growth during the year, which was supported by further investment in products, staff and facilities. Our Luxembourg subsidiary works in conjunction with our Belgian operation, with administration and technical support provided from Brussels.

Nolo Climat SRL

Nolo Climat is our Italian subsidiary, which opened in 2011. Our main depot is strategically located close to the centre of Milan where it is well-placed to cover the Lombardy region and the North of Italy, with further depots located in Bologna and Verona. Following the progress made in recent years, this business provided another record result in 2021 with turnover up 20% as compared to 2020.

Andrews Sykes Climat Location SAS

Our French subsidiary was established in 2012; since then, we have established depots in Paris, Lyon, Lille, Marseille, Nantes and Toulouse. Despite France producing an operating loss in 2021, the group has continued to invest in our hire fleet and staff in order to maximise future potential revenue opportunities. Turnover for 2021 finished the year 13% favourable to the comparable number for 2020.

Climat Location SA

Climat Location SA is our Swiss subsidiary, which opened in 2013; this operation was established to service the French cantons and works closely with our French subsidiary. We have recently relocated our operations to a larger facility and are now exploring further opportunities within the German cantons. Following a small operating loss in 2020, our Swiss operation returned to profitability in 2021 with turnover increasing 94% to that achieved in 2020.

UK installation business

Andrews Air Conditioning and Refrigeration Limited

Andrews Air Conditioning and Refrigeration (AAC&R) is our UK-based fixed air conditioning, service, maintenance and installation business. This subsidiary provides a specialist service to customers who have or require permanently installed air conditioning systems. The total revenue for this business is split between the sale of new systems, and the service and maintenance of existing systems. In 2021, the business increased turnover by 7% as compared to 2020 with levels of profitability comparable to the prior year. Service work was comparable to prior year but installations activity was increased 15% as restrictions imposed in the pandemic were eased.

Hire and sales Middle East

Khansaheb Sykes LLC

Khansaheb Sykes is our long-established pump hire and dewatering business, which is based in the UAE with locations in Sharjah, Dubai and Abu Dhabi. These centres also provide a base from which we cover other parts of the Middle East for both pump sales and hire. We have agents based throughout the Middle East including Oman, Kuwait, Bahrain and Qatar, which allows us to provide our products and services in these local markets. The business remains the most heavily impacted from COVID and the market remained challenging for the entire year. Turnover decreased 18% compared to 2020 and operating profit was adverse 85% as compared to the prior year.

Group summary

The overall group result for 2021 shows an increase in operating profit of £3.7 million, or 23%, when compared to 2020, which was a good result given the continued challenges faced throughout the World in 2021.

The Andrews Sykes business remains strong: the experience of our senior management team, coupled with our development plans, provide optimism for further progress in 2022 as we navigate out of the pandemic and adapt to the new environment accordingly. The group continues to develop new sales channels and propositions, which will enable the business to take advantage of favourable market conditions and opportunities as they arise. At the same time, the company continues to carefully control its cost base and ensure that satisfactory levels of profit can be achieved even during difficult market conditions.

Strategic Report

Review of risks, uncertainties and financial performance

Key performance indicators (KPIs)

The group's principal KPIs are as follows:

	12 months ended 31 December 2021	12 months ended 31 December 2020
Average revenue per employee	**£133,000**	£116,000
Adjusted EBITDA[1] from continuing operations	**£28,946,000**	£26,089,000
Operating cash flow as a percentage of operating assets employed [2]	**81.9%**	64.2%
Net funds	**£16,509,000**	£7,672,000
Net funds to equity percentage	**25.9%**	13.7%
Basic EPS from continuing operations (pence)	**36.85p**	30.87p

(1) 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.

(2) Cash generated from operations before defined benefit pension scheme contributions. Operating assets are net assets employed excluding pension assets and liabilities, loans, deferred and corporation tax balances, bank deposit accounts and cash.

Non-financial KPIs monitored internally by the Board include staff absenteeism and energy consumption. These are disclosed below:

	12 months ended 31 December 2021	12 months ended 31 December 2020
Staff absenteeism as a % of total working days	**1.54%**	1.67%
Energy consumption (kWh)	**8,761,747**	8,563,413

The average revenue per employee and the operating cash flow as a percentage of operating assets employed are indicative ratios used to monitor the revenue generation of the group relative to its fixed resources. The average revenue per employee continues to be high and indicates a strong underlying operating performance and high staff utilisation levels. Operating cash flow as a percentage of operating assets continues to demonstrate both strong working capital management and high levels of asset utilisation.

Adjusted EBITDA[1] is a traditional non-statutory measure used by the Board to monitor the ability of the group to generate cash.

Net funds are monitored by the Board as being indicative of the long-term financial stability of the group and to assist in directing capital investment decisions.

The net funds-to-equity percentage is indicative of the group's strength and capacity for taking on additional finance as and when the need arises. A reconciliation of the movement in net funds during the year is provided on page 10.

The basic earnings per share (EPS) is the traditional ratio used by the group to monitor its performance relative to its equity base. This, in the long term, ultimately drives the share price and gives a good indication of how well the directors and staff are delivering the success of the company for the benefit of the members as a whole. The EPS increased this year by 19.4% from 30.87p in 2020 to 36.85p in 2021, primarily due to the increase in operating profit resulting from the post-COVID-19 recovery and return to historic turnover levels. Achieving an EPS of 36.85p is regarded as an exceptional performance bettered only in 2018.

Operating profit

The consolidated operating profit was £20.1 million for the year under review, an increase of £3.7 million, or 23%, compared with last year's operating profit of £16.4 million. Note 5 to the financial statements analyses these results by business segment and this can be summarised as follows:

	12 months ended 31 December 2021 £'000	12 months ended 31 December 2020 £'000
Hire and sales UK	**15,419**	11,496
Hire and sales Europe	**5,225**	3,566
Hire and sales Middle East	**301**	2,026
UK installation business	**236**	249
Subtotal	**21,181**	17,337
Unallocated costs and eliminations	**(1,107)**	(951)
Consolidated operating profit	**20,074**	16,386

A review of the performance of each business sector is given in the operational performance section of this strategic report.

Operating profit in the current and prior period is after crediting furlough income that has been received from various government bodies to subsidise the cost of employing individuals whilst not in gainful employment, thereby avoiding the need to make them redundant. This has been disclosed on the face of the income statement as other operating income and within staff costs in note 9 to the financial statements. This income has reduced employment costs, which would otherwise have been saved had the employees been made redundant. The amount received by business sector is as follows:

	12 months ended 31 December 2021 £'000	12 months ended 31 December 2020 £'000
Hire and sales UK	**91**	**1,337**
Hire and sales Europe	**26**	**100**
UK installation business	**34**	**193**
Other operating income	**151**	**1,630**

Adjusted EBITDA* as disclosed in these financial statements is reconciled to operating profit as below:

	12 months ended 31 December 2021 £'000	12 months ended 31 December 2020 £'000
Adjusted EBITDA*	**28,946**	26,089
Depreciation and impairment losses	**(6,628)**	(7,183)
Depreciation of right-of-use assets	**(3,111)**	(3,014)
Profit on the sale of plant and equipment	**840**	450
Profit on the sale of right-of-use assets	**27**	44
Operating profit	**20,074**	16,386

* 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.

Net interest charge

The net interest charge for the current year is £575,000 compared with £553,000 in 2020. This can be analysed as follows:

	12 months ended 31 December 2021 £'000	12 months ended 31 December 2020 £'000
Interest charge on bank loans and overdrafts	**44**	64
Interest charge on right-of-use lease liabilities	**530**	530
Interest receivable	**(9)**	(71)
Foreign exchange loss on inter-company balances	**25**	75
Net IAS 19 pension interest credit	**(15)**	(45)
Total net interest charge	**575**	553

The interest charge on bank loans and overdrafts and interest receivable both continue to reflect low external interest rates in the primary economic environments in which the group operates.

The weighted average interest rate charged on the bank loans decreased from 1.38% last year to 1.20% in 2021, and the weighted average capital amount of the gross outstanding loans reduced from £3.7 million last year to £3.2 million. These two factors are reflected in the decrease in the bank loan interest shown above.

The interest charge on the right-of-use lease liabilities is due to the adoption of IFRS 16 on 1 January 2019 and is calculated based on the incremental borrowing rate.

The average rate of interest receivable on short-term bank deposits decreased from last year's level of 0.3% to 0.1%, this factor primarily explaining the decrease in interest receivable this year.

Strategic Report
Review of risks, uncertainties and financial performance (continued)

There was a net foreign exchange loss on inter-company balances this year of £25,000 compared with a loss of £75,000 last year. This reflects a strengthening of Sterling compared with the Euro and a weakening of Sterling compared with the UAE Dirham. The group's policy continues to be to not hedge its international assets with respect to foreign currency balance sheet translation exposure.

The net IAS 19 pension interest credit has been calculated by the group's actuary based on the assumptions as set out in note 17 to the financial statements. In accordance with IAS 19 (2011), the expected percentage return on assets has been limited to an equivalent rate used to discount the scheme's liabilities. A net credit arises in both periods as the scheme has a surplus calculated in accordance with IAS 19 (2011) at the end of both the current and previous financial years.

Tax on profit on ordinary activities

The group's tax charge on ordinary activities was £3,959,000 *(2020: £2,813,000)* resulting in an overall effective tax rate of 20.3% *(2020: 17.8%)*, which is more than the standard effective tax rate in the UK for the current year of 19.0% *(2020: 19.0%)*. A summary of the factors giving rise to this increase is given in the table below:

	12 months ended 31 December 2021 £'000	12 months ended 31 December 2020 £'000
Profit before taxation	**19,499**	15,833
Theoretical tax charge at the UK effective tax rate of 19.0%	**3,705**	3,008
Effects of different tax rates of subsidiaries operating abroad	**(109)**	(119)
Net overseas tax losses not recognised in deferred tax	**84**	33
Non tax-deductible expenses	**536**	125
Adjustments to prior periods	**(160)**	(234)
Movement in deferred tax on change in corporation tax rate	**(97)**	–
Total tax charge for the financial year	**3,959**	2,813

A detailed reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by 19.0% and the actual tax charge is given in note 10 to the consolidated financial statements.

The prior year adjustment primarily relates to provision movements that were previously disallowed for tax purposes being included as allowed for tax deduction. Accordingly, these liabilities were released in the current year.

The deferred tax balances at both 31 December 2021 and 31 December 2020 have been calculated based on the substantively enacted rates that the directors anticipate will apply when the temporary differences are expected to reverse and, accordingly, a rate of 25% *(2020: 19%)* has been used. In the UK budget on 15 March 2021, the Chancellor announced that the rate of corporation tax in the UK would increase from its current level of 19% to 25% with effect from 1 April 2023. This has now been enacted by parliament and as such it will increase the amount of corporation tax payable in the UK in future years.

Profit for the financial year

Profit after tax for the financial year was £15,540,000 compared with £13,020,000 last year.

Basic earnings per share (EPS)

The basic earnings per share increased by 5.98p, or 19.4%, from 30.87p last year, to 36.85p in 2021. There were no dilutive instruments outstanding in either 2021 or 2020, and therefore there is no difference between the basic and diluted earnings per share figures.

Cash flow from operating activities

The table below summarises the group's cash flow from operating activities compared with the previous year:

	12 months ended 31 December 2021 £m	12 months ended 31 December 2020 £m
Operating profit	**20.1**	16.4
Depreciation and profit on the sale of plant and equipment	**5.8**	6.7
Depreciation and profit on disposal of right-of-use assets	**3.0**	3.0
Adjusted EBITDA*	**28.9**	26.1
Pension scheme administration costs in excess of defined benefit pension scheme contributions	**(1.2)**	(0.5)
Interest paid	**(0.6)**	(0.6)
Tax paid	**(3.7)**	(3.4)
Net working capital movements	**0.2**	0.7
Net cash inflow from operating activities	**23.6**	22.3

* 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.

As demonstrated by the table above, the group continues to generate strong operating cash flows.

As well as cost control, management of working capital continues to be a priority. Whilst trading activity levels have increased, working capital has remained comparable to prior year. Total outstanding debtor days at the year-end increased from 74 days at the end of 2020 to 78 days at the end of the current year. Although still high in UK terms, the debtor day statistic in both years includes our subsidiary in the Middle East, whose debtor days were 220 days *(2020: 225 days)*. The local economy remains badly affected by the coronavirus pandemic and slow-down in major construction projects. Consequently, debtor days have increased dramatically in this region compared to historic levels as payment terms were extended. The group's average debtor days for current unimpaired debts increased slightly to 42 days from last year's level of 35 days.

Adequate provisions continue to be made for expected credit losses and impairment of trade debtors. In 2021, debts written off against the expected credit loss provision were £449,000 compared with £477,000 last year, and there was a net charge of £1,470,000 *(2020: £490,000)* to the income statement from the expected credit loss provision, which was calculated on a consistent basis each year. Of these figures, £306,000 *(2020: £456,000)* of the debts written off and £1,204,000 *(2020: £441,000)* of the expected credit loss charge related to external debtors of our subsidiary in the Middle East.

Employer pension contributions of £1,320,000 *(2020: £720,000)* have been made by the group to the pension scheme in 2021. Pension scheme costs charged within administration expenses in the income statement in accordance with IAS 19 (2011) amounted to £120,000 *(2020: £150,000)*, and there was also a charge in the prior year of £100,000 in respect of "Guaranteed Minimum Pension equalisation" regarding transfer values. Pensions are discussed in more detail on pages 14 and 15, and in note 17 to the financial statements.

Net funds

Net funds increased by £8.8 million from £7.7 million at 31 December 2020 to £16.5 million at 31 December 2021; this increase is after the cash distribution of £9.9m in dividend payments during 2021. The movement can be reconciled as follows:

	12 months ended 31 December 2021 £m	12 months ended 31 December 2020 £m
Opening net funds	**7.7**	12.1
Significant inflows:		
Cash inflow from operating activities	**23.5**	22.3
Sale of plant and equipment	**1.2**	0.6
Interest received	**–**	0.1
Significant outflows:		
Capital expenditure	**(2.5)**	(4.2)
Equity dividends paid	**(9.9)**	(19.4)
Significant non-cash movements:		
Foreign exchange rate changes	**(0.2)**	(0.1)
Termination of right-of-use lease obligations	**–**	0.2
New IFRS 16 right-of-use lease obligations	**(3.3)**	(3.9)
Closing net funds	**16.5**	7.7
Comprises:		
Bank loans net of loan finance costs	**(3.0)**	(3.5)
Cash at bank	**32.4**	24.0
Total cash reserves	**29.4**	20.5
IFRS 16 right-of-use lease obligations	**(12.9)**	(12.8)
Closing net funds	**16.5**	7.7

Foreign exchange rate changes include a loss on the reconversion of the group's overseas cash balances of (£0.5) million and an exchange gain of £0.2 million on the reconversion of the element of the right-of-use lease obligations that are denominated in foreign currency.

The bank loan repayment profile is set out in note 23 to the financial statements. Interest is charged based on the three-month LIBOR rate plus a margin of 1.1%. The weighted average interest rate charged in the year was 1.20% *(2020: 1.38%)*. Costs of raising loan finance are being amortised to the income statement over the period of the loan.

Management has been careful to ensure that the hire fleet is up to date and well-maintained in order to meet customer demand. Total cash spent on the hire fleet, property, plant and equipment and vehicles amounted to £2.5 million *(2020: £4.2 million)*. Capital expenditure has been concentrated on hire fleet assets with high levels of utilisation and good rates of return as well as business development opportunities. Savings continue to be made in non-essential areas, and hire fleet maintenance and utilisation have been prioritised.

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. This loan was repayable in four annual instalments of £0.5 million commencing 30 April 2018, followed by a balloon payment of £3 million on 30 April 2022. All instalments have all been made in accordance with the agreement and the group has operated within the agreed bank covenants. Interest is being charged at the three-month LIBOR rate plus a margin of 1.1%.

Principal risks and uncertainties

The group's principal risks are as follows:

Going concern

The Board remains satisfied with the group's funding and liquidity position. The group has operated throughout the 2021 financial year within its financial covenants as contained in the bank agreement. We continue to make payments to our suppliers in accordance with our agreed terms and all fiscal payments to the UK and overseas government bodies have been and will continue to be made on time.

Post year-end the final balloon instalment on the external bank loan has been made and the loan is now fully repaid.

The directors are required to consider the application of the going concern concept when approving financial statements. The principal element required to meet the test is sufficient liquidity for a period from the end of the year until at least 12 months subsequent to the date of approving the accounts. Management has prepared a detailed "bottom-up" budget including profit and loss and cash flow for the financial year ending 31 December 2022, and has extrapolated this forward until the end of May 2023 in order to form a view of an expected trading and cash position for the required period. This base level forecast fully incorporates management's expectations around the continued recovery of the group and was prepared on a cautiously realistic basis. This forecast takes into account specific factors relevant in each of our businesses. These 2022 forecasts have been reviewed and approved by the Board.

Whilst profitability and cash flow performance to the end of February 2022 has been close to expectation, in order to further assess the company's ability to continue to trade as a going concern, management have performed an exercise to assess a reasonable worst-case trading scenario and the impact of this on profit and cash. For the purposes of the cash forecast, only the below assumptions have been incorporated into this forecast:

- Normal level of dividends will be maintained during the 12 months subsequent to the date of approving the accounts;
- No new external funding sought;
- Hire turnover and product sales reduced by 12% versus budget—a similar variance when comparing 2021 actual results to 2021 budgets;
- All overheads continue at the base forecast level apart from overtime and commission and repairs and marketing, which are reduced by 5% and travel costs reduced by 2.5%;
- All current vacancies are filled immediately; and
- Capital expenditure is reduced by 5%.

The above factors have all been reflected in the forecast for the period ending 12 months subsequent to the date of approving the accounts. The headline numbers at a group level are as follows:

- Group turnover for the 12 months ending 31 December 2022 is forecast to be comparable to the 31 December 2021 figures. Operating profit is below the profit for 2021.
- Closing net funds as at the end of May 2023 are forecast to be below the level reported at 31 December 2021.

Under this reasonable worst-case scenario, the group has sufficient net funds throughout 2022 and up to the end of May 2023, to continue to operate as a going concern.

A final sensitivity analysis was performed in order to assess by how much group turnover could fall before further external financing would need to be sought. Under this scenario it was assumed that:

- Capital expenditure falls proportionately to turnover;
- Temporary staff are removed from the group; and
- Various overheads decrease proportionately with turnover.

Given these assumptions, and for modelling purposes only, assuming dividends are maintained at normal levels, group turnover could fall to below £50 million on an annualised basis without any liquidity concerns. Due to the level of confidence the Board has in the future trading performance of the group, this scenario is considered highly unlikely to occur.

The group has considerable financial resources and a wide operational base. Based on the detailed forecast prepared by management, the Board has a reasonable expectation that the group has adequate resources to continue to trade for the foreseeable future even in the reasonable worst-case scenario identified by the group. Accordingly, the Board continues to adopt the going concern basis when preparing this Annual Report and Financial Statements.

Strategic risks

In common with all entities operating in a dynamic marketplace, the group faces a number of strategic risks. Management has developed long-term business plans to manage the impact of these risks to ensure that the group continues to deliver a satisfactory performance in future years. The main strategic risks faced by the business, together with the actions taken by management to mitigate their impact, are set out below.

Strategic Report
Review of risks, uncertainties and financial performance (continued)

Competition, product innovations and industry changes are regarded as the main strategic risks. These are mitigated by investment in new environmentally friendly, technologically advanced products and equipment, and providing service levels that are recognised as being among the best in the industry. Market research and customer satisfaction studies are undertaken to ensure that our products and services continue to meet the needs of our customers.

In order to remain competitive, management recognises the need to invest in appropriate IT equipment and software. Consequently, the communication network, website, data capture systems and customer relationship systems are all being constantly reviewed and updated to ensure they remain at the forefront of industry standards. The group has recently approved the upgrade of its existing IT systems and a group wide ERP system will be rolled out over the next few years.

The potential impact of the weather has been reduced over the past few years by the expansion of our non-weather-related business. The group also has a diverse product range of pumps, heaters and air conditioning and environmental control equipment, which enables it to take maximum advantage of the opportunities presented by any extremes in weather conditions whenever they arise. This, combined with our policy of reducing fixed costs and linking them to a sustainable level of turnover, enables the group to achieve a satisfactory level of profits even in non-extreme weather conditions.

Financial risks

There has been no change during the year, or since the year-end, to the type of financial risks faced by the group or the group's management of those risks.

The key risks, which are discussed in more detail in note 28 to the consolidated financial statements, are:

- Interest rate risk;
- Market risk;
- Credit risk; and
- Funding and liquidity risk.

Pension scheme surplus

As set out in note 17 to the consolidated financial statements, as at 31 December 2021, the pension scheme assets were £48.5 million which, after deducting the present value of the pension scheme liabilities of £42.3 million, calculated in accordance with IAS 19, results in a pre-tax surplus of £6.1 million. When assessing the appropriateness of the recognition of this surplus, the directors have considered the guidance in IAS 19 and IFRIC 14 and have concluded that because of the rights upon wind-up, it is appropriate to recognise this asset in the financial statements.

Management continues to work with the pension scheme trustees to maximise the return from the pension scheme assets and to match that return with the pension scheme liabilities as they crystallise in order to minimise the exposure to the group. The net surplus or deficit is sensitive to changes in assumptions, which are at least in part influenced by changes in external market conditions, and therefore, this area continues to be subject to management focus.

Andrews Sykes Group pension schemes

Defined benefit pension scheme

The group had, for many years, operated a defined benefit pension scheme for the benefit of the majority of its UK employees. This scheme provided a pension based on the employee's final salary and length of service. This scheme was closed to new entrants on 31 December 2002. Existing members are no longer eligible to make contributions to the scheme and no further pension liabilities accrue as a result of any future service.

The group has adopted the requirements of IAS 19 (2011) Employee Benefits and the scheme surplus has been calculated in accordance with the rules set out in the standard by an independent qualified actuary. The results were based on the last full actuarial valuation as at 31 December 2019 *(2020: 31 December 2019)* and have been rolled forward by an independent qualified actuary to 31 December 2021. The net surplus, before deferred tax, at the year-end amounted to £6.1 million *(2020: £0.5 million)* and this has been recognised as a separate item, within non-current assets, on the face of the consolidated balance sheet.

A reconciliation of the surplus at the beginning of the year of £0.5 million to the surplus as at 31 December 2021 of £6.1 million is as follows:

	£m
Opening IAS 19 surplus recognised in the financial statements	**0.5**
Contributions paid by the group into the scheme	**1.3**
Actual return plus interest income on scheme assets	**3.4**
Actuarial gain on scheme liabilities	**1.0**
Net pension charge	**(0.1)**
Closing IAS 19 surplus recognised in the financial statements	**6.1**

The assumptions adopted by the directors, including mortality assumptions and discount rates, used to arrive at the above surplus are set out in note 17 to the financial statements.

Defined benefit scheme funding valuation

The last triennial funding valuation was as at 31 December 2019. A draft funding valuation was presented to the Board of directors in early summer 2020, and the group made a one-off contribution of £600,000 in late May 2020 to largely eliminate the funding deficit as at 31 December 2019 as indicated by that draft valuation.

The formal 2019 funding valuation, including a revised schedule of contributions and recovery plan, was agreed between the pension scheme trustees and the Board of directors in March 2021 and was effective from 1 January 2021. In accordance with this schedule of contributions and recovery plan, the group will be making regular contributions of £110,000 per month for the period 1 January 2021 to 31 December 2022, and £10,000 per month for the period 1 January 2023 to 31 December 2025, or until a revised schedule of contributions is agreed, if earlier. Consequently, the group expects to make total contributions to the pension scheme of £1,320,000 during 2022.

Defined contribution pension scheme and auto enrolment

The group operates the Andrews Sykes Stakeholder Pension Plan, for which the majority of UK employees are eligible. The scheme is managed on behalf of the group by Legal & General. Both the employer and employee contributions vary, generally based upon the individual's length of service with the company.

The group has adopted the requirements of auto enrolment for all eligible UK employees.

Contributions for both existing members and members that have been auto enrolled are made to the same scheme. The employers' contribution rates vary from 1% to 10%. The current period charge in the income statement amounted to £692,000 *(2020: £457,000)*. Employee contribution rates are normally 5% with the employees having the option of increasing their contributions on a voluntary basis. The contributions are used to purchase a specific fund for the individual employee with both gains and losses from changes in the fund's market value accruing to that employee.

Reconciliation of movement in group shareholders' funds

Group shareholders' funds have increased from £56.0 million at the beginning of the year to £63.6 million at 31 December 2021. The movement can be reconciled as follows:

	£m
Opening shareholders' funds	**56.0**
Profit for the financial period	**15.5**
IAS 19 actuarial gain net of deferred tax	**2.9**
Dividends declared and paid during the year	**(9.9)**
Currency translation differences on foreign currency net investments	**(0.9)**
Closing shareholders' funds	**63.6**

Details of dividends declared and paid during the year are given in the directors' report on page 18.

An analysis of the net IAS 19 actuarial gain of £2.9 million is given in note 17 to the consolidated financial statements.

The currency translation difference on foreign currency net investments arises on consolidation and is primarily due to movements in Sterling compared with the Euro and the UAE Dirham. During the current year, Sterling strengthened against the Euro, but weakened against the UAE Dirham, and the combined impact on the group's foreign currency net investments was a loss of £0.9 million.

Strategic Report
Review of risks, uncertainties and financial performance (continued)

Share buybacks
No shares were purchased for cancellation in 2021 and, to date, the company has not purchased any of its own shares for cancellation during 2022. In prior years, the company has purchased its own ordinary shares for cancellation and these purchases enhanced earnings per share and were for the benefit of all shareholders.

At the forthcoming 2022 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. Any purchases will only be made on the London Stock Exchange and they will only be bought back for cancellation provided they enhance earnings per share. If this resolution is passed, it should not be taken to imply that shares will be purchased but 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.

Directors' duties
The directors of the company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in Section 172 of the Companies Act 2006 and are summarised as follows:

A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of the shareholders as a whole, and in doing so, to have regard, amongst other matters, to:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between shareholders of the company.

As part of their induction, a director is briefed on his/her duties and he/she can access professional advice on these either from the company secretary or from an independent advisor. This support is available throughout the period a director holds office as well as on initial induction. The directors fulfil their duties partly through a governance framework. The company complies with the Quoted Companies Alliance (QCA) corporate governance code and details of compliance are set out in the corporate governance code on the company's website.

The following paragraphs summarise how the directors fulfil their duties:

Risk management
We aim to provide dependable high-quality services to our business partners in the UK, Northern Europe and Middle East. We often provide business critical solutions to key businesses and are instrumental in helping our customers achieve their goals. As we expand our businesses, we face a number of challenges and risks, which the directors address on a daily basis. These risks, and how they are addressed, are summarised in the principal risks and uncertainties section of this strategic report on pages 12 to 14 and paragraph 4 of the corporate governance code on the company's website.

Our employees
The company is committed to being a responsible employer. Our behaviour is aligned with the expectations of our employees and together we provide a first-class service to our clients, 24 hours per day, all year round. Further details of how we engage with our employees is given in the employee and other stakeholder engagement section of the directors' report on page 20.

Business relationships

Our business strategy prioritises organic growth. We regard customer relationships as being of the utmost importance and our key account customers, that account for approximately 50% of our business, are visited by a customer relationship manager on a quarterly basis to ensure we are meeting their expectations. The next largest 25% of customers are actively managed by desktop reviews supported by contact by telephone, and the remaining customers' accounts are subject to periodic internal reviews to ensure no issues are apparent.

We employ a supply chain manager who is responsible to the directors for ensuring that suppliers are aware of our requirements and have sufficient resources and abilities to meet our demands. Key suppliers are met regularly on a face-to-face basis and there is a non-conformance process in place. The company has certification to ISO 9001:2015.

Community and the environment

The group's corporate policies are based on our ethical values and can be found on the "Our Policies" page on our website. In recent years, many of our product innovations have been focused on environmental improvements covering initiatives such as reduced emissions and fuel efficiency. We have a long list of accreditations, including ISO 9001, ISO 14001 and ISO 45001:2018, details of which can be found on the "Accreditations" page of the company's website.

We pride ourselves in providing our staff with a good working environment within a strong ethical culture. The group's HR policies are regularly reviewed by the senior operations team, are provided to all staff both on commencement of employment and are available at all times via a company intranet site. The group has a large number of long-serving staff members, many with 30-plus years' service, which is a testament to our working culture. We engage with a number of community trusts and charities to offer opportunities to those who have had difficulties finding employment.

Business conduct

Our business strategy is to differentiate our services from those of our competitors by providing our customers with a first-class level of service 24 hours per day, all year round. Our reputation is among the best in the industry and means we are the employer and service provider of choice for many individuals and businesses alike.

Shareholders

The company is committed to openly engaging with our shareholders. The company has a controlling shareholder that owns 86.25% of the shares in issue and this shareholder has a number of representatives on the Board. A relationship agreement has been entered into with this shareholder (originally dated 10 December 1999 and updated on 21 September 2018), which confirms that the company's business and affairs will be managed for the benefit of shareholders as a whole.

Further details of how the directors fulfil their obligations with shareholders are given in the corporate governance code on the company's website.

Signed on behalf of the Board:

CD Webb	St David's Court
Director	Union Street
	Wolverhampton
3 May 2022	WV1 3JE

Directors' Report

Principal activity

The principal activity of the group continues to be the hire, sale and installation of a range of equipment, including pumping, portable heating, air conditioning, drying and ventilation equipment. A review of the group's activities and an indication of likely future developments are set out in the chairman's statement and the strategic report on pages 2 to 17.

The principal activity of the company is that of an investment holding company.

Financial management objectives and policies

Financial management objectives and policies are discussed in the strategic report on pages 8 to 17.

Results and equity dividends

The results for the financial year are set out in the consolidated income statement on page 35.

The company paid two dividends during the year. On 18 June 2021, a final dividend for the year ended 31 December 2020 of 11.50 pence per ordinary share was paid to shareholders on the register on 28 May 2021. This was followed by an interim dividend for 2021 of 11.90 pence per ordinary share, which was paid on 5 November 2021 to shareholders on the register on 8 October 2021. Total dividend payments made during the year amounted to £9,869,000 *(2020: £19,442,000)*.

The Board has decided to propose a final dividend of 12.50 pence per share. If approved at the forthcoming Annual General Meeting, this dividend, which in total amounts to £5.27 million, will be paid on 17 June 2022 to shareholders on the register as at 27 May 2022.

Directors

The directors in office at 3 May 2022 are shown on page 22.

On 27 January 2021, Mr PT Wood passed away after a short illness with COVID-19. Paul had worked for the company since 1978 when he joined from school as an apprentice. He rose to the top of the business with exemplary leadership skills and he has delivered excellent and consistent returns for shareholders.

On 5 March 2021, the Board appointed Mr CD Webb as Group Managing Director. Carl is an industry specialist and has been the Managing Director of the group's UK business for the past 15 years, working closely with Paul Wood during that period.

In accordance with the Company's Articles of Association, Mr JJ Murray, Mr AJ Kitchingman and Mr EDOA Sebag also retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming 2022 Annual General Meeting.

Directors' interests

Other than the beneficial interests disclosed below, no director in office at 31 December 2021 had any disclosable interests in share capital of the company or any subsidiary undertaking.

	Ordinary one pence shares	
	At 31 December 2021	At 31 December 2020
JG Murray	**298,749**	298,749
JJ Murray	**231,800**	231,800
JP Murray	**1,160,886**	1,160,886

There were no changes to the above shareholdings between 31 December 2021 and 3 May 2022 or the date of resignation, if earlier.

Substantial shareholdings

At 4 May 2021, the company had been notified of the following interest of 3% or more in the company's issued ordinary share capital:

	Number	Percentage
EOI Sykes Sarl	**36,377,213**	**86.25%**

Directors' share options

None of the directors in office at 31 December 2021 held any options to subscribe for ordinary shares at either 31 December 2021 or 31 December 2020. There have been no changes in the directors' share options during the period from 31 December 2021 to 3 May 2022.

Health, safety and the environment

Andrews Sykes Group plc aims to achieve world-class performance in health and safety by providing our staff with a safe environment in which to work, thereby helping to eliminate injuries and work-related ill health. Health and safety officers are appointed at each location and receive periodic training to keep abreast of both legislative requirements and technological advances. This is further enhanced with regular internal audits by our own fully qualified health and safety managers, along with training, induction and awareness programmes for our staff.

The group aims to continually improve its performance in order to meet changing business and regulatory requirements, to minimise the effect of our activities on the environment, and to provide products and services that fully and consistently meet the requirements of our customers, both now and in the future. In the UK, the group has met the mandatory requirements of the Energy Savings Opportunity Scheme (ESOS) and also has certification to the ISO 9001:2015, ISO 14001:2015, CEMARS (in accordance with ISO 14064-1:2006) and ISO 45001:2018 standards. In the UAE, the group has certification to ISO 9001:2015 and ISO 14001:2015.

SECR disclosures

These disclosures have been prepared in accordance with the requirements of the measure-step of the CEMARS programme, which is based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2006 Specification with Guidance at the Organisation Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals. Where relevant, the disclosures are aligned with industry or sector best practice for emissions measurement and reporting.

The data reported is for Andrews Sykes Hire Limited. The parent company consumes less than 40MWh of energy per year and is, therefore, exempt from providing full disclosure in this directors' report.

GHG emissions and energy use for period 1 January 2020 to 31 December 2021

	1 January 2021 to 31 December 2021	1 January 2020 to 31 December 2020
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities tCO_2e (Scope 1)	**1,961.59**	2,123.92
Emissions from purchase of electricity, heat, steam and cooling purchased for own use tCO2e (Scope 2, location-based)	**185.73**	199.60
Total gross Scope 1 & Scope 2 emissions tCO_2e	**2,147.32**	2,323.52
Energy consumption used to calculate above emissions (kWh)	**8,761,747.42**	8,563,412.94
Gas (kWh)	**595,747.00**	448,431.00
Electricity (kWh)	**874,718.00**	856,149.00
Transport fuels (kWh)	**7,291,282.42**	7,258,832.94
Other energy sources (Scope 1 & 2)	**N/A**	N/A
Total gross Scope 1 & Scope 2 emissions by unit turnover/revenue (tCO_2e/£M)	**41.46**	54.98
Methodology	**ISO14064 Part 1 2018 and CEMARS**	ISO14064 Part 1 2018 and CEMARS
Emissions from other activities tCO2e (Scope 3): Electricity	**16.44**	17.17
Emissions from other activities tCO2e (Scope 3): Waste	**N/A**	N/A
Emissions from other activities tCO2e (Scope 3): Transport – other	**1.99**	0.69
Total gross Scope 3 emissions tCO2e	**18.43**	17.86
Total gross Scope 1, Scope 2 & Scope 3 emissions tCO_2e	**2,165.74**	2,341.38
Total gross GHG emissions per unit turnover/revenue (tCO_2e/£M)	**44.38**	55.40
Third Party verification	**Verified to ISO14064 Part 1 2018 and CEMARS**	Verified to ISO14064 Part 1 2018 and CEMARS

Energy efficiency action

In accordance with our efforts to mitigate and control our emissions, we have the following initiatives in operation in the business.

We continue to invest in hybrid vehicles with our transport fleet where possible.

Fuel consumption is constantly monitored by our internal transport department to measure performance throughout the businesses.

Directors' Report

Awareness training is given to all staff on driving behaviours whilst vehicles are fitted with tracking software that enables the management of vehicle routes, idling times, and efficient driving style and behaviour in order to optimise fuel consumption.

In our depots, we continue to fit LED lighting with PIR sensor technology as depots are refurbished and maintained to reduce energy consumption.

In our business we saw a reduction in travel during 2020 with the impact of the pandemic on minimising travel. This has been a feature of all businesses but we have seen an increase in meetings carried via on line conferences – thus mitigating the need for travel and reducing fuel consumption accordingly. We have maintained this change into 2021.

In our hire fleet, continued investments in environmentally friendly equipment continues to be a feature of our product design and specification to drive investment in a fleet that is environmentally friendly.

Employment of disabled persons

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

Employee and other stakeholder engagement

The group operates a training and development programme for its employees. By improving employee skill levels, the group aims to encourage staff retention and provide opportunities for internal promotion. Regular personal development reviews are conducted, with training and development plans being devised for each employee. Employees also have access to third-party assistance to provide them with support on personal issues.

The group recognises the need to ensure effective communications with employees to encourage involvement in the group's performance and achieve a common awareness of factors affecting that performance. Policies and procedures have been developed to suit the needs of each subsidiary undertaking, taking into account factors such as numbers employed and location, including newsletters and communication meetings. Team talks are held regularly with departmental heads and any issues raised are noted, followed up and action taken as appropriate.

Externally, the group has strong relationships with a number of key suppliers; many of these relationships have been in place for 10 years or more. Regular meetings are held with these suppliers to ensure that relationships are optimised, with new innovation high on the agenda. We communicate with our customers in many ways and channel feedback via a line management structure, which is much flatter than many companies within our sector. Customer communication ranges from social media through to high-level contract reviews. Customer feedback is monitored by senior management on a regular basis. Executive and non-executive directors communicate with shareholders directly and make themselves available for such meetings.

Corporate governance

The group has chosen to apply the Quoted Companies Alliance ("QCA") corporate governance code (the "code") following the change to the AIM Rules for Companies in September 2018, which required AIM companies to comply with a recognised corporate governance code.

The company's corporate governance disclosures are included on the company's website, www.andrews-sykes.com.

Special business

Four resolutions are to be proposed at the forthcoming 2022 Annual General Meeting as special business: resolutions 7 and 8 as ordinary resolutions and resolutions 9 and 10 as special resolutions. Notice of the 2022 Annual General Meeting (including the full text of each of these three resolutions) is set out in a separate document being sent to all shareholders of the company.

Two resolutions, numbered 7 and 9, will be proposed at the Annual General Meeting. Resolution 7 would confer general authority on the directors to allot or to grant options over ordinary shares up to a maximum nominal value of £63,261 (representing 15% of the company's existing issued share capital) as they see fit. Resolution 9 would additionally empower the directors to allot equity securities for cash (and disapply existing shareholders' pre-emption rights in relation to any such allotment) in connection with a rights offering to existing shareholders that does not comply in all respects with the statutory pre-emption rights or otherwise up to a maximum nominal value of £63,261. The authority and power granted to the directors under both resolutions would expire at the 2023 Annual General Meeting (or if sooner, 15 months after the passing of the relevant resolution).

Resolution numbered 8 would, if approved at the Annual General Meeting, renew the annual authority of the directors to make market purchases of the company's own shares of up to a maximum of 5,271,794 ordinary shares of 1p each, representing 12.5% of the current ordinary issued share capital. This authority would then enable the directors to carry out the strategy of making own market purchases to increase shareholder value as set out in the strategic report on page 16.

Resolution numbered 10 seeks shareholder approval to revise the Articles of Association as per The Companies (Model Articles) Regulations 2008 Schedule 3 to enable the ability to operate a full or partial electronic AGM, enable the ability to withdraw cheque as a payment option but retain cash payments where bank details are not provided and amend Article 36 relating to untraced members to reflect modern best practice.

Purchase of own shares

The company did not purchase any of its own ordinary shares for cancellation during the period from 1 January 2021 to 3 May 2022. Accordingly, as at 3 May 2022, there remained an outstanding general authority for the directors to purchase 5,271,794 ordinary shares that was granted at the Annual General Meeting held on 15 June 2021. The directors are seeking to renew the general authority in respect of 5,271,794 ordinary shares as set out in resolution number 8.

Recommendation

Your directors unanimously recommend that shareholders vote in favour of the resolutions to be proposed at the Annual General Meeting of the company, as they intend to do in respect of their own beneficial holdings amounting to 1,691,435 ordinary shares representing approximately 4.01% of the current issued ordinary shares.

Directors' and officers' liability insurance

Directors' and officers' third-party indemnity insurance is in place for all directors and officers in office as at 31 December 2021 and subsequently.

Financial risks

Financial risks are discussed in the strategic report under the principal risks and uncertainties section on page 12.

Post balance sheet event

The directors are not aware of any material post balance sheet events.

Foreign branches

The company does not have any foreign branches outside the UK.

Auditor

Grant Thornton UK LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Signed on behalf of the Board:

JJ Murray	St David's Court
Vice-Chairman	Union Street
	Wolverhampton
3 May 2022	WV1 3JE

Directors and Advisors

Non-executive Chairmen

JG Murray – Chairman
Age 102. Chairman of London Security plc, Nu Swift Limited and Ansul S.A. Mr Murray has a long successful history in the industrial services sector.

JJ Murray MBA – Vice-Chairman
Age 55. Chairman of the Remuneration Committee. Executive Vice-Chairman of London Security plc, Nu Swift Limited and Ansul S.A.

Executive director

CD Webb
Age 55. Managing Director. Industry specialist, having managed the group's UK hire and sales business for the last 15 years. Appointed Group Managing Director on 5 March 2021.

Non-executive directors

AJ Kitchingman FCA
Age 57. Appointed senior independent non-executive director on 10 July 2018. Chairman of the Audit Committee and member of the Remuneration Committee. Chairman of Mpac Group plc.

MC Leon BS
Age 58. Non-executive director of London Security plc.

X Mignolet (HEC-Economics)
Age 57. Director of London Security plc,

Ansul S.A. and Importex S.A. Member of the Audit Committee.

JP Murray
Age 53. Non-executive director of London Security plc.

EDOA Sebag MBA
Age 54. Director of London Security plc and Nu Swift Limited. Member of the Remuneration Committee.

Company Secretary

IS Poole FCA
Appointed Company Secretary on 25 June 2021. Finance Director for the Group.

Registered Office and Company Number
St David's Court
Union Street
Wolverhampton
West Midlands
WV1 3JE
Company number: 00175912

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Nominated Advisor
Houlihan Lokey UK Limited
1 Curzon Street
London
W1J 5HD

Stockbroker
Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Auditor
Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

Bankers
Royal Bank of Scotland plc
National Westminster Bank plc

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have to prepare the group financial statements in accordance with UK-adopted international accounting standards and the parts of the Companies Act 2006 that applies to companies applying UK-adopted international accounting standards and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the group financial statements, state whether applicable UK-adopted international accounting standards and the parts of the Companies Act 2006 that applies to companies applying UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the members of Andrews Sykes Group plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Andrews Sykes Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Balance Sheet, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the director's base case forecasts covering the period to the end of May 2023. We assessed how these forecasts were compiled and challenged the accuracy of management's forecasts;
- Assessing the reliability of the director's forecasting by comparing the accuracy of the actual financial performance to forecast information obtained in the prior period;
- Evaluating and challenging the underlying assumptions incorporated into the director's downside scenario;
- Evaluating the results of the reverse stress test performed by management;
- Evaluating management's sensitivity analysis on key inputs to determine the impact of reasonably possible movements; and
- Assessing the adequacy of the going concern disclosures included within note 1 of the financial statements

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach

Overall materiality:

Group: £975,000, which represents 5% of the group's profit before tax.

Parent company: £455,000, which represents approximately 1% of the parent company's total assets.

Key audit matters were identified as

- Accuracy and completeness of revenue related deductions (new in the year, but refines the prior year key audit matter being occurrence of hire revenue generated from continuous hire invoices raised in the final quarter of the year); and
- Accuracy of the defined benefit pension liability assumptions (same as previous year).

Our auditor's report for the year ended 31 December 2020 did not include any key audit matters that have not been reported as key audit matters in our current year's report

We performed an audit of the financial information of the component using component materiality (full-scope audit) for certain group components in the United Kingdom, the Netherlands the United Arab Emirates and for the parent company.

We performed an audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) for components in Italy and Belgium.

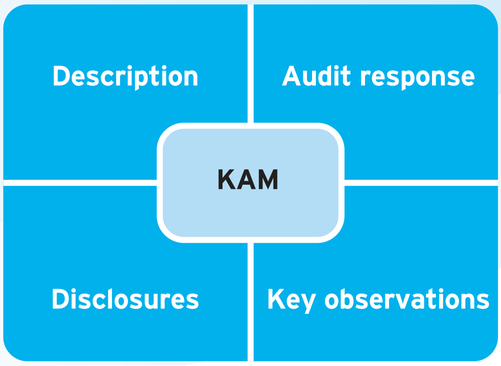
We performed analytical procedures on the financial information of other group components in France, Luxembourg, Switzerland and the United Kingdom.

We issued instructions to component auditors Grant Thornton Netherlands and Grant Thornton UAE in respect of their procedures on the financial information of the group components.

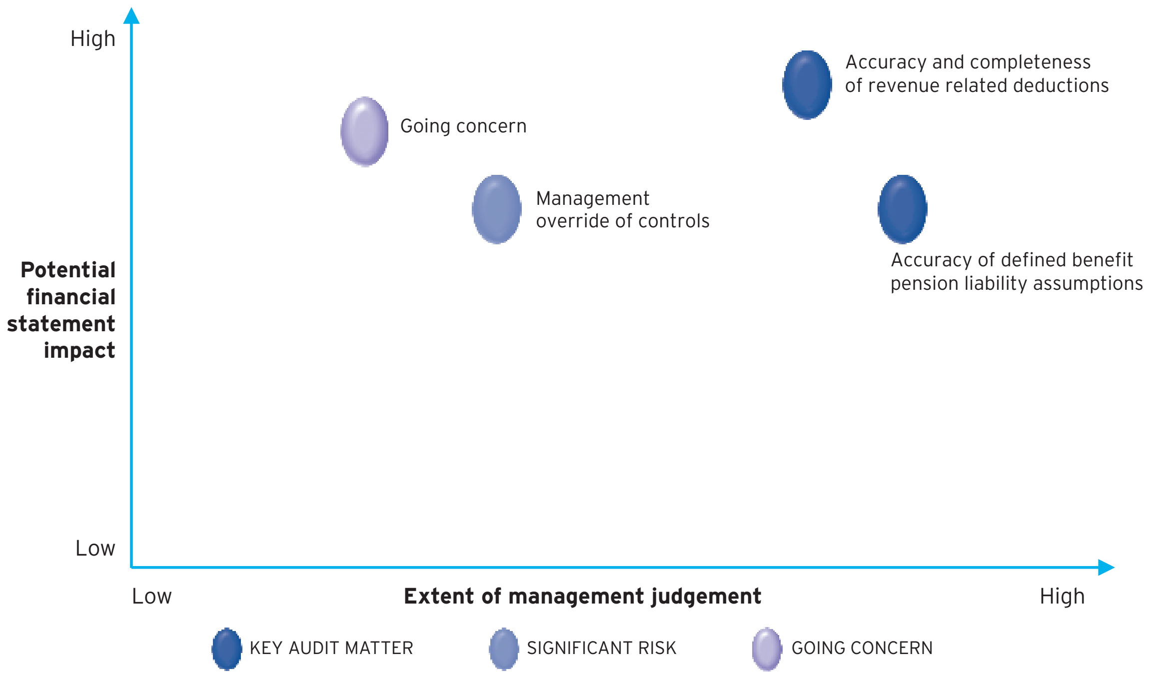
Independent Auditor's Report to the members of Andrews Sykes Group plc

Key audit matters ("KAM")

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters and significant risks relevant to the audit and going concern.



Key Audit Matter – Group	How our scope addressed the matter – Group
Accuracy and completeness of revenue related deductions We identified the accuracy and completeness of revenue related deductions as one of the most significant assessed risks of material misstatement due to fraud. Under International Standards on Auditing (UK) 240: 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Incomplete or inaccurate revenue recognition could have an adverse impact on the group's profitability, net asset value, earnings per share, and its level of dividend cover. We deemed the significant risk of fraud in revenue recognition to be in respect of the accuracy and completeness of revenue related deductions recorded including customer rebate arrangements and year end credit note provisioning. Both of these areas are considered to be most susceptible to manipulation by management in close proximity to the year end where there may be an incentive to overstate revenue, which is a key performance indicator for the group	In responding to the key audit matter, we performed the following audit procedures: ● Evaluating the design effectiveness of relevant controls; ● Testing a sample of revenue deductions or credit notes issued to customers in the period to determine whether they were related to rebate arrangements and whether a provision for rebates was made at year end; ● Testing a sample of customer deductions recorded during the year and rebate provisions at the year end by agreeing to supporting documentation including contractual agreements as well as subsequent cash payment or a credit note issued to the customer; ● Testing a sample of new customers and related rebate agreements entered into within the year and challenging as to whether a rebate provision was in place for these items at the year end. We inspected credit notes or cash payments after the year end to determine if post year-end activity was indicative of an unrecorded arrangement; ● Testing a sample of post year end credit notes and agreeing details to the related invoice, and if relating to the current year, testing the related completeness and accuracy of the corresponding provision; and ● Testing a sample of items from the off-hire records in close proximity to the year end. For the off-hire transactions we obtained a copy of the respective off-hire invoice to ensure that the revenue had been recognised in the correct period.
Relevant disclosures in the Annual Report and Accounts 2021 Financial statements: Accounting policies; Revenue recognition	**Our results** Based on our audit work, we did not identify evidence of material misstatement in relation to the accuracy and completeness of revenue related deductions.

Independent Auditor's Report to the members of Andrews Sykes Group plc

Key Audit Matter – Group	How our scope addressed the matter – Group
Accuracy of defined benefit pension liability assumptions We identified the accuracy of defined benefit pension liability assumptions as one of the most significant assessed risks of material misstatement due to error. The group operates a defined benefit pension scheme that provides benefits to a number of current and former employees. At 31 December 2021 the defined benefit pension scheme's net surplus was £6.1m. The gross value of the pension scheme liabilities amounted to £42.3m. The valuation of the pension liability assumptions in accordance with International Accounting Standard ('IAS') 19 'Employee benefits' involves significant judgement and is subject to various actuarial assumptions, including the longevity and mortality rates, the discount rate and the inflation rate. Small variations in these actuarial assumptions can lead to a materially different defined benefit pension scheme asset or liability being recognised within the group financial statements.	In responding to the key audit matter, we performed the following audit procedures: • Documenting our understanding of management's process and methodology used for valuing the defined benefit pension scheme; • Evaluating the design effectiveness of relevant controls; • Testing the accuracy and completeness of the data and inputs used in the year-end valuation through agreeing these into reports provided by the scheme administrators; and • Using the work of an auditor's expert to challenge the key assumptions used, including longevity and mortality rates, discount rates and inflation rates and assessing the calculation methods employed in the calculation of the pension liability.
Relevant disclosures in the Annual Report and Accounts 2021 Financial statements: Note 17, Retirement benefit pension schemes. Accounting policies; Defined benefit scheme	**Our results** Based on our audit work, we did not identify evidence of material misstatement in the accuracy of defined benefit pension assumptions.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

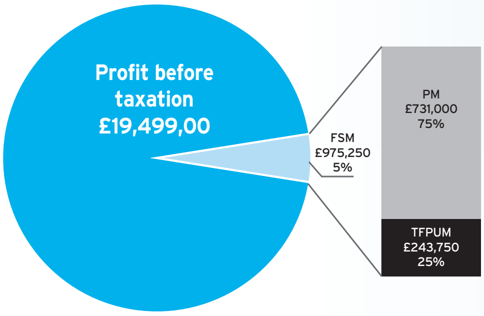
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£975,000, which represents 5% of profit before taxation.	£455,000, which represents approximately 1% of total assets.

Materiality measure	Group	Parent company
Significant judgements made by auditor in determining the materiality	In determining materiality, we considered this benchmark as the most appropriate because this is the key performance measure used by the directors to report to investors on the financial performance of the group. Materiality for the current year is higher than the level determined for the year ended 31 December 2020 to reflect the group's improved performance and increased profit before tax.	In determining materiality, we considered this benchmark as the most appropriate as we consider that it reflects the Company's status as a non-trading holding Company. Materiality for the current year is lower than the level we determined for the year ended 31 December 2020 to reflect the Company's decreased asset base in the current year.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£731,250, which is 75% of financial statement materiality.	£341,250, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the significant judgement of setting performance materiality at 75% since there were no material adjustments identified in the prior year audit, the group has a strong control environment, and management is suitably qualified and experienced.	In determining materiality, we made the significant judgement of setting performance materiality at 75% since there were no material adjustments identified in the prior year audit, the company has a strong control environment, and management is suitably qualified and experienced.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: Directors' remuneration Related party transactions outside of the normal course of business	We determined a lower level of specific materiality for the following areas: Directors' remuneration Related party transactions outside of the normal course of business
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£48,750 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£22,750 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

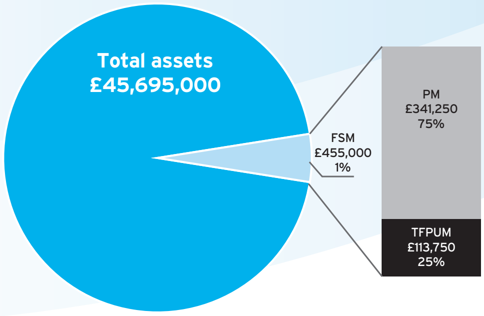
Independent Auditor's Report to the members of Andrews Sykes Group plc

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements.

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- The group's accounting process is primarily resourced through a central function within the United Kingdom, with local finance functions in the Netherlands, the United Arab Emirates, Italy and France. Each local finance function reports into the central group finance function based at the group's head office. The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level.
- We documented our understanding of the group's processes and controls over the following areas of identified audit risk and performed walkthroughs on these controls to confirm they are designed effectively:
  - Accuracy and completeness of revenue related deductions;
  - Accuracy of defined benefit pension liability assumptions; and
  - Management override of controls

Identifying significant components

- Component significance was determined based on their relative share of key group financial metrics including revenue, underlying profit before tax and assets for hire. For significant components requiring a full scope audit approach, we obtained an understanding of the relevant controls over the entity-specific financial reporting systems identified as well as the centralised financial reporting system as part of our risk assessment.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- For all significant risks and key audit matters identified, the group engagement team obtained an understanding of the relevant controls that management have implemented over the related processes.
- For components classified as "individually financially significant to the group", an audit of the financial information of the component using component materiality (full-scope audit) was performed. The components which fell into this scope were; Andrews Sykes Hire Limited, Andrews Sykes BV.
- An audit of financial information using component materiality (full-scope audit) was also performed for the parent company and Khansaheb Sykes LLC.
- Specific-scope audit procedures were performed within Noloclimat S.R.L and Andrews Sykes BVBA. Procedures to obtain assurance over the existence of cash and cash equivalents within Andrews Sykes BVBA and Noloclimat S.R.L were performed. Procedures to obtain assurance over the financial statement level risk of management override of controls were performed over Noloclimat S.R.L.
- Analytical procedures were performed for all other components.

Performance of our audit

- In order to address the audit risks identified during our planning procedures the audit of the financial information of the component Andrews Sykes Hire Limited was completed by the group engagement team using component materiality (full-scope audit). The group engagement team also performed a full-scope audit of the group's parent company, Andrews Sykes Group plc;
- We issued group instructions to component auditors in respect of their full scope audit of Andrew Sykes BV (Netherlands) as well as in respect of their full scope audit of Khansaheb Sykes LLC (United Arab Emirates).
- The financial information of the remaining operations of the group in the United Kingdom, France, Italy, Switzerland and Luxembourg were subjected to analytical procedures carried out by the group engagement team.
- Alongside these procedures, the group engagement team also evaluated the group's internal control environment including both general and IT-based systems and controls.
- The group engagement team visited the significant components in the United Kingdom, with component audit teams also visiting locations in the Netherlands and UAE. The remainder of the work performed on the overseas components was performed remotely. We held detailed discussions with the component teams, including remote reviews of the work performed, update calls on the progress of their fieldwork and by attending the component audit clearance meetings with component management via video call.
- Our full-scope audit procedures provided coverage of 78% of the group's consolidated equipment for hire, 83% of the group's consolidated revenues and 90% of the group's consolidated profit before taxation.
- To add unpredictability to our group scoping and risk assessment, the group engagement team also carried our procedures in respect of Noloclimat S.R.L relating to management override of controls and confirming the existence of cash, as well as procedures to confirm the existence of cash in respect of Andrews Sykes BVBA.

Audit approach	No. of components	coverage of equipment for hire	coverage of revenue	coverage of profit before taxation
Full-scope audit	4	78%	84%	83%
Analytical procedures	16	22%	16%	17%

Communications with component auditors

- Detailed audit instructions were issued to the component auditors of the significant reporting components where a full scope approach had been determined to be required, except for those significant components where the audit was carried out by the group engagement team. The instructions highlighted the significant risks to be addressed through the audit procedures and detailed the information that were required to be reported to the group engagement team.
- The group engagement team conducted a review of the work performed by the component auditor, and communicated with the component auditor throughout the planning, fieldwork and concluding stages of the group audit.
- All component auditors used were part of the Grant Thornton International Limited (GTIL) network.

Changes in approach from previous period

- The scope of the current year's audit was similar to that in the prior year, other than to add unpredictability to our group scoping and risk assessment. To add unpredictability to our group scoping and risk assessment, the group audit team also carried out procedures in respect of a subsidiary in Italy relating to management override of controls.
- Andrews Sykes BV became a component which required a full-scope audit based on its revenues in the period, compared to a specific-scope being performed in the prior period.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent Auditor's Report to the members of Andrews Sykes Group plc

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting framework, including UK-adopted international accounting standards, FRS 102, the AIM Rules for Companies, the Companies Act 2006 and the relevant taxation regulations in the jurisdictions in which the parent company and group operate.

- We obtained an understanding of how the parent company and the group are complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures, and the company secretary. We corroborated our inquiries through our review of Board minutes.
- We assessed the susceptibility of the parent company's and the group's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, deductions made to revenue and management override of controls.
- Our audit procedures included:
  - Making inquiries of management concerning the parent company's and the group's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
  - Making inquiries of management and those charged with governance of whether they were aware of any instances of non-compliance with laws and regulations, and whether they had any knowledge of actual, suspected, or alleged fraud. We corroborated the results of our enquires to relevant supporting documentation.
  - Gaining an understanding of the controls that management has in place to prevent and detect fraud.
  - Challenging significant accounting assumptions, estimates and judgements made by management, including those relevant to the estimation and judgemental areas with a risk of fraud, including potential management bias.
  - Journal entry testing, with a focus on journals indicating large or unusual transactions or account combinations based on our understanding of the business and those posted directly to the financial statements that related to revenue.
  - Obtaining an understanding of and testing significant identified related party transactions.
  - Performing audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting framework requirements.
  - For components at which audit procedures were performed by the component auditor, we requested the component auditor to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
  - Knowledge of the industry in which the parent company and the group operate; and
  - Understanding of the legal and regulatory requirements specific to the parent company and the group.
- Communications within the engagement team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, accuracy and completeness of revenue related deductions, which we identified as a key audit matter, and through management override of controls in the preparation of the financial statements.

Independent Auditor's Report to the members of Andrews Sykes Group plc

Other matters which we are required to address

As we reported to the Audit Committee, we identified that accounting services, of which the firm was not aware, were provided by Grant Thornton International Limited network firms in the Netherlands and Belgium to controlled undertakings of Andrews Sykes Group Plc, in respect of the year ended 31 December 2020, for which non-audit fees totalled £3,000. These services are not permitted to be provided to a controlled undertaking of an 'other entity of public interest' under the FRC Ethical Standard (2019). We have subsequently considered the impact on our independence and concluded that these accounting services do not impair our independence as the accounting services were of a routine and mechanical nature, and the work undertaken for purposes of the group audit was performed on the underlying financial information, which did not rely on the presentation of local statutory financial statements. The non-audit fee of £3,000 is also considered to be trivial. The Audit Committee was in agreement with this conclusion.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Turner FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

3 May 2022

Consolidated Income Statement
For the year ended 31 December 2021

	Note	12 months ended 31 December 2021 £'000	12 months ended 31 December 2020 £'000
Continuing operations			
Revenue	4	**75,219**	67,259
Cost of sales		**(29,001)**	(28,184)
Gross profit		**46,218**	39,075
Distribution costs		**(14,066)**	(12,136)
Administrative expenses		**(10,759)**	(11,693)
Increase in credit loss provision		**(1,470)**	(490)
Other operating income		**151**	1,630
Operating profit	8	**20,074**	16,386
Adjusted EBITDA*		**28,946**	26,089
Depreciation and impairment losses		**(6,628)**	(7,183)
Depreciation of right-of-use assets		**(3,111)**	(3,014)
Profit on the sale of plant and equipment		**840**	450
Profit on the sale of right-of-use assets		**27**	44
Operating profit		**20,074**	16,386
Finance income	6	**24**	116
Finance costs	7	**(599)**	(669)
Profit before tax		**19,499**	15,833
Tax expense	10	**(3,959)**	(2,813)
Profit for the year attributable to equity holders of the parent company		**15,540**	13,020

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

Earnings per share from continuing and total operations			
Basic (pence)	11	**36.85p**	30.87p
Diluted (pence)	11	**36.85p**	30.87p
Interim and final dividends paid per equity share (pence)	31	**23.40p**	46.10p
Proposed final dividend per equity share (pence)	31	**12.50p**	11.50p

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Profit for the year		**15,540**	13,020
Other comprehensive income			
Currency translation differences on foreign operations		**(954)**	529
Foreign exchange difference on IFRS 16 adjustments		**–**	(2)
Net other comprehensive income that may be recycled to profit and loss		**(954)**	527
Remeasurement of defined benefit pension assets and liabilities	17	**4,430**	(1,980)
Related deferred tax	10	**(1,551)**	376
Net other comprehensive income/(expense) that will not be recycled to profit and loss		**2,879**	(1,604)
Other comprehensive income/(expense) for the year net of tax		**1,925**	(1,077)
Total comprehensive income for the period attributable to equity holders of the parent company		**17,465**	11,943

Consolidated Balance Sheet

At 31 December 2021

	Note	**31 December 2021 £'000**	31 December 2020 £'000
Non-current assets			
Property, plant and equipment	12	**20,877**	22,774
Right-of-use assets	13	**12,423**	12,463
Prepayments	14	**–**	42
Deferred tax asset	16	**–**	704
Retirement benefit pension surplus	17	**6,137**	498
		39,437	36,481
Current assets			
Stock	18	**5,660**	8,048
Trade and other receivables	19	**19,796**	17,274
Cash and cash equivalents	20	**32,443**	24,012
		57,899	49,334
Total assets		**97,336**	85,815
Current liabilities			
Trade and other payables	21	**13,587**	12,290
Current tax liabilities	22	**265**	1,161
Bank loans	23	**3,000**	493
Right-of-use lease obligations	24	**2,602**	2,656
		19,454	16,600
Non current liabilities			
Bank loans	23	**–**	2,998
Right-of-use lease obligations	24	**10,332**	10,193
Deferred tax liability	16	**1,959**	–
Provisions	25	**1,971**	–
		14,262	13,191
Total liabilities		**33,716**	29,791
Net Assets		**63,620**	56,024
Capital and reserves			
Share capital	26	**422**	422
Share premium		**13**	13
Retained earnings		**59,971**	51,421
Translation reserve		**2,968**	3,922
Other reserve		**246**	246
Total equity		**63,620**	56,024

These consolidated financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the Board of directors on 3 May 2022 and were signed on its behalf by:

JJ Murray
Vice-Chairman

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Operating activities			
Profit for the year after tax		**15,540**	13,020
Adjustments to reconcile profit for the year to net cash inflow from operating activities:			
Taxation charge	10	**3,959**	2,813
Finance costs	7	**599**	669
Finance income	6	**(24)**	(116)
Profit on sale of property, plant and equipment	8	**(840)**	(450)
Profit on sale of right-of-use assets	8	**(27)**	(44)
Depreciation of property, plant and equipment	12	**6,628**	7,183
Depreciation of right-of-use assets	13	**3,111**	3,014
Difference between pension contributions paid and amounts recognised in the Consolidated Income Statement	17	**(1,194)**	(470)
Increase in stocks		**(635)**	(2,690)
(Increase)/decrease in receivables		**(2,653)**	4,099
Increase/(decrease) in payables		**2,322**	(762)
Movement in provisions		**1,112**	–
Cash inflow from continuing operations		**27,898**	26,266
Interest paid		**(574)**	(592)
Corporation tax paid		**(3,735)**	(3,419)
Net cash inflow from operating activities		**23,589**	22,255
Investing activities			
Disposal of plant and equipment		**1,173**	619
Purchase of property, plant and equipment		**(2,530)**	(4,157)
Interest received		**9**	79
Net cash outflow from investing activities		**(1,348)**	(3,459)
Financing activities			
Loan repayments	23	**(500)**	(500)
Capital repayments for right-of-use lease obligations		**(2,951)**	(2,832)
Equity dividends paid	31	**(9,869)**	(19,442)
Net cash outflow from financing activities		**(13,320)**	(22,774)
Net increase/(decrease) in cash and cash equivalents		**8,921**	(3,978)
Cash and cash equivalents at the start of the year		**24,012**	27,880
Effect of foreign exchange rate changes		**(490)**	110
Cash and cash equivalents at the end of the year	20	**32,443**	24,012

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Translation reserve £'000	Capital redemp-tion reserve £'000	UAE legal reserve £'000	Nether-lands legal reserve £'000	Attri-butable to equity holders of the parent £'000
Balance at 31 December 2019	422	13	59,447	3,395	158	79	9	**63,523**
Profit for the year	–	–	13,020	–	–	–	–	**13,020**
Other comprehensive income for the year net of tax	–	–	(1,604)	527	–	–	–	**(1,077)**
Total comprehensive income/(expense)	–	–	11,416	527	–	–	–	**11,943**
Dividends paid	–	–	(19,442)	–	–	–	–	**(19,442)**
Total of transactions with shareholders	–	–	(19,442)	–	–	–	–	**(19,442)**
Balance at 31 December 2020	422	13	51,421	3,922	158	79	9	**56,024**
Profit for the year	**–**	**–**	**15,540**	**–**	**–**	**–**	**–**	**15,540**
Other comprehensive income for the year net of tax	**–**	**–**	**2,879**	**(954)**	**–**	**–**	**–**	**1,925**
Total comprehensive income/(expense)	**–**	**–**	**18,419**	**(954)**	**–**	**–**	**–**	**17,465**
Dividends paid	**–**	**–**	**(9,869)**	**–**	**–**	**–**	**–**	**(9,869)**
Total of transactions with shareholders	–	–	**(9,869)**	–	–	–	–	**(9,869)**
Balance at 31 December 2021	**422**	**13**	**59,971**	**2,968**	**158**	**79**	**9**	**63,620**

Share premium account

The share premium account balance includes the proceeds that were above the nominal value from issuance of the Company's equity share capital comprising 1p shares.

Retained earnings

Retained earnings include the accumulated profits and losses arising from the Consolidated Income Statement and items from the Consolidated Statement of Comprehensive Income attributable to equity shareholders, less distributions to shareholders.

Translation reserve

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

Capital redemption reserve

The capital redemption reserve has arisen on the cancellation of previously issued shares and represents the nominal value of those shares cancelled.

UAE legal reserve

Local legislation in the United Arab Emirates requires Khansaheb Sykes LLC to maintain a non-distributable reserve equal to 50% of its share capital.

Netherlands legal reserve

The Netherlands legal reserve represents the required minimum aggregate share capital and capital reserve needed to be retained under Dutch law by Andrews Sykes BV.

Group Accounting Policies
For the year ended 31 December 2021

1 General information

Legal status and country of incorporation

Andrews Sykes Group plc, company number 00175912, was incorporated in England and Wales under the Companies Acts 1908-1917. The address of the registered office is given on page 22. The nature of the group's operations and its principal activities are set out in note 5 and in the strategic report and directors' report on pages 5 to 21.

Basis of preparation

These financial statements have been prepared in accordance with UK-adopted international accounting standards and the parts of the Companies Act 2006 that applies to companies applying UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Therefore, the group financial statements comply with the "AIM Rules for Companies".

The accounts are presented on the historical cost basis of accounting except for:

a) Properties held at the date of transition to IFRS that are stated at deemed cost;

b) Pension scheme assets and liabilities calculated at fair value in accordance with IAS 19.

Going concern

The Board remains satisfied with the group's funding and liquidity position. The group has operated throughout the 2021 financial year within its financial covenants as contained in the bank agreement. We continue to make payments to our suppliers in accordance with our agreed terms and all fiscal payments to the UK and overseas government bodies have been and will continue to be made on time. Post year-end the final balloon instalment on the external bank loan has been made and the loan is now fully repaid.

The directors are required to consider the application of the going concern concept when approving financial statements. The principal element required to meet the test is sufficient liquidity for a period from the end of the year until at least 12 months subsequent to the date of approving the accounts. Management has prepared a detailed "bottom-up" budget including profit and loss and cash flow for the financial year ending 31 December 2022, and has extrapolated this forward until the end of May 2023 in order to form a view of an expected trading and cash position for the required period. This base level forecast fully incorporates management's expectations around the continued recovery of the group and was prepared on a cautiously realistic basis. This forecast takes into account specific factors relevant in each of our businesses. These 2022 forecasts have been reviewed and approved by the Board.

Whilst profitability and cash flow performance to the end of February 2022 has been close to expectation, in order to further assess the company's ability to continue to trade as a going concern, management have performed an exercise to assess a reasonable worst-case trading scenario and the impact of this on profit and cash. For the purposes of the cash forecast, only the below assumptions have been incorporated into this forecast:

- Normal level of dividends will be maintained during the 12 months subsequent to the date of approving the accounts;
- No new external funding sought;
- Hire turnover and product sales reduced by 12% versus budget—a similar variance when comparing 2021 actual results to 2021 budgets;
- All overheads continue at the base forecast level apart from overtime and commission and repairs and marketing, which are reduced by 5% and travel costs reduced by 2.5%;
- All current vacancies are filled immediately; and
- Capital expenditure is reduced by 5%.

The above factors have all been reflected in the forecast for the period ending 12 months subsequent to the date of approving the accounts. The headline numbers at a group level are as follows:

- Group turnover for the 12 months ending 31 December 2022 is forecast to be comparable to the 31 December 2021 figures. Operating profit is below the profit for 2021.
- Closing net funds as at the end of May 2022 are forecast to be below the level reported at 31 December 2021.

Under this reasonable worst-case scenario, the group has sufficient net funds throughout 2022 and up to the end of May 2023, to continue to operate as a going concern.

1 General information continued

A final sensitivity analysis was performed in order to assess by how much group turnover could fall before further external financing would need to be sought. Under this scenario it was assumed that:

- Capital expenditure falls proportionately to turnover;
- Temporary staff are removed from the group; and
- Various overheads decrease proportionately with turnover.

Given these assumptions, and for modelling purposes only, assuming dividends are maintained at normal levels, group turnover could fall to below £50 million on an annualised basis without any liquidity concerns. Due to the level of confidence the Board has in the future trading performance of the group, this scenario is considered highly unlikely to occur.

The group has considerable financial resources and a wide operational base. Based on the detailed forecast prepared by management, the Board has a reasonable expectation that the group has adequate resources to continue to trade for the foreseeable future even in the reasonable worst-case scenario identified by the group. Accordingly, the Board continues to adopt the going concern basis when preparing this Annual Report and Financial Statements.

Accounting period

The current period is for the 12 months ended 31 December 2021 and the comparative period is for the 12 months ended 31 December 2020.

Functional and presentational currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Sterling, which is the functional currency of the company, and the presentation currency for the consolidated financial statements. Foreign operations are included in accordance with the accounting policy as set out in note 2.

Adoption of International Financial Reporting Standards

On 1 January 2006, the group adopted IFRS for the first time when advantage was taken of the following exemptions as permitted by IFRS 1:

- The requirements of IFRS 3 Business Combinations were not applied to business combinations that occurred before the date of transition to IFRS.
- The carrying values of freehold and leasehold properties are based on previously adopted UK GAAP valuations and these were taken as deemed cost on transition to IFRS.

IFRS has only been applied to the group's consolidated financial statements. The parent company's financial statements, which are set out on pages 76 to 83, have been prepared in accordance with FRS 102 and the Companies Act 2006. The UK subsidiaries' company financial statements will also be prepared in accordance with FRS 102 and the Companies Act 2006. Advantage will continue to be taken, where applicable, of the reduced disclosure framework, as set out in paragraph 1.12 of FRS 102, as no objections have been received from shareholders to this request.

International Financial Reporting Standards (IFRS) adopted for the first time in 2021

There were no new standards or amendments to standards adopted for the first time this year that had a material impact on the results of the group. The prior year comparatives have not been restated for any changes in accounting policies that were required due to the adoption of new standards this year.

Future adoption of International Financial Reporting Standards

At the date of authorisation of these financial statements, management are not aware of any new UK-adopted international financial reporting standards which would have a material impact on the group's financial statements.

Group Accounting Policies
For the year ended 31 December 2021

2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December 2021. Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations and goodwill

The acquisition of subsidiaries is accounted for using the acquisition method. The assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at their acquisition date except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, which are recognised and measured at fair value less costs to sell. Any excess of the cost over the asset valuation as calculated above is recognised as goodwill.

In accordance with the options that were available under IFRS 1 on transition to IFRS, the group elected not to apply IFRS 3 retrospectively to past business combinations that occurred before 1 January 2006, the date of transition to IFRS. Accordingly, goodwill amounting to £37,206,000 that had previously been offset against reserves under UK GAAP was not recognised in the opening IFRS balance sheet.

The interest of any non-controlling shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Property, plant and equipment

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

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

Property:	
Freehold and long leasehold buildings	2%
Short leasehold buildings	Period of the lease
Equipment for hire:	
Heating, air conditioning and other environmental control equipment	20%
Pumping equipment	10% to 33%
Accessories	33%
Motor vehicles	20% to 25%
Plant and machinery	7.5% to 33%

Annual reviews are made of estimated useful lives and material residual values.

Profit on the sale of plant and equipment is credited within operating profit.

Leased assets

Lessor accounting

The group does not hold any assets for hire under finance leases.

Assets held for hiring to customers under operating leases are recorded as hire fleet assets within property, plant and equipment and are depreciated over their useful lives to their estimated residual value. The group does not have any material non-cancellable operating leases.

2 Significant accounting policies continued

Lessee accounting

The group adopted IFRS 16 Leases with effect from 1 January 2019.

All operating leases, other than those of a short-term nature, are capitalised and included on the balance sheet as a right-of-use asset and a right-of-use lease obligation. The amount capitalised is the net present value of the future expected minimum capital payments under the group's operating lease obligations discounted at the group's incremental borrowing rates. The right-of-use assets are then depreciated over the term of the lease. Interest is charged to the income statement and is calculated based on the incremental borrowing rate.

Prior to the adoption of IFRS 16, operating lease payments were charged as an expense in the income statement on a straight-line basis over the lease term. This accounting policy continues to be adopted for short-term leases, as defined by IFRS 16, and non-capital payments under all operating leases, for example, maintenance costs on vehicles. The commitments for such leases continue to be disclosed as operating lease obligations in note 29.

As permitted by IFRS 1 at the date of transition to IFRS, the carrying value of long leasehold properties is based on the previous UK GAAP valuations adopted in 1998 and this has been taken as deemed cost.

Impairment of non-financial assets

Property, plant and equipment are assessed for impairment when events or changes in circumstances indicate that the carrying amount may not be recovered. If there are such indications then a test is performed on the asset affected to assess its recoverable amount against carrying value.

An impaired asset is written down to the higher of value in use and its fair value less costs to sell.

Deferred and current taxation

The charge for taxation is based on the taxable profit or loss for the period and takes into account taxation deferred because of differences between the treatment of certain items for taxation and for accounting purposes. Full provision is made for the tax effects of these differences.

Current income tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to current or prior periods that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to fiscal periods to which they relate based on the taxable profit for the year.

Deferred tax is calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the consolidated financial statements with their respective tax bases. Deferred tax is provided on the difference between the carrying value of the right-of-use asset and the associated lease liability, and their respective tax bases, both calculated in accordance with IFRS 16. Although not specifically covered by IAS 12 or IFRS 16, this is consistent with the group's accounting policy to fully provide for deferred tax on temporary differences.

The carrying amount of deferred tax assets is reviewed at each balance sheet date to ensure that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Assets and liabilities, in respect of both deferred and current tax, are only offset when there is a legally enforceable right to offset and the assets and liabilities relate to taxes levied by the same taxation authority.

Deferred and current tax are charged or credited in the income statement except when they relate to items charged directly to equity, in which case the associated tax is also dealt with in equity.

Group Accounting Policies
For the year ended 31 December 2021

2 Significant accounting policies continued

Stocks

Stocks are valued at the lower of cost of purchase and net realisable value. Cost comprises actual purchase price and, where applicable, associated direct costs incurred bringing the stock to its present location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

Recognition criteria, classification and initial carrying value

Financial assets and financial liabilities are recognised on the consolidated balance sheet when the group becomes a party to the contractual provisions of the instrument.

Financial assets are recognised and derecognised on a trade date where the purchase or sale of an asset is under a contract whose terms require delivery of the investment within the time frame established by the market concerned. Financial assets are classified as "assets at amortised cost, assets at fair value through profit or loss and fair value through other comprehensive income" depending upon the nature and purpose of the financial asset. The classification is determined at the time of the initial recognition.

Financial assets are generally classified as assets held at amortised cost and are initially measured at fair value including transaction costs incurred. No financial assets are currently classified as assets at fair value through profit or loss and fair value through other comprehensive income. The categories of financial assets are trade receivables, other receivables and cash.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Financial liabilities are normally classified as "other financial liabilities" and are initially measured at fair value, normally cost, net of transaction costs. There are currently no financial liabilities held at "fair value through profit or loss".

Assets held at amortised cost

Trade receivables are recognised as transaction price on initial recognition. Loans and other receivables (including cash held on ring-fenced deposit accounts) are measured on initial recognition at fair value and, except for short-term receivables where the recognition of interest would be immaterial, are subsequently remeasured at amortised cost using the effective interest rate method as reduced by appropriate allowances for estimated irrecoverable amounts.

The group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The group uses its historical experience, external indicators and forward-looking information to calculate the expected credit loss using a provision matrix.

The group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the number of days overdue. See note 19 for an analysis of how the impairment requirements of IFRS 9 are applied.

Derivative financial instruments and hedge accounting

The group's policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure, nor against foreign currency transactions. Generally, the group does not enter into any forward exchange contracts and it does not use financial instruments for speculative purposes.

The group does not hold any derivative financial instruments or embedded derivative financial instruments at either period end.

2 Significant accounting policies continued

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, cash at bank and short-term highly liquid investments that are readily convertible into known amounts of cash within three months from the date of initial acquisition with an insignificant risk of a change in value. Cash held in ring-fenced bank deposit accounts to which the group does not have access within three months from the date of initial acquisition is classified within other financial assets.

Other financial liabilities

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

Bank loans

Interest-bearing bank loans are recorded at the proceeds received less capital repayments made. Initial costs incurred entering into the bank loans are carried as an asset, presented as a deduction from the carrying value of the loans, which is amortised to the income statement over the period of the loans. Ongoing finance charges are accounted for on an accruals basis in the income statement using the effective interest rate method. They are included within accruals to the extent that they are not settled in the period in which they arise.

Retirement benefit costs

Defined benefit scheme

As disclosed in note 17, the group previously operated a defined benefit pension scheme for the majority of its employees. This scheme was closed to new entrants and all existing members became deferred members on 29 December 2002.

Interest income on pension assets less interest on pension scheme liabilities is shown within finance income. The rate used to calculate the expected return on pension assets is capped at a rate equivalent to the rate used to discount the scheme's liabilities. Settlement gains and losses and pension scheme administration expenses are also included within the income statement, either within administration expenses or as part of a separate disclosure where material. Actuarial remeasurement gains and losses are recognised immediately in other comprehensive income.

The defined benefit scheme is funded with the assets of the scheme held separately in trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Full actuarial valuations are obtained triennially and are updated at each balance sheet date in accordance with IAS 19 (2011).

Net defined benefit pension scheme surpluses and deficits are presented separately on the balance sheet within non-current assets and liabilities respectively before tax relief. The attributable deferred tax liability/asset is included within deferred tax and is subject to the recognition criteria as set out in the accounting policy on deferred and current taxation. Net defined benefit pension scheme surpluses are only recognised to the extent of any future refunds or reductions in future contributions to the scheme.

Defined contribution schemes

Employer's contributions are charged to the income statement on an accruals basis.

Net funds

Net funds are defined as including cash and cash equivalents, ring-fenced deposit accounts, bank and other loans, finance lease obligations, right-of-use lease obligations calculated in accordance with IFRS 16 and derivative financial instruments stated at current fair value.

2 Significant accounting policies continued

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into pounds Sterling at the financial year-end rates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The results of overseas subsidiary undertakings, associates and trade investments are translated into pounds Sterling at average rates for the period unless exchange rates fluctuate significantly during that period, in which case, exchange rates at the date of transactions are used. The closing balance sheets are translated at the year-end rates and the exchange differences arising are transferred to the group's translation reserve as a separate component of equity and are reported within the CSOCTI. All other exchange differences are included within the consolidated income statement for the year. Inter-company foreign exchange gains and losses arising from financing activities are included within finance income and costs respectively. All other exchange differences are included in operating profit.

In accordance with IFRS 1, the translation reserve was set to zero at 1 January 2006, the date of transition to IFRS. Cumulative translation differences that are included within the translation reserve at the date of disposal of the relevant overseas company are recognised in the consolidated income statement.

Revenue recognition

Revenue

Revenue is recorded at transaction price being the amount of consideration to which the group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, for example, some sales or value added taxes.

The group has four categories of revenue:

- Rental or lease income that is recognised on a straight-line basis over the period of the hire in accordance with IFRS 16. Hire revenue includes compensation receipts for lost or damaged equipment, chargeable to the customer under the terms of the hire agreement, which is recognised on an accruals basis when the loss or damage is identified;
- Revenue for the sale of goods that is recognised at a point in time (i.e. on the delivery of goods) in accordance with IFRS 15;
- maintenance revenue is recognised at a point in time when the service has been completed, which is normally within one day, in accordance with IFRS 15; and
- Revenue relating to installation and sale of units is recognised at a point in time (i.e. when the installation is complete) in accordance with IFRS 15.

Contracts are entered into with customers to provide one of the above goods or services on a standalone basis. The standalone selling price of the related performance obligation is therefore clearly determined from the contract. The total transaction price is estimated as the amount of the consideration to which the group expects to be entitled in exchange for transferring the promised goods or services after deducting trade discounts and volume rebates. Trade discounts and volume rebates are estimated based on the terms of the contractually agreed arrangements.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for any negotiated rebates which are estimated based on historical data. Rebates are recognised as a separate liability to reflect the method of settlement and included as a component of accruals (see note 21). The Group reviews its estimate at each reporting date and updates the liability accordingly.

Volume rebates are estimated based on the terms of the contractually agreed arrangements with customers and the amount of consideration to which the group will be entitled in exchange for providing hire services to the customer. Variable consideration is estimated using the "most likely amount" method.

Payment terms are between 30 and 60 days for all types of sale and therefore the impact of the time value of money is minimal.

2 Significant accounting policies continued

Investment and interest income

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

Interest income from bank deposit accounts is recognised on an accruals basis calculated by reference to the principal on deposit and the effective interest rate applicable.

Operating profit

Operating profit is defined as the profit for the period from continuing operations after all operating costs and income but before investment income, income from trade investments, finance income, finance costs, other gains and losses and taxation. Operating profit is disclosed as a separate line on the face of the income statement.

Normalised operating profit is the same as the above but excludes non-recurring items, for example, profit on the sale of property. When applicable, normalised operating profit is reconciled to operating profit on the face of the income statement.

Adjusted EBITDA

Adjusted Earnings Before Interest, Taxation, Depreciation, profit on the sale of property, plant and equipment, Amortisation and non-recurring items (EBITDA) is disclosed as a separate line on the face of the consolidated income statement and reconciled to operating profit.

Adjusted EBITDA is a traditional non-statutory measure of the ability of the group to generate cash and management considers that its disclosure provides useful information to shareholders in conjunction with the statutory indicators.

Other gains and losses

Other gains and losses are material items that arise from unusual non-recurring events. They are disclosed separately, in aggregate, on the face of the income statement after operating profit where, in the opinion of the directors, such disclosure is necessary in order to fairly present the results for the financial period.

Government grants

Income related government grants, for example, those related to the furlough scheme, are recognised in the income statement on an accruals basis. They are disclosed separately on the face of the income statement and/or in the notes to the accounts where that degree of prominence is deemed necessary.

Finance costs

Finance costs are recognised in the income statement on an accruals basis in the period in which they are incurred.

Provisions

Dilapidation costs expected to be settled at the end of the lease term for rectification of wear and tear damage of the Group's leasehold premises are provided for as an expense over the tenancy period as the wear and tear occurs. The cost of the remedial work required on the group's properties is based upon the group's previous dilapidation experience and quotes received from professional surveyors.

3 Use of critical accounting judgements and estimates

Estimates and judgements are continually evaluated and assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable given the circumstances prevailing when the accounts are approved.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are discussed below. The directors do not consider there to be any critical judgements.

Pension scheme assumptions and mortality tables

As set out in note 17, the carrying value of the defined benefit pension scheme is calculated using actuarial valuations. These valuations are based on assumptions including the selection of the most appropriate mortality table for the profile of the members in the scheme and the financial assumptions concerning discount rates and inflation. All these are estimates of future events and are, therefore, uncertain. The choices are based on advice received from the scheme actuaries that are checked from time to time with benchmark surveys. Sensitivity analysis regarding assumptions concerning longevity, discount rates and inflation is provided in note 17 on page 61.

When assessing the appropriateness of the recognition of a surplus, the directors have considered the guidance in IAS 19 and IFRIC 14, and have concluded that because of the rights upon wind-up, it is appropriate to recognise the asset in the consolidated financial statements.

Useful economic life of hire fleet assets included within property, plant and equipment

Management reviews its estimate of the useful lives of equipment for hire assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates include those relating to technological obsolescence that may change the utility of certain equipment. Information on the estimated useful lives of equipment for hire is included in the accounting policies.

If the economic life was one year less than estimated, the depreciation charge would be increased by approximately £1.6 million. If the economic life was one year more than estimated, the depreciation charge would be reduced by approximately £1.1 million.

Expected credit losses

Management consider the main factors in assessing the appropriate allowance for doubtful debt and credit losses are the age of the balances held relative to the due date and the profile of the customers; past default experience; external indicators and forward-looking information. Specific trade receivables may be written off when there is considered to be little likelihood of recovering the debt.

If the credit loss percentage for the gross debtors greater than 12 months old was increased by 10%, the expected credit loss provision would increase by approximately £0.3m. Similarly, if the credit loss percentage for the gross debtors greater than 12 months old was decreased by 10%, the expected credit loss provision would decrease by approximately £0.3m.

4 Revenue

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

	2021 £'000	2020 £'000
Continuing operations		
Revenue outside the scope of IFRS 15 and recognised as lease income in accordance with IFRS 16:		
Hire	**67,734**	59,598
Revenue recognised at a point in time in accordance with IFRS 15:		
Sales	**4,630**	5,162
Maintenance	**1,368**	1,348
Installation and sale of units	**1,487**	1,151
Group consolidated revenue from the sale of goods and provision of services	**75,219**	67,259

5 Business and geographical segmental analysis

The group operates in the United Kingdom, Europe (The Netherlands, Belgium, Italy, France, Switzerland and Luxembourg) and the United Arab Emirates providing the hire and sale of a range of environmental control equipment. It also installs and maintains fixed air conditioning equipment within the United Kingdom.

The group operates through statutory entities that are based in each of the above locations. In the case of the main UK operation, there are separate statutory entities for hire and sales (Andrews Sykes Hire Limited) and installation and maintenance (Andrews Air Conditioning and Refrigeration Limited) as well as a separate property holding company. Each operating company has its own Divisional Director who is responsible to the Board for that company's operating result. These Divisional Directors meet the IFRS 8 definition of segmental managers.

All the group's external loans are held in the parent company, Andrews Sykes Group plc. No attempt is made in the internal management accounts to allocate the interest charge to either individual entities or activities. Similarly, the internal management accounts provided to the Board include a balance sheet and cash flow information provided only on an entity and consolidated basis. Capital expenditure and working capital movements are reviewed on an entity basis.

The Chief Operating Decision Maker is considered to be a subsection of the Board including the Vice-Chairman and Group Managing Director. The directors therefore consider that the group's revenue-generating operating segments that are reviewed on a regular basis by the Board and for which discrete financial information is available, are:

Activity	Entity	Location
Hire and sales	Andrews Sykes Hire Limited	United Kingdom
	Andrews Sykes BV	The Netherlands
	Andrews Sykes BVBA	Belgium
	Nolo Climat S.R.L.	Italy
	Climat Location SAS	France
	Climat Location SA	Switzerland
	Khansaheb Sykes LLC	United Arab Emirates
	Andrews Sykes Luxembourg SARL	Luxembourg
Installation and maintenance	Andrews Air Conditioning and Refrigeration Limited	United Kingdom

The directors consider that the long-term economic characteristics of the hire and sales operations based in the The Netherlands, Belgium, Italy, France, Luxembourg and Switzerland are similar. These entities have similar products and services, operate in the same manner providing services to a similar customer base and incur similar risks and rewards. Whilst there is a level of currency fluctuation between these entities, the directors do not consider the currencies themselves (Euro and Swiss Franc) to be particularly volatile when compared to the group's presentational currency or to be exposed to significant fluctuations that would indicate the economic characteristics of those operations are not appropriate to be aggregated as reportable segments under IFRS 8. Whilst the operational activities of the hire and sales business in the UK are similar to Europe, the legal and monetary jurisdictions are distinctively different. However, the operation based in the United Arab Emirates, whilst similar in many ways, faces significantly different risks due to the local environment in which it operates. The installation business operates in a different manner and regulatory environment to the rest of the group.

The reportable segments are therefore:

Segment	Incorporating the following operating entities	Location
Hire and sales UK	Andrews Sykes Hire Limited	United Kingdom
	Andrews Sykes Properties Limited	United Kingdom
Hire and sales Europe	Andrews Sykes BV	The Netherlands
	Andrews Sykes BVBA	Belgium
	Nolo Climat S.R.L.	Italy
	Climat Location SAS	France
	Climat Location SA	Switzerland
	Andrews Sykes Luxembourg SARL	Luxembourg
Hire and sales Middle East	Khansaheb Sykes LLC	United Arab Emirates
Installation and maintenance	Andrews Air Conditioning and Refrigeration Limited	United Kingdom

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5 Business and geographical segmental analysis (continued)

The property holding company, Andrews Sykes Properties Limited, is considered immaterial to the Group as a whole. On this basis, and because it holds properties mainly for the use of Andrews Sykes Hire Limited, it has been included within the Hire and Sales UK segment.

Transactions between the above reportable segments are made on an arm's length basis after taking into account the reduced levels of risks incurred.

The above segments exclude the results of non-revenue earning holding companies, including Andrews Sykes Group plc. These entities' results have been included as unallocated items (overheads and expenses, corporate assets and corporate liabilities as appropriate) in the tables below.

The group has a diverse customer base with no single customer accounting for 10% or more of the group's revenue in either the current or previous financial period.

(i) Business segment

Income statement analysis for the 12 months ended 31 December 2021

Revenue	**Hire & sales UK £000**	**Hire & sales Europe £000**	**Hire & sales Middle East £000**	**Installation and maintenance £000**	**Subtotal £000**	**Eliminations £000**	**Consolidated results £000**
External sales:							
Hire	**42,963**	**18,455**	**6,316**	**–**	**67,734**	**–**	**67,734**
Sales	**2,115**	**976**	**1,539**	**–**	**4,630**	**–**	**4,630**
Maintenance	**–**	**–**	**5**	**1,363**	**1,368**	**–**	**1,368**
Installations	**151**	**11**	**–**	**1,325**	**1,487**	**–**	**1,487**
Total external sales	**45,229**	**19,442**	**7,860**	**2,688**	**75,219**	**–**	**75,219**
Inter-segment sales	**842**	**26**	**–**	**12**	**880**	**(880)**	**–**
Total revenue	**46,071**	**19,468**	**7,860**	**2,700**	**76,099**	**(880)**	**75,219**
Segment result	**15,419**	**5,225**	**301**	**236**	**21,181**	**–**	**21,181**
Unallocated overheads and expenses							**(1,107)**
Operating profit							**20,074**
Finance income							**24**
Finance costs							**(599)**
Profit before Taxation							**19,499**
Taxation							**(3,959)**
Profit for the period from continuing and total operations							**15,540**

Income statement analysis for the 12 months ended 31 December 2020

Revenue	Hire & sales UK £000	Hire & sales Europe £000	Hire & sales Middle East £000	Installation and maintenance £000	Subtotal £000	Eliminations £000	Consolidated results £000
External sales:							
Hire	36,595	15,149	7,854	–	59,598	–	59,598
Sales	1,716	1,000	2,446	–	5,162	–	5,162
Maintenance	–	–	–	1,348	1,348	–	1,348
Installations	–	–	–	1,151	1,151	–	1,151
Total external sales	38,311	16,149	10,300	2,499	67,259	–	67,259
Inter-segment sales	1,352	14	–	21	1,387	(1,387)	–
Total revenue	39,663	16,163	10,300	2,520	68,646	(1,387)	67,259
Segment result	11,496	3,566	2,026	249	17,337	(117)	17,220
Unallocated overheads and expenses							(834)
Operating profit							16,386
Finance income							116
Finance costs							(669)
Profit before Taxation							15,833
Taxation							(2,813)
Profit for the period from continuing and total operations							13,020

5 Business and geographical segmental analysis (continued)

Balance sheet information as at 31 December 2021

	Hire & sales UK £'000	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation and maintenance £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Segment assets	**55,580**	**25,287**	**8,845**	**1,177**	**90,889**	**–**	**90,889**
Retirement benefit pension surplus							**6,137**
Unallocated corporate assets							**310**
Consolidated total assets							**97,336**
Segment liabilities	**(18,852)**	**(7,469)**	**(1,612)**	**(477)**	**(28,410)**	**–**	**(28,410)**
Current tax liabilities							**(265)**
Bank loans							**(3,000)**
Deferred tax liability							**(1,959)**
Unallocated corporate liabilities							**(82)**
Consolidated total liabilities							**(33,716)**

Balance sheet information as at 31 December 2020

Balance sheet information As at 31 December 2020	Hire & sales UK £'000	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation and maintenance £'000	Subtotal £'000	Eliminations £'000	Consolidated results £'000
Segment assets	50,725	21,531	11,026	3,699	86,981	(2,482)	84,499
Deferred tax asset							704
Retirement benefit pension surplus							498
Unallocated corporate assets							114
Consolidated total assets							85,815
Segment liabilities	(15,976)	(9,127)	(1,889)	(489)	(27,481)	2,482	(24,999)
Current tax liabilities							(1,161)
Bank loans							(3,491)
Unallocated corporate liabilities							(140)
Consolidated total liabilities							(29,791)

5 Business and geographical segmental analysis (continued)

Other information for the 12 months ended 31 December 2021

	Hire & sales UK £'000	**Hire & sales Europe £'000**	**Hire & sales Middle East £'000**	**Installation and maintenance £'000**	**Consolidated results £'000**
Capital additions	**2,631**	**2,085**	**658**	**–**	**5,374**
Right-of-use asset additions	**2,280**	**1,023**	**6**	**16**	**3,325**
Depreciation	**3,471**	**2,036**	**1,109**	**12**	**6,628**
Right-of-use asset depreciation	**1,935**	**1,062**	**49**	**65**	**3,111**

Other information for the 12 months ended 31 December 2020

	Hire & sales UK £'000	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation and maintenance £'000	Consolidated results £'000
Capital additions	2,661	1,680	906	–	5,247
Right-of-use asset additions	2,573	1,343	27	–	3,943
Depreciation	(3,678)	(2,189)	(1,294)	(22)	(7,183)
Right-of-use asset depreciation	(1,877)	(1,008)	(53)	(76)	(3,014)

(ii) Geographical segments

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

	By origin		**By destination**	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
United Kingdom	**47,917**	40,882	**47,526**	40,414
Rest of Europe	**19,442**	16,077	**19,814**	16,450
Middle East and Africa	**7,860**	10,300	**7,861**	10,307
Rest of the World	**–**	–	**18**	88
	75,219	67,259	**75,219**	67,259

The carrying amounts of segment assets and non-current assets (excluding retirement benefit pension surplus and deferred tax) analysed by the entity's country of origin are as set out below. There is no significant difference between the analysis by origin and that by physical location of the assets.

	Segment assets		**Non-current assets**	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
United Kingdom	**57,066**	52,080	**21,604**	22,572
Rest of Europe	**25,287**	21,393	**9,648**	10,166
Middle East and Africa	**8,846**	11,026	**2,048**	2,541
	91,199	84,499	**33,300**	35,279

6 Finance income

	2021 £'000	2020 £'000
Net pension scheme interest on pension scheme surplus (note 17)	**15**	45
Interest receivable on bank deposit accounts	**9**	71
	24	116

7 Finance costs

	2021 £'000	2020 £'000
Interest charge on bank loans and overdrafts	**44**	64
Interest charge on right-of-use lease obligations	**530**	530
Inter-company foreign exchange losses	**25**	75
	599	669

8 Profit before taxation

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

	2021 £'000	2020 £'000
Net foreign exchange trading (gains) and losses	**157**	(252)
Depreciation of property, plant and equipment	**6,628**	7,183
Depreciation of right-of-use assets	**3,111**	3,014
Profit on sale of plant and equipment	**(840)**	(450)
Profit on sale of right-of-use assets	**(27)**	(44)
Cost of stock recognised as an expense	**10,186**	7,609
Vehicle and travel costs	**3,995**	3,870
Property costs	**5,308**	5,118
Rehire costs	**2,373**	2,168
Professional services	**1,630**	1,645
IT and communication	**1,171**	1,213
Operating lease rental payments for short-term leases:		
Property	**187**	182
Plant, machinery and motor vehicles	**230**	139
Defined benefit pension scheme past service cost – GMP equalisation re transfer vales (Note 18)	**–**	100
Gross employment costs (note 9)	**20,978**	20,815
Other operating income – government grants related to the COVID-19 pandemic:		
Furlough employment support receipts (note 9)	**(151)**	(1,630)
Auditor's remuneration:		
The audit of the consolidated accounts	**54**	47
The audit of the group's subsidiaries annual accounts	**155**	143
Non-audit services	**–**	3
	55,145	50,873
Representing functional costs of:		
Cost of sales	**29,001**	28,184
Distribution costs	**14,066**	12,136
Administrative expenses	**10,759**	11,693
Increase in credit loss provision	**1,470**	490
Other operating income	**(151)**	(1,630)
	55,145	50,873

No fees were payable to the Company's auditor in respect of non-audit services in the current year.

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9 Employee information

Staff costs charged in the income statement

The average number of employees employed during the period was:

	2021 £'000	2020 £'000
Sales and distribution	**165**	185
Engineers	**260**	263
Managers and administration	**140**	133
Total employees	**565**	581

The aggregate employment costs, including redundancy, of these employees were as follows:-

	2021 £'000	2020 £'000
Wages and salaries	**18,064**	17,848
Redundancy and termination payments	**59**	180
Social security costs	**2,163**	2,096
Other pension costs (note 17)	**692**	691
Gross employment costs	**20,978**	20,815
Government grants – furlough employment support	**(151)**	(1,630)
Employment costs net of government grants	**20,827**	19,185

The above furlough receipts relate to support received from governments, primarily in the UK, to support businesses and protect employment during the COVID-19 pandemic.

Remuneration of senior management and directors of the group (voluntary disclosure)

Amounts paid to Group individuals, including directors, having authority and responsibility for planning, directing and controlling the group's activities were as follows:

	2021 £'000	2020 £'000
Short-term employee benefits	**2,566**	2,483
Post employment benefits – pensions	**153**	124
Other long-term benefits	**384**	344
	3,103	2,951

Key management compensation

The only employees of the reporting entity are the directors who also constitute the reporting entity's key management personnel. The compensation given to the reporting entity's key management personnel is included below under "Directors' emoluments".

9 Employee information (continued)

Directors' emoluments

Directors' emoluments for the current and prior financial periods were as follows:

	12 months ended 31 December 2021			12 months ended 31 December 2020		
Director	**Emoluments £'000**	**Pension scheme contributions £'000**	**Total £'000**	Emoluments £'000	Pension scheme contributions £'000	Total £'000
AJ Kitchingman	**38**	**–**	**38**	38	–	38
MC Leon	**20**	**–**	**20**	20	–	20
JJ Murray	**33**	**–**	**33**	32	–	32
JP Murray	**20**	**–**	**20**	20	–	20
CD Webb	**407**	**24**	**431**	–	–	–
PT Wood (deceased 27 January 2021)	**28**	**1**	**29**	413	10	423
	546	**25**	**571**	523	10	533

For key management personnel purposes, £60,000 (*2020: £57,000*) of NI contributions should be included in the above totals.

No directors were granted or exercised share options during either the current or prior financial periods.

The number of directors in office at the year-end to whom retirement benefits are accruing are as follows:

	2021 Number	2020 Number
Defined contribution	**1**	1
Defined benefit	**–**	1

The total amount payable to the highest paid director in respect of remuneration was £407,000 *(2020: £413,000)*. Company pension contributions of £24,000 *(2020: £10,000)* were made to a money purchase pension scheme on his behalf. In the previous year, the highest paid director had an accrued annual pension under the defined benefit scheme of £22,545; the transfer value of the accumulated fund as at 31 December 2020 was £678,000. In the current year, no director had an accrued annual pension under the defined benefit scheme. No contributions were paid during the current or prior period into the defined benefit scheme.

10 Taxation

	2021 £'000	2020 £'000
Current tax:		
UK Corporation tax at 19% (2020: 19%)	**2,253**	2,068
Adjustments in respect of prior periods	**(657)**	(207)
	1,596	1,861
Overseas tax based on the taxable profit for the period	**1,251**	1,023
Adjustments to overseas tax in respect of prior periods	**–**	2
Total current tax charge	**2,847**	2,886
Deferred tax:		
Origination and reversal of temporary differences	**712**	(44)
Adjustments in respect of prior years	**497**	(29)
Change in tax rate	**(97)**	–
Total deferred tax charge/ (credit) (note 16)	**1,112**	(73)
Tax expense reported in the consolidated income statement	**3,959**	2,813

10 Taxation (continued)

In addition to the amount charged to the consolidated income statement, tax movements recognised through other comprehensive income were as follows:

	2021 £'000	2020 £'000
Deferred tax:		
Remeasurement of defined benefit liabilities and assets	**1,551**	(376)
Tax (credit)/ expense reported in the consolidated statement of comprehensive income	**1,551**	(376)

The tax charge for the financial period can be reconciled to the profit before tax per the income statement multiplied by the standard effective tax rate in the UK of 19% *(2020: 19%)* as follows:

Reconciliation of total tax charge

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	**19,499**	15,833
Corporation tax charge at standard rate of 19% *(2020: 19%)*	**3,705**	3,008
Adjusted by the effects of:		
Expenses not deductible for tax purposes	**536**	125
Effects of different tax rates of subsidiaries operating abroad	**(109)**	(119)
Utilisation of overseas tax losses	**(12)**	(4)
Overseas tax losses not recognised	**96**	37
Adjustments to tax charge in respect of prior periods	**(160)**	(234)
Movement in deferred tax on change in corporation tax rate	**(97)**	–
Total tax expense reported in the consolidated income statement	**3,959**	2,813

Matters affecting future tax charges

In the UK budget on 15 March 2021, the Chancellor announced that the rate of corporation tax would increase from its current level of 19% to 25% with effect from 1 April 2023. The rate will remain at 19% until that date. This amendment was enacted by Parliament on 24 May 2021 and received Royal Assent on 10 June 2021 and will increase the amount of corporation tax payable in the future.

There were no other factors that may affect future tax charges.

11 Earnings per share

Basic earnings per share

The basic figures have been calculated by reference to the weighted average number of ordinary shares in issue and the post-tax earnings as set out below. There were no discontinued operations in either period.

	2021 Total earnings £'000	Number of shares
Basic earnings/ weighted average number of shares	**15,540**	**42,174,359**
Basic earnings per ordinary share (pence)	**36.85p**	

	2020 Total earnings £'000	Number of shares
Basic earnings/ weighted average number of shares	13,020	42,174,359
Basic earnings per ordinary share (pence)	30.87p	

Diluted earnings per share

There were no dilutive instruments outstanding during either the current or preceding financial period. Consequently, the diluted earnings per share is the same as the basic earnings per share for both periods.

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12 Property, plant and equipment

	Property £'000	Equipment for hire £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
Cost					
At 31 December 2019	5,255	65,127	1,827	5,754	77,963
Exchange differences	18	744	18	35	815
Additions	6	4,911	137	193	5,247
Disposals	(1)	(3,066)	(69)	(110)	(3,246)
At 31 December 2020	5,278	67,716	1,913	5,872	80,779
Exchange differences	**(22)**	**(1,120)**	**(37)**	**(52)**	**(1,231)**
Additions	**23**	**5,037**	**222**	**92**	**5,374**
Disposals	**(19)**	**(2,938)**	**(257)**	**(140)**	**(3,354)**
At 31 December 2021	**5,260**	**68,695**	**1,841**	**5,772**	**81,568**
Depreciation					
At 31 December 2019	1,291	46,696	1,213	4,202	53,402
Exchange differences	7	454	14	22	497
Charge for year	126	6,352	264	441	7,183
Disposals	(1)	(2,897)	(69)	(110)	(3,077)
At 31 December 2020	1,423	50,605	1,422	4,555	58,005
Exchange differences	**(12)**	**(835)**	**(33)**	**(41)**	**(921)**
Charge for year	**124**	**5,903**	**209**	**392**	**6,628**
Disposals	**(19)**	**(2,684)**	**(205)**	**(113)**	**(3,021)**
At 31 December 2021	**1,516**	**52,989**	**1,393**	**4,793**	**60,691**
Net book value					
At 31 December 2021	**3,744**	**15,706**	**448**	**979**	**20,877**
At 31 December 2020	3,855	17,111	491	1,317	22,774
At 31 December 2019	3,964	18,431	614	1,552	24,561

The group did not have any non-cancellable contractual commitments for the acquisition of property, plant and equipment at either 31 December 2021 or 31 December 2020.

Net book value of land and buildings comprises:

	2021 £'000	2020 £'000
Freehold	**3,659**	3,603
Long leasehold	**43**	44
Short leasehold	**42**	208
	3,744	3,855

The group's bank loans are secured by fixed and floating charges over the group's assets including property, plant and equipment.

13 Right-of-use assets

	Property £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
Cost				
At 31 December 2019	9,551	3,773	708	14,032
Exchange differences	197	65	6	268
Additions	1,677	2,076	190	3,943
Disposals	(160)	(519)	(48)	(727)
At 31 December 2020	11,265	5,395	856	17,516
Exchange differences	**(262)**	**(88)**	**(13)**	**(363)**
Additions	**1,857**	**1,431**	**37**	**3,325**
Disposals	**(74)**	**(496)**	**(37)**	**(607)**
At 31 December 2021	**12,786**	**6,242**	**843**	**19,871**
Depreciation				
At 31 December 2019	1,143	1,185	189	2,517
Exchange differences	27	17	1	45
Charge for year	1,315	1,484	215	3,014
Disposals	(33)	(442)	(48)	(523)
At 31 December 2020	2,452	2,244	357	5,053
Exchange differences	**(75)**	**(42)**	**(4)**	**(121)**
Charge for year	**1,350**	**1,567**	**194**	**3,111**
Disposals	**(59)**	**(499)**	**(37)**	**(595)**
At 31 December 2021	**3,668**	**3,270**	**510**	**7,448**
Net book value				
At 31 December 2021	**9,118**	**2,972**	**333**	**12,423**
At 31 December 2020	8,813	3,151	499	12,463
At 31 December 2019	8,408	2,588	519	11,515

IFRS 16 introduced a single, on-balance-sheet leasing model for lessees. A lessee now recognises a right-of-use asset representing its right to use the underlying asset and a lease liability to make lease payments (see note 24). The group adopted IFRS 16 on 1 January 2019 using the standard's modified retrospective approach. Under this approach, the net present value of the future expected minimum capital repayments under the group's operating lease obligations were recognised on the balance sheet as a right-of-use asset and an obligation under right-of-use leases (see note 24). The assets are then depreciated over the length of the lease term. The group took advantage of the exemption available not to capitalise short-term leases with a duration of 12 months or less and therefore these leases continue to be treated as off-balance-sheet operating leases; see notes 8 and 29.

As disclosed in note 24, the right-to-use lease obligations are secured on the above assets.

The nature of the Group's leasing activities are primarily around leasing property from which the entity can trade from and leasing vehicles both for hire equipment transportation, servicing and general sales and administration staff.

The expense relating to short-term leases for which the group has made the use of the short-term exemption is disclosed in note 8. The lease commitments for short-term leases is disclosed in note 29 and the maturity analysis of lease liabilities is in note 24.

The interest expenses on lease liabilities is disclosed in note 7.

The capital repayment cash outflow for leases is disclosed in the consolidated cashflow statement.

The Group has contractual asset hire revenue receivable of £1,503,000 due within less than one year after the year end date (*2020: £1,344,000*). No amounts are contractually receivable after more than one year (2020: £Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14 Prepayments

	2021 **£'000**	2020 £'000
Prepayments	**-**	42

The above prepayments are not recoverable within 12 months.

15 Subsidiaries

A complete list of the investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in note 3 to the company's separate financial statements.

With the exception of Khansaheb Sykes LLC, the group holds 100% of the issued share capital of its subsidiaries. Whilst the group only holds 49% of the issued share capital of Khansaheb Sykes LLC, this shareholding entitles the group to 90% of the profits for the period and control of the company by virtue of the right to appoint the majority of the company's directors.

The 51% shareholder has waived his right to receive the 10% profit share and therefore the group has consolidated 100% of the company's result for the period.

16 Deferred tax asset

The deferred tax assets and liabilities recognised by the group and the movements thereon during the current and prior periods are as follows:

	Temporary differences on lease assets and liabilities £'000	**Temporary differences on property, plant and equipment £'000**	**Temporary differences on pension scheme surplus £'000**	**Provisions and other short-term timing differences £'000**	**Total £'000**
Asset/(liability) at 31 December 2019	47	155	(373)	425	254
Credited/(charged) to income statement (note 10)	26	(51)	–	98	73
Credited/(charged) to comprehensive income (note 10)	1	–	376	–	377
Effect of interest and administrative expenses in excess of pension payments	–	–	(98)	98	–
Asset/(liability) at 31 December 2020	74	104	(95)	621	704
Credited/(charged) to income statement (note 10)	**53**	**(64)**	**(502)**	**(599)**	**(1,112)**
Credited/(charged) to comprehensive income (note 10)	**–**	**–**	**(1,551)**	**–**	**(1,551)**
Asset/(liability) at 31 December 2021	**127**	**40**	**(2,148)**	**22**	**(1,959)**

The deferred tax asset and liabilities in respect of lease assets and liabilities have been shown on a net basis in the above table.

The deferred tax balances at both 31 December 2021 and 31 December 2020 have been calculated based on the rates that have been substantially enacted at the balance sheet date and which the directors anticipate will apply when the temporary differences are expected to reverse. Accordingly, a rate of 25% *(2020: 19%)* has been used where temporary differences are expected to reverse after 1 April 2023. A withholding tax rate of 35% has been used on the pension scheme surplus.

The group does not have any unused capital losses or any unrecognised UK deferred tax assets or liabilities at either the current or preceding period end.

Deferred tax assets have not been recognised in respect of overseas tax losses because it is uncertain that future tax profits will be available, against which the group can utilise them. A deferred tax asset relating to overseas tax losses has not been recognised totaling £623,000 (*2020: £499,000*).

The deferred tax asset as at 31 December 2021, excluding the liability on the pension surplus, is £189,000 *(2020: £799,000)*. Of this amount, approximately £150,000 *(2020: £370,000)* is expected to be recovered after more than 12 months.

17 Retirement benefit pension schemes

Defined benefit pension scheme

The group operates two pension arrangements in the UK: the Andrews Sykes Group Pension Scheme ("the DB scheme") and the Andrews Sykes Stakeholder Pension Plan ("the DC Plan").

The DB scheme is established under trust law and complies with the Pension Scheme Act 1993, Pensions Act 1995, Pensions Act 2004, Pensions Act 2014 and all other relevant UK legislation. Pension assets are held in separate trustee administered funds, which have equal pension rights with respect to members of either gender in so far as this is required by current legislation.

The DB scheme was closed to new members on 29 December 2002 and, over recent years, the group has taken steps to manage the ongoing risks associated with its defined benefit liabilities.

As at 31 December 2021, the group had a net defined benefit pension scheme surplus, calculated in accordance with IAS 19 using the assumptions as set out below, of £6,137,000 *(2020: £498,000)*. This asset has been recognised in these financial statements as the directors are satisfied that it is recoverable in accordance with IFRIC 14.

The last formal triennial funding valuation was as at 31 December 2019. A draft funding valuation was presented to the board of directors in early summer 2020, and the group made a one-off contribution of £600,000 in late May 2020 to largely eliminate the funding deficit as at 31 December 2019 as indicated by that draft valuation. In addition, in accordance with the previous schedule of contributions, the group has continued to make regular contributions of £10,000 per month during 2020 and therefore total contributions to the pension scheme during 2020 were £720,000.

The formal 2019 funding valuation, including a revised schedule of contributions and recovery plan, was agreed between the pension scheme trustees and the board of directors in March 2021 and was effective from 1 January 2021. In accordance with this schedule of contributions and recovery plan, the group will be making regular contributions of £110,000 per month for the period 1 January 2021 to 31 December 2022, and £10,000 per month for the period 1 January 2023 to 31 December 2025 or until a revised schedule of contributions is agreed, if earlier. Consequently, the group has made total contributions to the pension scheme of £1,320,000 during 2021 and expects to make contributions of £1,320,000 during 2022.

Principal risks

The following table summarises the principal risks associated with the group's DB scheme:

Investment risk	The present value of defined benefit liabilities is calculated using a discount rate set by reference to high-quality corporate bond yields. If scheme assets underperform corporate bonds, this will create a deficit.
Interest rate risk	A fall in bond yields would increase the value of the liabilities. This would only be partially offset by an increase in the value of the bond investments held.
Inflation risk	An increase in inflation would increase the value of pension liabilities. The assets would be expected to also increase, to the extent they are linked to inflation, but this would not be expected to fully match the increase in liabilities.
Longevity risk	The present value of the defined benefit liabilities is calculated having regards to a best estimate of the mortality of scheme members. If members live longer than this mortality assumption, this will increase the liabilities.

17 Retirement benefit pension schemes (continued)

The last full actuarial valuation was carried out as at 31 December 2019. A qualified independent actuary has updated the results of this valuation to calculate the surplus as disclosed below:

The major assumptions used in this valuation to determine the present value of the scheme's defined benefit obligation were as follows:

	31 December 2021	31 December 2020
Rate of increase in salaries	**N/A**	N/A
Rate of increase of pensions in payment	**3.5%**	2.9%
Rate of increase of pensions in deferment	**2.9%**	2.3%
Discount rate	**1.8%**	1.3%
Inflation assumption – RPI	**3.5%**	2.9%
Inflation assumption – CPI	**2.9%**	2.3%
Percentage of deferred members taking maximum tax-free lump sum on retirement	**75.0%**	75.0%

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics. The current mortality table used is 100% S3PA CMI_20208 *(2020: 110% S3PA CMI_2018*), heavy tables for males and middle for females, with a 1.25% per annum long-term improvement rate for both males and females *(2020: 1.25% for both males and females)*.

The assumed average life expectancy in years of a pensioner retiring at the age of 65 given by the above tables is as follows:

		2021 Years	2020 Years
Current pensioners at 65:	Male	**19.7**	19.6
	Female	**23.7**	23.5
Future pensioners currently 45:	Male	**21.1**	21.0
	Female	**25.2**	25.0

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice. The expected return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation.

17 Retirement benefit pension schemes (continued)

Valuations

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are inherently uncertain, were as follows:

	2021 £'000	2020 £'000
Listed investments:		
UK equities	**18,447**	15,673
Corporate bonds	**17,584**	17,959
Gilts	**11,193**	10,755
	47,224	44,387
Cash	**1,251**	631
Fair value of plan assets	**48,475**	45,018
Present value of liability	**(42,338)**	(44,520)
Scheme surplus recognised on the balance sheet	**6,137**	498
Related deferred tax liability	**(2,148)**	(95)
Net pension asset	**3,989**	403

Movement in scheme assets

	2021 £'000	2020 £'000
Fair value at beginning of year	**45,018**	43,995
Interest income on scheme assets	**582**	865
Return on assets (excluding interest income)	**3,442**	1,626
Administrative expenses charged to the income statement	**(126)**	(150)
Employer contributions	**1,320**	720
Benefits paid	**(1,761)**	(2,038)
Fair value at end of year	**48,475**	45,018

The above pension scheme assets do not include any investments in the parent company's own shares or property occupied by the company or its subsidiaries at either period end. The group did not hold any unlisted investments at either period end.

Movement in scheme liabilities

	2021 £'000	2020 £'000
Benefit obligation at start of year	**(44,520)**	(42,032)
Interest cost	**(567)**	(820)
Past service cost – GMP equalisation	**–**	(100)
Actuarial gain/ (loss) arising from:		
Demographic assumptions	**(18)**	1,792
Financial assumptions	**494**	(5,812)
Experience adjustments	**512**	414
Benefits paid	**1,761**	2,038
Benefit obligation at end of year	**(42,338)**	(44,520)

The present value of the defined benefit obligation of £42,338,000 *(2020: £44,520,000)* comprised approximately 45% relating to deferred participants and 55% relating to pensioners *(2020: 45% deferred participants and 55% pensioners).*

The weighted average duration of the pension scheme liabilities is 16 years *(2020: 16 years).*

17 Retirement benefit pension schemes (continued)

Key assumptions – sensitivity analysis

The key assumptions used to calculate the scheme's liabilities are longevity, discount rate and the inflation assumptions (RPI and CPI).

If the average actual longevity from the age of 65 years is one year greater than that assumed, the pension scheme liabilities would increase by approximately £1.9 million *(2020: £2.3 million)*. If the actual longevity is one year less than that assumed, the pension scheme liabilities would reduce by a similar amount.

A 0.1% increase in the discount rate applied to the scheme liabilities and a 0.1% increase in the inflation assumptions would reduce/increase the present value of the defined benefit obligation by approximately £0.7 million *(2020: £0.7 million)* and £0.5 million *(2020: £0.6 million)* respectively. A 0.1% decrease in these assumptions would increase/reduce the present value of the defined benefit obligation by a similar amount.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. No allowance has been made for any change in assets that might arise under any of the scenarios set out above. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised within the consolidated balance sheet.

The sensitivities shown are just one possible outcome and should not be taken as an indication of the likelihood of a change occurring in the future. Economic markets are volatile and market metrics used to derive the discount rate and price inflation assumptions could increase or decrease in the future, by more or less than the change set out.

This methodology is unchanged from last year's disclosures.

Amounts recognised in the income statement

	2021 £'000	2020 £'000
Administrative expenses:		
Past service cost – GMP equalisation	**–**	100
Pension 2scheme administrative expenses	**126**	150
	126	250
Interest income on pension scheme assets	**(582)**	(865)
Interest expense on pension scheme liabilities	**567**	820
Net interest income on pension surplus (note 6)	**(15)**	(45)
Net pension charge	**111**	205

Although the DB scheme was closed to new members on 29 December 2002, and future benefits ceased to accrue to existing members on that date, a Guaranteed Minimum Pensions (GMP) equalisation charge of £100,000 has been recognised in the prior year within past service costs. This follows a second High Court judgement in the case of Lloyds Banking Group in November 2020 when it was further clarified that, in addition to pension payments, pension transfer out values paid by UK defined benefit pension schemes also need to be equalised for previously unequal GMP. This charge has been recognised in the income statement as the ruling is considered to have created a new obligation, which was not previously incorporated into the calculation of the liabilities. Any changes in the assumptions adopted will be recognised in the consolidated statement of comprehensive total income as a remeasurement item.

17 Retirement benefit pension schemes (continued)

Re-measurement (gains)/losses recognised in other comprehensive income

	2021 £'000	2020 £'000
Return on assets (excluding interest income)	**(3,442)**	(1,626)
Experience adjustments	**(512)**	(414)
Actuarial (gains)/losses arising from changes in financial assumptions	**(494)**	5,812
Actuarial losses/(gains) arising from changes in demographic assumptions	**18**	(1,792)
Total re-measurement of the net defined asset shown in other comprehensive Income	**(4,430)**	1,980
Cumulative actuarial loss recognised in other comprehensive income	**4,331**	8,761

	2021 £'000	2020 £'000
Interest income on pension scheme assets	**582**	865
Return on assets (excluding interest income)	**3,442**	1,626
Actual return on plan assets	**4,024**	2,491

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy as restricted to a rate equal to the assumed discount rate applied to the scheme's liabilities. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Movement in surplus during the year

	2021 £'000	2020 £'000
Surplus in scheme at beginning of year	**498**	1,963
Movement in year:		
Employer contributions	**1,320**	720
Net pension charge	**(111)**	(205)
Actuarial gain/(loss)	**4,430**	(1,980)
Surplus in scheme at end of year	**6,137**	498

Defined contribution pension scheme and auto enrolment

The group operates the Andrews Sykes Stakeholder Pension Plan, to which the majority of UK employees are eligible. Both the employer and employee contributions vary, generally based upon the individual's length of service with the company.

Contributions for both existing members and members that have been auto enrolled are made to the same scheme. The employer's contribution rates vary from 3% to 10%, the current average being 3.5% *(2020: 3.7%)*. The current period charge in the income statement amounted to £446,000 *(2020: £457,000)*.

Overseas defined contribution pension scheme arrangements

Overseas companies make their own pension arrangements, the charge for the period being £246,000 *(2020: £234,000)*. No additional disclosure is given on the basis of materiality.

18 Stock

	2021 £'000	2020 £'000
Raw material and consumables	**405**	371
Work in progress	**4**	2
Finished goods	**5,251**	7,675
	5,660	8,048

The group's bank loans are secured by fixed and floating charges over the group's assets including stocks.

The cost of stock recognised as an expense in the period was £10,186,000 *(2020: £7,609,000)*. In addition, a further £2,844,000 of items held in stock at 31 December 2020 *(2020: £1,090,000 items held in stock at 31 December 2019)* have been capitalised in the hire fleet this year. The net charge in the income statement for net realisable value provisions was £624,000 *(2020: charge of £118,000)*.

19 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	**18,022**	14,861
Amounts due from related parties	**3**	30
Prepayments	**1,521**	1,862
Other receivables	**250**	521
	19,796	17,274

No collateral is held in respect of overdue trade debtors.

The analysis of trade receivables that were past due is as follows:

	Total	**Not past due**	**Past due**			
			<3 months	**3-6 months**	**6-12 months**	**>12 months**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
2021 Gross debtor	**21,584**	**12,785**	**2,850**	**1,485**	**1,454**	**3,010**
Lifetime expected credit loss	**(3,562)**	**(42)**	**(316)**	**(400)**	**(360)**	**(2,444)**
Net carrying amount	**18,022**	**12,743**	**2,534**	**1,085**	**1,094**	**566**
Expected credit loss percentage	**16.5%**	**0.3%**	**11.1%**	**26.9%**	**24.8%**	**81.2%**

	Total	Not past due	Past due			
			<3 months	3-6 months	6-12 months	> 12 months
	£000	£000	£000	£000	£000	£000
2020 Gross debtor	17,390	7,285	4,631	1,216	1,183	3,075
Lifetime expected credit loss	(2,529)	–	(326)	(177)	(342)	(1,684)
Net carrying amount	14,861	7,285	4,305	1,039	841	1,391
Expected credit loss percentage	14.5%	–	7.0%	14.6%	28.9%	54.8%

19 Trade and other receivables (continued)

Current trade debtors not considered to be overdue represents amounts due from customers that are not overdue in accordance with the specific credit terms agreed with those customers. The average outstanding debtor days for current trade debtors not considered to be overdue as at 31 December 2021 was 42 days *(2020: 35 days).*

The allowance for doubtful debts and credit losses is based on past default experience, external indicators and forward-looking information performed on an entity-by-entity basis and not a collective basis. Debts with customers in liquidation or receivership are fully provided against until they have been written off. The movement in the provision during the period is as follows:

	2021 £'000	2020 £'000
Balance at the beginning of the year	**2,529**	2,549
Foreign exchange difference	**12**	(33)
Charge for year	**1,470**	490
Amounts written off	**(449)**	(477)
Provision release	**–**	–
Balance at the end of the year	**3,562**	2,529

The directors consider that the carrying value of trade debtors approximates to fair value and that no impairment provisions are required against other receivables.

20 Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank	**16,222**	9,429
Deposit accounts	**16,221**	14,583
	32,443	24,012

Cash at bank comprises cash held by the group in interest-free bank current accounts.

Deposit accounts comprise instant access interest-bearing accounts and other short-term bank deposits with an original maturity of three months or less. Interest was received at an average floating rate of approximately 0.1% *(2020: 0.4%).*

The carrying value of cash and cash equivalents approximates to their fair value.

Total cash balances and other monetary assets and liabilities denominated in foreign currencies are disclosed in note 28.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

21 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	**3,278**	2,917
Amounts due to related party	**236**	197
Other taxation and social security	**2,554**	2,495
Accruals	**6,888**	5,811
Other payables	**631**	870
	13,587	12,290

Trade payables, accruals and other payables mainly comprise amounts outstanding from trade purchases and other normal business-related costs. The average credit period taken for trade purchases is 41 days *(2020: 25 days)*.

Information concerning credit, liquidity and market risks together with an analysis of monetary liabilities held in currencies other than pounds Sterling is given in note 28.

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

22 Current tax liabilities

	2021 £'000	2020 £'000
UK corporation tax	**(58)**	1,013
Overseas tax (denominated in Euros)	**323**	148
	265	1,161

23 Bank loans

The borrowings are repayable as follows:

	2021 £'000	2020 £'000
On demand or within one year	**3,000**	493
In the second year	**–**	2,998
	3,000	3,491
Disclosed:		
Within current liabilities	**3,000**	493
Within non-current liabilities	**–**	2,998
	3,000	3,491
The total bank loans may be further analysed as follows:		
Gross bank loans	**3,000**	3,500
Unamortised cost of raising loan finance	**–**	(9)
	3,000	3,491

The group's Sterling denominated bank loans are secured by fixed and floating charges over the assets of the group and by cross guarantees between group undertakings.

On 30 April 2017, the group took out a new five-year bank loan of £5 million. This loan was repayable in four annual instalments of £0.5 million commencing 30 April 2018, followed by a balloon payment of £3 million on 30 April 2022. The four annual instalments have all been made in accordance with the agreement and the group is operating within the agreed bank covenants.

Interest is charged on the group's borrowings based on the three-month LIBOR rate plus a margin of 1.1%. The weighted average interest rate charged during the year was 1.20% *(2020: 1.38%)*. Costs incurred raising the loan are being amortised over the loan period.

24 Right-of-use lease obligations

Financial liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Amounts payable under right-of-use lease obligations:				
Within one year	**3,064**	3,135	**2,602**	2,656
In the second to fifth years	**7,240**	7,435	**6,150**	6,329
After five years	**4,915**	4,474	**4,182**	3,864
	15,219	15,044	**12,934**	12,849
Less future finance charges	**(2,285)**	(2,195)	**–**	–
Present value of lease obligations	**12,934**	12,849	**12,934**	12,849

The group's obligations under these leases are secured over the right-to-use assets to which they relate. Where extension options are included, an assessment of how likely it is for the option to extend the lease to be exercised is performed and if it is determined that the lessee is reasonably certain to exercise the option then the term covered by the option is included in the lease term.

25 Provisions

	2021	2020
	£'000	£'000
Balance at 1 January	**–**	–
Amount transferred from accruals	**859**	–
Provision created in the year	**1,182**	–
Utilised during the year	**(70)**	–
Unused amounts reversed	**–**	–
	1,971	–

Dilapidation costs expected to be settled at the end of the lease term for rectification of wear and tear damage of the Group's leasehold premises are provided for as an expense over the tenancy period as the wear and tear occurs. The cost of the remedial work required on the group's properties is spread over a number of years and the provision is based upon the group's previous dilapidation experience and quotes received from professional surveyors. The impact of discounting is considered immaterial to the amounts provided.

26 Called-up share capital

	31 December 2021	31 December 2020
	£'000	£'000
Allotted, called-up and fully paid		
42,174,359 *(2020: 42,174,359)* Ordinary shares of one pence each	**422**	422

During the year and the previous year, the company did not purchase any ordinary shares of 1p each for cancellation.

No share options were exercised, granted, forfeited or expired during either the current or preceding financial period. There were no outstanding share options at the end of either the current or preceding financial period.

27 Analysis of net funds and movement in financing liabilities

	2021 £'000	2020 £'000
Cash and cash equivalents per consolidated cash flow statement	**32,443**	24,012
Gross funds	**32,443**	24,012
Bank Loans:		
At the beginning of the year	**(3,491)**	(3,983)
Loans repaid	**500**	500
Other non-cash changes	**(9)**	(8)
At the end of the year	**(3,000)**	(3,491)
Right-of-use lease obligations:		
At the beginning of the year	**(12,849)**	(11,761)
Capital repayments for right-of-use lease obligations	**2,951**	2,832
Interest charged	**(530)**	(530)
Interest paid	**530**	530
New right-of-use assets entered into during the year	**(3,325)**	(3,943)
Termination of right-of-use obligations	**40**	249
Effect of foreign exchange rate changes on right-of-use leases	**249**	(226)
At the end of the year	**(12,934)**	(12,849)
Gross debt	**(15,934)**	(16,340)
Net funds	**16,509**	7,672

28 Financial instruments

Capital risk management

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the group consists of net funds, which are analysed in note 26, and equity comprising issued share capital, reserves and retained earnings as disclosed on the balance sheet. The net funds to equity percentage is:

	2021 £'000	2020 £'000
Net funds per note 27	**16,509**	7,672
Equity attributable to equity holders of the parent company	**63,620**	56,024
Net funds to equity percentage	**25.9%**	13.7%

28 Financial instruments (continued)

Categories of financial instruments

The carrying values of each category of financial instrument, shown at amortised cost, are as follows:

	2021 £'000	2020 £'000
Financial assets		
Trade receivables and amounts due from related parties	**18,025**	14,891
Other debtors	**250**	521
Cash and cash equivalents	**32,443**	24,012
	50,718	39,424
Financial liabilities		
Trade payables and amounts due to related parties	**3,514**	3,113
Accruals and other creditors	**7,519**	6,634
Loans	**3,000**	3,491
Right-of-use lease obligations	**12,934**	12,849
	26,967	26,087
Surplus of financial assets over financial liabilities	**23,751**	13,337

Financial risk management

The key risks that potentially impact on the group's results are market risk, credit risk and liquidity and interest rate risks. The group's exposure to each of these risks and the management of that exposure is discussed below. There has been no change in the period, or since the period end, to the type of financial risks faced by the group or to the management of those risks.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. When appropriate, the group enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate caps that limit the group's exposure to fluctuations in LIBOR on its bank loans. However, due to the current low interest rates and the indications that these will not increase substantially in the immediate future, the directors do not consider that interest rate caps are currently cost-effective. Accordingly, the group does not hold any interest rate caps or any other derivative financial instrument as at 31 December 2021 *(2020: £Nil)*, although this position is constantly under review.

A 1% increase in the average bank loan agreement rate for the period would have increased the net bank loan interest charge by £30,000 *(2020: £31,000)*; a 1% decrease would have decreased it by a similar amount.

The group's policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure, nor against foreign currency transactions. The group generally does not enter into forward exchange contracts and it does not use financial instruments for speculative purposes.

Currency risk

No entities within the group hold significant financial assets or financial liabilities in a currency that is different to their functional currency and therefore there is no material exposure to currency risk.

28 Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Creditworthiness is verified by independent rating agencies when available. The group's exposure to and credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by senior management on a regular basis.

Trade receivables consist of a large number of customers spread across diverse industries and geographical locations. A review of all bad debt history was carried out to evaluate whether this was indicative of any expected future credit exposures. These historical rates of credit loss were then looked at in the context of current and future factors affecting customer creditworthiness. Trade receivables are written off when there is considered to be little likelihood of recovery of the debt.

The group's lifetime expected credit loss percentage analysed by age category of debt is disclosed in note 19.

The group does not have any significant credit risk exposure to any single counterparty or connected counterparties at the reporting date where "significant" is defined as 5% of gross financial assets. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk.

Liquidity risk management

The group manages liquidity risk by maintaining adequate gross funds, which at 31 December 2021 amounted to £32,443,000 *(2020: £24,012,000)*, by operating within its agreed banking facilities, by continuously monitoring forecast and actual cash flows, by matching the maturity profiles of monetary assets and liabilities and by monitoring and discussing its covenants with the bank.

In view of the significant levels of net funds available to the group of £16,509,000 *(2020: £7,672,000)*, the directors believe that additional unutilised borrowing facilities are not required.

Liquidity and interest risk tables

The following table details the group's remaining contractual maturity for its non-derivative financial liabilities. The table has been prepared based on the undiscounted contractual maturities of the financial instruments. The future finance charges represent the charges that will be charged to the income statement in future periods based on the current weighted average interest rates and have not been included within the carrying amount of the financial liability.

The following liquidity and interest risk tables include non-financial liabilities relating to current tax of £265,000 *(2020: £1,161,00)* and other tax and social security of £2,554,000 *(2020: £2,495,000)*. These have been included in the maturity analysis provided as this is considered to be useful information for account users in regards to the timing of likely cash outflows.

	Weighted average interest rate	Due within 3 months £'000	Due 3 months to 1 year £'000	Due 2 to 5 years £'000	Due after 5 years £'000	Future finance charges £'000	Total £'000
At 31 December 2021							
Non-interest bearing	N/A	10,093	3,760	–	–	–	13,852
Gross variable interest bank loan	1.2%	–	3,000	–	–	–	3,000
Right-of-use lease obligation		766	2,298	7,240	4,915	(2,285)	12,934
Total		10,859	9,058	7,240	4,915	(2,285)	29,786

28 Financial instruments (continued)

	Weighted average interest rate	Due within 3 months £'000	Due 3 months to 1 year £'000	Due 2 to 5 years £'000	Due after 5 years £'000	Future finance charges £'000	Total £'000
At 31 December 2020							
Non-interest bearing	N/A	9,563	3,888	–	–	–	13,451
Gross variable interest bank loan	1.4%	–	502	3,055	–	(57)	3,500
Right-of-use lease obligation		858	2,277	7,435	4,474	(2,195)	12,849
Total		10,421	6,667	10,490	4,474	(2,252)	29,800

29 Operating lease arrangements

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Property		Plant, machinery and equipment	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Future minimum payments due:				
Not later than one year	**–**	187	**195**	230
After one year but not more than five years	**–**	–	**388**	429
	–	187	**583**	659

Property lease payments represent rentals payable by the group for certain of its operating locations and offices the duration of which are for 12 months or less.

Plant, machinery and equipment leases represent short-term leases for motor vehicles, office and general equipment also with a duration of 12 months or less. In addition, any non-capital payments under operating leases, for example, maintenance costs on vehicles, have not been capitalised and continue to be treated as off-balance-sheet operating leases and the commitments included within the table above.

Leases with a duration of over 12 months have been included within right-to-use assets in accordance with IFRS 16; see note 13.

30 Related party transactions

Group

All transactions between the parent company and subsidiary companies and between subsidiary companies have been eliminated on preparation of the consolidated accounts. The group has not entered into any other related party transactions.

Trading transactions

During the period, the group entered into the following transactions in the normal course of business with associated companies on an arm's length basis:

	2021 **£'000**	2020 £'000
Sale of goods and services to associates within the London Security plc group	**–**	–
Purchase of goods and services from associates within the London Security plc group	**116**	115
Amount owed by the group to associates within the London Security plc group	**–**	2
Sales of goods and services to companies connected with Khansaheb Sykes LLC	**38**	224
Amounts owed to the group by companies connected with Khansaheb Sykes LLC	**3**	30
Purchase of goods and services from associates connected with Khansaheb Sykes LLC	**402**	559
Amounts owed by the group to companies connected with Khansaheb Sykes LLC	**236**	195

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

London Security plc is associated through common control.

Khansaheb Sykes LLC, a company that is 49% owned by the group and 100% of the profits accrue to the group, trades in the normal course of business with its other shareholder and companies connected with that shareholder.

Transactions with key management personnel

Details of remuneration paid to directors and key management personnel are disclosed in note 9 above.

31 Dividend payments

The directors declared and paid the following dividends during the 12 month periods ended 31 December 2021 and 31 December 2020:

	2021		2020	
	Pence per share	**Total dividend paid £'000**	Pence per share	Total dividend paid £'000
Final dividend for the 12 months ended 31 December 2020 paid to members on the register at 28 May 2021 on 18 June 2021	**11.50**	**4,850**	–	–
Interim dividend declared on 27 September 2021 and paid to shareholders on the register at 8 October 2021 on 5 November 2021	**11.90**	**5,019**	–	–
Final dividend for the 12 months ended 31 December 2019 paid to members on the register at 29 May 2020 on 19 June 2020	**–**	**–**	10.50	4,428
First interim dividend declared on 23 July 2020 and paid to shareholders on the register at 7 August 2020 on 28 August 2020	**–**	**–**	23.70	9,995
Second interim dividend declared on 29 September 2020 and paid to shareholders on the register at 9 October 2020 on 6 November 2020	**–**	**–**	11.90	5,019
	23.40	**9,869**	46.10	19,442

The above dividends were charged against reserves as shown in the consolidated statement of changes in equity of these financial statements.

The directors recommend the payment of a final dividend of 12.5 pence *(2020: 11.5 pence)* per ordinary share. If approved at the forthcoming Annual General Meeting, this dividend, which in total amounts to £5,272,000 *(2020: £4,850,000)*, will be paid on 17 June 2022 to shareholders on the register at 27 May 2022.

32 Ultimate parent company

As at 3 May 2022, EOI Sykes Sarl, which is incorporated in Luxembourg, held 86.25% of the share capital of Andrews Sykes Group plc and is therefore the immediate parent company. The intermediate holding company is SK Participation Sarl, a company incorporated in Luxembourg, and the ultimate holding company is the Tristar Corporation, a company incorporated in the Republic of Panama. The Tristar Corporation is held jointly, in equal proportions, by the Ariane Trust and the Eden Trust and controlled by the trustees of these trusts through a Trustees' Committee. The directors therefore consider that the trustees of the Ariane and Eden Trusts are the ultimate controlling parties of Andrews Sykes Group plc.

The lowest level at which consolidated accounts are prepared is EOI Sykes Sarl and the highest level is the SK Participation Sarl.

Parent Company Balance Sheet
At 31 December 2021

	Note	31 December 2021 £'000	31 December 2021 £'000	31 December 2020 £'000	31 December 2020 £'000
Fixed assets					
Investments	3		**30,159**		32,144
Current assets					
Debtors	4	**14,381**		26,246	
Cash at bank and in hand		**302**		13	
		14,683		26,259	
Creditors: Amounts falling due within one year	5	**(8,412)**		(8,277)	
Net current assets			**6,271**		17,982
Total assets less current liabilities			**36,430**		50,126
Creditors: Amounts falling due after more than one year	5		**–**		(2,998)
Net Assets			**36,430**		47,128
Capital and reserves					
Share capital	7		**422**		422
Share premium			**13**		13
Profit and loss account			**33,626**		44,324
Capital redemption reserve			**158**		158
Other reserve			**2,211**		2,211
Shareholders' funds			**36,430**		47,128

The loss for the year dealt with in the accounts of the parent company was £829,000 *(2020: profit of £11,093,000).*

These consolidated financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the Board of directors on 3 May 2022 and were signed on its behalf by:

JJ Murray
Vice-Chairman

Parent Company Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Capital redemption reserve £000	Other reserves £'000	Attributable to equity holders of the Company £000
Balance at 31 December 2019	422	13	52,673	158	2,211	55,477
Profit for the year	–	–	11,093	–	–	11,093
Dividends paid	–	–	(19,442)	–	–	(19,442)
Total of transactions with shareholders	–	–	(19,442)	–	–	(19,442)
Balance at 31 December 2020	422	13	44,324	158	2,211	47,128
Loss for the year	**–**	**–**	**(829)**	**–**	**–**	**(829)**
Dividends paid	**–**	**–**	**(9,869)**	**–**	**–**	**(9,869)**
Total of transactions with shareholders	**–**	**–**	**(9,869)**	**–**	**–**	**(9,869)**
Balance at 31 December 2021	**422**	**13**	**33,626**	**158**	**2,211**	**36,430**

Share premium account

The share premium account balance includes the proceeds that were above the nominal value from issuance of the Company's equity share capital comprising 1p shares.

Profit and loss account

Profit and loss include the accumulated profits and losses arising from the profit and loss attributable to equity shareholders, less distributions to shareholders.

Capital redemption reserve

The capital redemption reserve has arisen on the cancellation of previously issued shares and represents the nominal value of those shares cancelled.

Other reserve

The other reserve represents a non-distributable reserve, which arose following the historic receipt of dividends paid out of internally generated profits within the group and are therefore not considered payable outside the group to its shareholders.

Notes to the Company Financial Statements
For the year ended 31 December 2021

1 Significant accounting policies

Basis of preparation

These separate financial statements of Andrews Sykes Group plc (the "company") have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) and the Companies Act 2006.

Reduced disclosure framework

Advantage has been taken of paragraph 1.12 of FRS 102 and the company has applied the reduced disclosure framework as permitted by that paragraph. In accordance with paragraph 1.11, shareholders have been notified and did not object to the adoption of the reduced disclosure framework. Accordingly, these individual company financial statements:

- do not contain a cash flow statement as otherwise required by section 7 of FRS 102;
- do not contain accounting policies for financial instruments, as otherwise required by sections 11 and 12 of FRS 102, as these have been disclosed in the consolidated accounts;
- do not disclose key management remuneration as otherwise required by section 33 of FRS 102; and
- do not include the disclosures otherwise required by FRS 102.11 for basic and FRS 102.12 for other financial instruments.

The company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

Exemptions taken in the preparation of these financial statements on transition to FRS 102

The effective date of transition to FRS 102 was 1 January 2014. In accordance with paragraph 35.10 of FRS 102, in 2015, the company elected to take advantage of the following exemptions that were available on transition:

- Section 19 of FRS 102 was not applied retrospectively to business combinations that occurred before the date of transition to FRS 102; and
- Investments in subsidiaries are stated at cost less impairment provisions and not at fair value.

Company profit and loss account

As permitted by Section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the period.

Principal accounting policies

The principal accounting policies, which have all been applied consistently throughout the current and preceding accounting periods, are summarised below.

Going concern

These financial statements have been prepared on the fundamental assumption that the company is a going concern and will continue to trade for at least 12 months following the date of approval of the financial statements.

Further information explaining why the directors believe that the group as a whole is a going concern is given in note 1 of the group accounting policies.

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment. Cost is defined as the aggregate of:

(a) the cash consideration;
(b) the nominal value of shares issued as consideration where Section 612 of the Companies Act 2006 applies;
(c) the market value of the company's shares on the date they were issued where Section 612 does not apply;
(d) the fair value of any other consideration; and
(e) costs of acquisition.

Investments are assessed for indicators of impairment at each balance sheet date. If there is such an indication, the recoverable amount of the investment is compared to the carrying amount of the investment. If the recoverable amount of the investment is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account.

If an impairment loss is subsequently reversed, the carrying amount of the investment is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

1 Significant accounting policies (continued)

Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like loans from banks and group undertakings and loans to group undertakings.

Debt instruments (other than those wholly repayable or receivable within one year), including loans, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax is provided in full on timing differences that result in an obligation to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax law enacted or substantively enacted. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on unremitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Current tax

Current tax payable and recoverable is based on the taxable profit or loss for the year using tax rates enacted or substantively enacted at the reporting date. Taxable profit differs from the profit as reported in the profit and loss account as it is adjusted for both items that will never be taxable or deductible and temporary timing differences.

Borrowing costs

All borrowing costs are recognised in the company's profit and loss account on an accruals basis.

Related party transactions

Under the provisions of FRS 102 paragraph 33.1A, the company has not disclosed details of intra-group transactions with wholly owned subsidiary companies.

2 Employee information

The company has no employees other than the directors. The directors received no remuneration in 2020 or 2021 paid directly by Andrews Sykes Group plc.

Notes to the Company Financial Statements
For the year ended 31 December 2021

3 Fixed asset investments

	Subsidiary undertakings shares £'000
Cost	
At the beginning of the period	40,748
Capital distribution	(950)
At the end of the period	**39,798**
Provisions	
At the beginning of the period	8,604
Charge for the period	**1,035**
At the end of the period	**9,639**
Net book Value	
At 31 December 2021	**30,159**
At 31 December 2020	32,144

During the year a subsidiary company, Andrews Air Conditioning and Refrigeration Ltd, made a return of capital of £950,000.

Directly owned by Andrews Sykes Group plc:

Andrews Sykes Hire Limited
Andrews Air Conditioning and Refrigeration Limited
A.S. Group Management Limited* (intermediate holding company)
Andrews Sykes International Limited* (intermediate holding company)
Andrews Sykes Investments Limited* (intermediate holding company)
Andrews Sykes Properties Limited* (property holding company)
Climate Contingency Services Limited* (non-trading)
Company 3533273 Limited* (non-trading)
Refrigeration Compressor Remanufacturers Limited* (non-trading)
Sykes Ground Water Control Limited* (non-trading)
Andrews Industrial Equipment (Scotland) Limited (Scotland; dormant)
Expert Hire Plant Limited (dormant)
Heat for Hire (Scotland) Limited (Scotland; dormant)
Plant Mart Limited (dormant)
Sykes Pumps Limited (dormant)

Indirectly owned by Andrews Sykes Group plc:

Andrews Sykes B.V. (Netherlands)
Andrews Sykes BVBA (Belgium)
Andrews Sykes Climat Location SA (Switzerland)
Andrews Sykes Climat Location SAS (France)
Andrews Sykes Luxembourg SARL (Luxembourg)
AS Holding B.V. (Netherlands; intermediate holding company)
Khansaheb Sykes LLC (49%; United Arab Emirates)
Nolo Climat S.R.L. (Italy)
AAC&R Limited (dormant)
Andrews Accommodation Limited (dormant)
Sykes Pumps International Limited* (overseas sales of specialist environmental control products)

* Donates that the directors have taken advantage of the exemption available under Section 479A of the Companies Act 2006 relating to the requirement for the audit of the individual accounts for the companies annotated as Andrews Sykes Group plc has provided these companies with a parental guarantee.

Unless otherwise indicated, all are incorporated in England and Wales with a registered address of St David's Court, Union Street, Wolverhampton, WV1 3JE. Their principal activity is the hire, sales, service and/or installation of specialist environmental control products mainly in the country of incorporation.

3 Fixed asset investments (continued)

The registered office address of Andrews Industrial Equipment (Scotland) Limited and Heat for Hire (Scotland) Limited is West Mains Industrial Estate, Grangemouth, Stirlingshire, Scotland, FK3 8YE.

The registered office address of AS Holding B.V. and Andrews Sykes B.V. is Marconistraat 32, Bleiswijk 2665 JE, The Netherlands.

The registered office address of Khansaheb Sykes LLC is P.O. Box 1848, Industrial Area 10, Geeco Signal, Sharjah 1848, United Arab Emirates.

The registered office address of Andrews Sykes BVBA is Industrialaan 35, Groot Bijgaarden, Dilbeek 1702, Belgium.

The registered office address of Nolo Climat S.R.L. is 27 Via Giulini, Parabiago 20015, Italy.

The registered office address of Andrews Sykes Climat Location SAS is 2 Rue des Meuniers, ZI du Moulin de Lamblin, Hallennes Lez Haubourdin 59320, France.

The registered office address of Andrews Sykes Climat Location SA is 122 Rue de Geneve, Neuvecelle, Thonex 1226, Switzerland.

The registered office address of Andrews Sykes Luxembourg SARL is 18 Route de Capellen, Holzem 8279, Luxembourg.

The group holds 100% of the ordinary share capital of all of the above, unless otherwise stated. 100% of the profits of Khansaheb Sykes LLC accrue to the group.

The movement in provisions relates to adjustments to the net carrying value of investments in non-trading subsidiaries to underlying net asset value.

4 Debtors

	2021 **£'000**	2020 £'000
Amounts due from group undertakings	**14,374**	24,752
Corporation tax	**–**	1,371
Other debtors	**–**	98
Deferred tax	**–**	20
Prepayments	**7**	5
	14,381	26,246

The movements on the deferred tax asset during the year were as follows:

	Short-term timing differences **£'000**
Asset at the beginning of the year at 19%	20
Profit and loss account charge	**(20)**
Asset at the end of the period at 19%	**–**

Notes to the Company Financial Statements
For the year ended 31 December 2021

5 Creditors

	2021 £'000	2020 £'000
Amounts due within one year:		
Bank loans and overdraft	**3,000**	493
Amounts due to group undertakings	**5,330**	7,666
Accruals and deferred income	**82**	118
	8,412	8,277

	2021 £'000	2020 £'000
Amounts due after more than one year:		
Bank loans repayable between one and two years	**–**	2,998
	–	2,998
The total bank loans may be further analysed as follows:		
Gross bank loans	**3,000**	3,500
Unamortised costs of raising loan finance	**–**	(9)
	3,000	3,491

Total company bank loans and overdrafts of £3,000,000 *(2020: £3,500,000)* are secured by fixed and floating charges on the assets of the group and by cross guarantees between group undertakings. There are no unsecured bank loans at either period end.

Details of the bank loan facilities are given in note 23 to the consolidated financial statements.

All inter-company loans are repayable on demand and, accordingly, have been classified within current liabilities. Interest is charged on all inter-company loans at commercial rates of interest.

The company did not have any undrawn committed borrowing facilities at either period end.

6 Financial instruments

The group's policies, objectives and exposure in respect of capital and financial (encompassing market, credit and liquidity) risk management are set out in note 28 to the consolidated financial statements and these are also applicable to the company. The company did not hold any derivative financial instruments at either 31 December 2021 or 31 December 2020.

7 Share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
42,174,359 *(2020: 42,174,359)* Ordinary shares of one pence each	**422**	422

During the year and the previous year, the company did not purchase any ordinary shares of 1p each for cancellation.

No share options were exercised, granted, forfeited or expired during either the current or preceding financial period. There were no outstanding share options at the end of either the current or preceding financial period.

8 Reconciliation of movements in shareholders' funds

	2021 £'000	2020 £'000
(Loss)/profit for the financial year	**(829)**	11,093
Dividends declared and paid	**(9,869)**	(19,442)
Net decrease in shareholders' funds	**(10,698)**	(8,349)
Shareholders' funds at the beginning of the year	**47,128**	55,477
Shareholders' funds at the end of the period	**36,430**	47,128

9 Related party transactions

Transactions between the company and its wholly owned subsidiaries, which are related parties, are not disclosed in this note in accordance with paragraph 33.1A of FRS 102.

During the period, the company entered into the following transactions in the normal course of business with associated companies on an arm's length basis:

	2021 £'000	2020 £'000
Purchase of goods and services from associates within the London Security plc group	**116**	71

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

London Security plc is associated through common control.

10 Ultimate parent company

As at 3 May 2022, EOI Sykes Sarl, which is incorporated in Luxembourg, held 86.25% of the share capital of Andrews Sykes Group plc and is therefore the immediate parent company. The intermediate holding company is SK Participation Sarl, a company incorporated in Luxembourg, and the ultimate holding company is the Tristar Corporation, a company incorporated in the Republic of Panama. The Tristar Corporation is held jointly, in equal proportions, by the Ariane Trust and the Eden Trust and controlled by the trustees of these trusts through a Trustees' Committee. The directors therefore consider that the trustees of the Ariane and Eden Trusts are the ultimate controlling parties of Andrews Sykes Group plc.

The lowest level at which consolidated accounts are prepared is EOI Sykes Sarl and the highest level is the SK Participation Sarl.

Five-Year History

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Revenue	**75,219**	67,259	77,246	78,563	71,300
Operating profit from continuing operations	**20,074**	16,386	19,298	20,681	17,589
Interest charge on right-of-use leases	**(530)**	(530)	(526)	–	–
Inter-company foreign exchange (losses)/gains	**(25)**	(75)	(270)	336	(293)
Net interest credit/(charge) excluding inter-company foreign exchange and right-of-use lease interest	**(20)**	52	58	28	(11)
Profit before taxation	**19,499**	15,833	18,560	21,045	17,285
Taxation	**(3,959)**	(2,813)	(3,541)	(3,999)	(3,184)
Profit for the financial period	**15,540**	13,020	15,019	17,046	14,101
Dividends per share paid in the year	**23.40p**	46.10p	23.80p	23.80p	23.80p
Dividends paid during the year	**9,869**	19,442	10,038	10,048	10,058
Basic earnings per share from continuing operations	**36.85p**	30.87p	35.61p	40.39p	33.37p
Proposed ordinary final dividend per share	**12.50p**	11.50p	10.50p	11.90p	11.90p

IBC

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