



# Andrews Sykes Group plc

## Annual Report and Financial Statements 2023



# Contents

1	Summary of Results
2-4	Chairman's Statement
5-21	Strategic Report
5	Principal objectives and strategy
5	Future development of the business
5-7	2023 operational performance
8-10	Financial review
11-16	Task force on climate-related financial disclosures
17-21	Review of risks and uncertainties
22-29	Directors' Report
30	Directors and Advisers
31	Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements
32-37	Independent Auditor's Report to the Members of Andrews Sykes Group plc
38	Consolidated Income Statement
39	Consolidated Statement of Comprehensive Income
40	Consolidated Balance Sheet
41	Consolidated Cash Flow Statement
42	Consolidated Statement of Changes in Equity
43-50	Group Accounting Policies
50-77	Notes to the Consolidated Financial Statements
78	Parent Company Balance Sheet
79	Parent Company Statement of Changes in Equity
80-85	Notes to the Company Financial Statements
86	Five-Year History

# Summary of Results

	12 months ended 31 December 2023 £'000	12 months ended 31 December 2022 £'000
Revenue from continuing operations	<b>78,747</b>	83,007
Adjusted EBITDA* from continuing operations	<b>30,622</b>	30,616
Operating profit	<b>22,737</b>	21,530
Profit after tax for the financial period	<b>17,758</b>	17,020
Net cash inflow from operating activities	<b>24,946</b>	27,596
Net funds	<b>4,570</b>	25,896
Cash and cash equivalents	<b>19,967</b>	20,518
Total interim and final dividends paid	<b>35,743</b>	17,292
Basic earnings per share from total operations (pence)	<b>42.24p</b>	40.36p
Interim and final dividends paid per equity share (pence)	<b>85.30p</b>	41.00p
Proposed final dividend per equity share (pence)	<b>14.00p</b>	14.00p

\* Earnings before interest, taxation, depreciation, profit on sale of property, plant and equipment and amortisation as reconciled on the consolidated income statement.

# Chairman's Statement

## Overview and financial highlights

### Overview and outlook

Andrews Sykes' trading remains robust, with record revenues and profits continuing to be being delivered by several of our European subsidiaries. We are pleased to report that the group as a whole has again delivered a record level of profitability during 2023. We are thankful and proud of our team members who have made this possible by continuing to provide our customers with an essential 24 hour service offering.

The current year has not been without its challenges with the well publicised inflationary pressures and tight labour markets that have been impacting the UK and European economies also impact Andrews Sykes. However, our strong relationships with customers and long standing relationships with key suppliers, coupled with our highly experienced management team have allowed us to once again not only navigate our way through these circumstances, but thrive. This year also saw the group confirm its exit from the French market. After attempting to turnaround the continuously loss making subsidiary, management reached the decision that its efforts would be better spent growing profitable businesses elsewhere and so in late 2023 decided to cease trading in France. This wind up process will take many months to complete. At the same time we are pleased to announce the incorporation of our new subsidiary, Klimamieten AS GmbH, in Germany and look forward to the development of this exciting market. We are encouraged by how the business has consistently adapted to overcome market and operational issues and take advantage of new revenue opportunities.

The group has continued to develop its relationships with key customers throughout the UK and Europe which has underpinned the strong results reported. These key accounts provide a consistent and growing revenue stream. Whilst turnover is down in the second half of the year as compared to the prior year, mainly due to revenue opportunities presented by the record summer temperatures seen last year, the focus on our key accounts means the group has still produced profit growth despite reporting a lower revenue.

Trading momentum has continued into the current year, with overall performance in the year to date in line with the Board's expectations. The group is confident in its core markets, its revenues and its profits.

### 2023 trading summary

The group's revenue for the year ended 31 December 2023 was £78.7 million, a decrease of £4.3 million, or 5.1%, compared with the same period last year. Despite this decrease, through careful cost management, operating profit has increased by 5.6%, or £1.2 million, from £21.5 million last year to £22.7 million in the year under review. Turnover for the second half of the year was down 11.5%, or £5.2 million, on the corresponding period last year and reflects the exceptional weather experienced across the UK and Europe over the summer months in 2022.

The increasing interest rates in the UK and Europe has enabled the company to generate increased returns on its cash reserves and has contributed to net finance income increasing from a small net interest income last year to £0.9m in the current year. Profit before taxation was £23.6 million (2022: £21.6 million) and profit after taxation was £17.8 million (2022: £17.0 million).

The group has reported an increase in the basic earnings per share of 1.88p, or 4.7%, from 40.36p in 2022 to 42.24p in the current year. This is mainly attributable to the above increase in the group's operating profit and net finance income partially offset by increased tax charges.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £24.9 million compared with £27.6 million last year.

Cost control, cash generation and working capital management continue to be priorities for the group with stocks reduced by £2.0m during the year. Capital expenditure is concentrated on assets with strong returns; in total £6.3 million was invested in the hire fleet this year. In addition, the group invested a further £0.3 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
<b>1st half 2023</b>	<b>38,843</b>	<b>9,713</b>
1st half 2022	37,903	8,489
<b>2nd half 2023</b>	<b>39,904</b>	<b>13,024</b>
2nd half 2022	45,104	13,041
<b>Total 2023</b>	<b>78,747</b>	<b>22,737</b>
Total 2022	83,007	21,530

The above table reflects the continued progress of the business, with second half profitability being maintained on £5.2 million lower revenue than the second half of 2022. First half revenues and profitability in the current year are both records set for the business.

The turnover of our main business segment in the UK decreased from £47.2m last year to £44.4m with operating profit decreasing from £16.4m to £15.0m. This result was reflective of the exceptional prior year for our air conditioning hire which was aided by the record temperatures experienced in the UK during 2022. Current year air conditioning hire was down £1.3m or 14.0% on prior year. Pump hire continues to perform strongly with revenues achieving record levels for the sixth year in a row and are 2.0% higher than 2022.

Our European businesses recorded increases in turnover, increasing from £24.2 million last year to £26.7 million, and operating profit increasing from £6.9 million to £8.7 million in 2023. Southern Europe in particular was aided by the record temperatures seen during the summer and has been reflected in increased chiller and air conditioning hire revenues. Our Dutch, Belgian and Italian subsidiaries each reported record turnover levels during 2023.

The turnover of our hire and sales business in the Middle East has decreased from £8.8 million last year to £5.7 million, however operating profit increased from a loss of £0.4 million to a profit of £0.4 million in the year under review. The operating climate continues to be tough in the Middle East with a lack of significant infrastructure projects still depressing turnover in the pumps division to below what was being generated a few years previously. The operating loss during 2022 was entirely down to increased expected credit losses against historic debts which were no longer considered recoverable. The credit loss charge in 2022 for the Middle East was £1.9 million compared to £0.2 million in the current year. New local management have been installed during the current year and a turnaround of this business is underway. It is pleasing that core hire revenues in the second half of the year are 38.1% up on the first half of the year and in line with that generated in the previous year. Management are confident of a return to increasing profitability in the Middle East.

Our fixed installation and maintenance business sector in the UK saw a small decrease in turnover from £2.8m to £2.1m and returned a small operating loss of £0.1 million this year, a decrease of £0.1 million from the small operating profit achieved in 2022. This result was largely driven by labour availability impacting the ability to service contracts which limited revenue opportunities and the operating profit of the business.

Central overheads were £1.3 million in the current year compared with £1.5 million in 2022.

## Profit for the financial year

Profit before tax was £23.6 million this year compared with £21.6 million last year; an increase of £2.0 million. This is largely attributable to the above £1.2 million increase in operating profit with net interest income also contributing £0.8 million to increased profit before tax.

Tax charges increased from £4.5 million in 2022 to £5.8 million this year. The overall effective tax rate increased from 21.0% in 2022 to 24.7% this year, primarily driven by the increase in UK corporation tax from 19% to 25% from April 2023. A detailed reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by the applicable tax rate and the actual tax charge is given in note 10 to the consolidated financial statements. Profit for the financial year was £17.8 million compared with £17.0 million last year.

# Chairman's Statement

## Overview and financial highlights (continued)

### Defined benefit pension scheme

As reported at the half year, the company has successfully de-risked its defined benefit scheme by completing a buy-in deal. This transaction, whilst significantly reducing the defined benefit pension scheme surplus recorded on the balance sheet, means that future liabilities are fully de-risked and the company will not be required to contribute significant cash payments into the pension scheme to fund adverse liability movements. During 2021 and 2022 the company contributed £2.6m of cash into the defined benefit pension scheme and £0.1m during 2023. No cash contributions are to be made during 2024. The defined benefit pension scheme surplus after the application of an asset restriction has reduced from £5.4m as at 31 December 2022 to £1.6m at the year end.

### Equity dividends

The company paid three dividends during the year. On 16 June 2023, a final dividend for the year ended 31 December 2022 of 14.00 pence per ordinary share was paid. This was followed on 3 November 2023 by an interim dividend for 2023 of 11.90 pence per ordinary share, and a special dividend of 59.40 pence per ordinary share. Therefore, during 2023, a total of £35.7 million in cash dividends has been returned to our ordinary shareholders.

The Board has decided to propose a final dividend of 14.0 pence per share. If approved at the forthcoming Annual General Meeting, this dividend, which in total amounts to £5.9 million, will be paid on 21 June 2024 to shareholders on the register as at 24 May 2024.

### Share buybacks

During the year the company repurchased and cancelled 289,301 ordinary shares at a price between 510p and 665p per share. The total cash spent on share buybacks during the year amounted to £1.9 million.

As at 7 May 2024, there remained an outstanding general authority for the directors to purchase 5,003,203 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 decreased by £21.3 million from £25.9 million at 31 December 2022 to £4.6 million at 31 December 2023; this decrease is after the cash distribution of £35.7m in dividend payments during 2023. Net funds include cash and cash equivalents of £20.0 million (2022: £20.5 million), other financial assets of nil (2022: £16.7 million) less right-of-use lease obligations of £15.4 million (2022: £11.3 million).

**JJ Murray**

Executive Chairman

7 May 2024

# 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 35 locations and operate with around 500 staff worldwide. Our operations in mainland Europe began over 50 years ago in Rotterdam and now extend to depots located throughout the Netherlands, Belgium, Luxembourg, France, Italy, Germany and Switzerland. In the Middle East, we have been operating from Dubai since the 1970s and now have locations in Dubai, 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 Birmingham.

By providing a premium level of service 24 hours per day, 365 days per year, we have become the preferred supplier 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 2023, we continued to develop new products and have a number of new developments ready for launching in 2024, 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 2022 the group capitalised on extreme climate conditions, including the UK experiencing 40 degree temperatures for the first time and temperature records being broken throughout Europe. In 2023, the UK and Northern Europe summer temperatures were more subdued but the group controlled costs and produced a record operating profit. This reflects the flexibility in our group businesses and their ability to adapt to circumstances and service our markets safely and securely on a sustainable basis moving forward.

### 2023 operational performance

With 2023 being impacted by rising inflation and interest rates and continued labour shortages in the UK, we are pleased to report that our business continued to adapt well to the ever-changing challenges that we face and profits continue to rise, and have surpassed the previous record year of 2022. The group operating profit increased by £1.2 million in 2023 to £22.7 million (2022: £21.5 million). 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 6% turnover decrease when compared to last year, driven by negative comparisons for our air conditioning division against an exceptional prior year which was aided by the record temperatures experienced in the UK during 2022, air conditioning was down 14% on prior year. Our pump hire business continues to perform strongly with revenues achieving record levels for the sixth year in a row and are 2% higher than 2022. Chiller and boiler revenues remain under pressure and are 12% down on 2022.

# Strategic Report

## Operational performance (continued)

In mainland Europe, our total turnover experienced robust growth, rising 10% on the previous year, with operating profit up 26% on the previous year. This result was driven by focus on key accounts in Northern Europe and high summer temperatures in Southern Europe. In the Benelux region, our business performed strongly with the Netherlands setting a new turnover record and comfortably surpassing the previous record turnover set in 2022 by 10%. Belgium has achieved record levels of turnover, surpassing 2022 by 7%. Luxembourg has delivered strong growth of 21% in the year and has surpassed the previous record turnover year of 2019 by 15%. Our Italian subsidiary, Nolo Climat, has again reported exceptionally strong growth in 2023 of 25% and reached new record levels; this continued the year-on-year growth we have enjoyed since entering the Italian market in 2011. In France, in the second half the decision was taken to cease trading and start the process to wind up the business. Management made this difficult decision after trying to restructure the business in the prior year and scale the operations back with a view of achieving profitable growth. Ultimately this restructure was unsuccessful and France remained loss making operationally, as it has been throughout its history. The decision was made to cease future trading to eliminate future ongoing losses. As a result turnover decreased 36%. Switzerland, the smallest of our operations, experienced a subdued year with turnover decreasing 1%.

In the Middle East, Khansaheb Sykes remains the company in the most challenging market with a lack of significant infrastructure projects suppressing the overall market conditions. Turnover decreased 35% compared to 2022 but, pleasingly, core hire revenues in the second half of the year are 38% up on the first half of the year and in line with that generated in the previous year. The company reported an operating profit of £0.4 million, £0.8 million favourable to 2022. This prior year result was heavily impacted by expected credit losses, which have not reoccurred this year.

The overall group operating profit of £22.7 million increased 6% or £1.2 million when compared to the prior year (2022: £21.5 million). Net funds of £4.6 million as at 31 December 2023 is a decrease of £21.3 million on the prior year (2022: £25.9 million).

## Hire and sales UK

### Andrews Sykes Hire Limited

Our main UK trading subsidiary, Andrews Sykes Hire, has 22 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 2023 of £15.0 million was a decrease of £1.4 million, or 9%, on 2022. This result, we believe, shows the ability of the business to react to changing customer demands and market circumstances, and to flex the cost base of the business quickly to adapt to customer demand.

## Hire and sales Europe

### Summary

Turnover of the European hire and sales business sector increased from £24.2 million last year to £26.7 million in the current year; an increase of £2.5 million or 10% compared with last year. Operating profit increased by £1.8 million, or 26%, from 2022 to 2023. 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 50 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 experienced robust growth with total revenue 10% above that of the previous year and setting a new revenue record.

### 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 third depot in Kortrijk was opened in Q4 2022. Turnover increased 7% as compared to prior year and set a new record.

### 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 21% 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, Verona and Toscana. Following the progress made in recent years, this business provided another record result in 2023 with turnover up 25% as compared to 2022.

## **Andrews Sykes Climat Location SAS**

Our French subsidiary was established in 2012 and following an ultimately unsuccessful reorganisation during the previous year, is in the process of winding down operations and exiting from the remaining depot locations. Turnover for 2023 finished the year 36% adverse to 2022.

## **Climat Location SA**

Climat Location SA is our Swiss subsidiary, which opened in 2013; this operation was established to service the French cantons. We are now exploring further opportunities within the German cantons. Our Swiss business experienced a subdued year with turnover decreasing 1% on prior year.

## **Klimamieten AS GmbH**

Klimamieten is our German subsidiary, which was incorporated during the current year and started to trade in December. Management is excited about the prospects for growth in this new market location for the group.

# **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 and Dubai. 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 the last few years and the market remained challenging for the entire year. Whilst turnover decreased 35% compared to 2022, the company reported an operating profit due to the non-recurrence of expected credit losses expense incurred during the prior year.

# **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. In 2023, turnover decreased by 25% as compared to 2022 with levels of profitability impacted in the reduced turnover.

# **Group summary**

The overall group result for 2023 shows an increase in operating profit of £1.2 million, or 6%, when compared to 2022, which was a good result given the economic challenges faced throughout the world in 2023.

The Andrews Sykes business remains strong: the experience of our senior management team, coupled with our development plans, provide optimism for further progress in 2023 as we navigate through the current macroeconomic climate in which we operate. 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

## Financial review

### Key performance indicators (KPIs)

The group's principal KPIs are as follows:

	12 months ended 31 December 2023	12 months ended 31 December 2022
	£'000	£'000
Average revenue per employee	<b>£164</b>	£151
Operating profit from continuing operations	<b>£22,737</b>	£21,530
Operating cash flow as a percentage of operating assets employed <sup>(1)</sup>	<b>131.9%</b>	128.9%
Net funds	<b>£4,570</b>	£25,896
Net funds to equity percentage	<b>11.3%</b>	40.0%
Basic EPS from continuing operations (pence)	<b>42.24p</b>	40.36p

(1) 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 2023	12 months ended 31 December 2022
Staff absenteeism as a % of total working days	<b>1.01%</b>	1.42%
Energy consumption (MWh)	<b>6,809</b>	9,500

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. The increase in the year is as a result of both decreased turnover and decreased headcount driven by operational efficiencies. Operating cash flow as a percentage of operating assets continues to demonstrate both strong working capital management and high levels of asset utilisation. The increased percentage is driven by a decreased operating asset base reflecting the tight working capital control of the group largely as a result of the stock reduction seen in the year.

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.

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 4.7% from 40.36 pence in 2022 to 42.24 pence in 2023, primarily due to the increase in operating profit and net finance costs, offset by an increased tax charge. Achieving an EPS of 42.24 pence is regarded as an exceptional performance and a record for the group.

The group uses Bradford Factor scoring in the UK, a common means of measuring worker absenteeism. In using this measure to manage absenteeism the group has reduced the staff absenteeism metric during the year. The Board is pleased with this reduction and would seek a similar reduction in 2024.

The Board is pleased to see the continued efforts to operate in a more environmentally friendly way, limiting our increase in energy consumption from the previous year.

## Operating profit

The consolidated operating profit was £22.7 million for the year under review, an increase of £1.2 million, or 6%, compared with last year's operating profit of £21.5 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 2023	12 months ended 31 December 2022
	£'000	£'000
Hire and sales UK	15,009	16,425
Hire and sales Europe	8,663	6,888
Hire and sales Middle East	401	(365)
UK installation business	(48)	33
<b>Subtotal</b>	<b>24,025</b>	<b>22,981</b>
Unallocated costs and eliminations	(1,288)	(1,451)
<b>Consolidated operating profit</b>	<b>22,737</b>	<b>21,530</b>

A review of the performance of each business sector is given in the operational performance section of this Strategic Report.

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

	12 months ended 31 December 2023	12 months ended 31 December 2022
	£'000	£'000
Adjusted EBITDA*	30,622	30,616
Depreciation and impairment losses	(6,002)	(6,565)
Depreciation and impairment of right-of-use assets	(2,814)	(4,017)
Profit on the sale of plant and equipment	673	1,441
Profit on the sale of right-of-use assets	258	55
<b>Operating profit</b>	<b>22,737</b>	<b>21,530</b>

\* Earnings before interest, taxation, depreciation, profit on sale of property, plant and equipment and amortisation as reconciled on the consolidated income statement.

Profit on the sale of plant and equipment includes the profit made on the disposal of a UK freehold property during the prior year.

# Strategic Report

## Financial review (continued)

### 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 2023	12 months ended 31 December 2022
	£'000	£'000
Operating profit	22.7	21.5
Depreciation and profit on the sale of plant and equipment	5.3	5.1
Depreciation and profit on disposal of right-of-use assets	2.6	4.0
Adjusted EBITDA*	30.6	30.6
Pension scheme administration costs in excess of defined benefit pension scheme contributions	0.1	(1.2)
Interest paid	(0.8)	(0.6)
Tax paid	(6.1)	(4.5)
Net working capital movements	1.1	3.2
<b>Net cash inflow from operating activities</b>	<b>24.9</b>	<b>27.6</b>

#### Reconciliation to operating cash flow as a percentage of operating assetse employed KPI:

Net cash inflow from operating activities	24.9	27.6
Pension scheme administration costs in excess of defined benefit pension scheme contributions	(0.1)	1.2
<b>Operating cashf low</b>	<b>24.8</b>	<b>28.7</b>
Non-current assets (excluding deferred tax and retirement benefit pension surplus)	33.3	29.0
Current assets (excluding cash, other financial assets and taxation)	21.7	24.0
Current liabilities (excluding taxation)	(20.3)	(19.2)
Non-current liabilities	(15.9)	(11.5)
<b>Operating assets</b>	<b>18.8</b>	<b>22.3</b>
<b>Operating cash flow as a percentage of operating assets employed KPI</b>	<b>131.9%</b>	<b>128.9%</b>

\* Earnings before interest, taxation, depreciation, profit on sale of property, plant and equipment and amortisation 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 decreased, working capital has also decreased by £1.1 million comparable to prior year. Total outstanding debtor days at the year end increased slightly from 65 days at the end of 2022 to 67 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 113 days (2022: 70 days). During the prior year, management provided against historic debt that was no longer considered recoverable, this has had the impact of significantly reducing the overall debtor days for the country. The group's average debtor days for current unimpaired debts remained unchanged to last year at 41 days.

Adequate provisions continue to be made for expected credit losses and impairment of trade debtors. In 2023, debts written off against the expected credit loss provision were £348,000 compared with £1,955,000 last year, and there was a net charge of £959,000 (2022: £2,133,000) to the income statement from the expected credit loss provision, which was calculated on a consistent basis each year. Of these figures, £159,000 (2022: £1,769,000) of the debts written off and £201,000 (2022: £1,945,000) of the expected credit loss charge related to external debtors of our subsidiary in the Middle East.

Employer defined benefit pension contributions of £120,000 (2022: £1,320,000) have been made by the group to the pension scheme in 2023. Pension scheme costs charged within administration expenses in the income statement in accordance with IAS 19 (2011) amounted to £267,000 (2022: £168,000). Pensions are discussed in more detail on page 18, and in note 16 to the financial statements.

### Bank loan facilities

The group fully repaid its loan balance during the prior year. In April 2017, a bank loan of £5 million was taken out with 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 were made in accordance with the agreement and the group operated within the agreed bank covenants at all times.

# Strategic Report

## Task force on climate-related financial disclosures

### Non-financial and sustainability information statement Task force on climate-related financial disclosures

The Task Force on Climate-related Financial Disclosures ("TCFD") provides a disclosure framework for companies to explain how they are responding to the risks and opportunities arising from climate change. The Companies Act 2006 s414, s414CA and 414CB requires AIM listed companies with more than 500 employees to make disclosures consistent with the recommendations of the TCFD and provide an explanation including details of the steps being taken to ensure future compliance. Although the group's headcount has dropped below 500 employees in the current year, this is expected to be reversed in future years so the group has decided to voluntarily comply with the TCFD requirements.

Responding to the risks and opportunities arising from climate change is an integral part of our business and is embedded throughout the group. The statement below explains how the group has complied with the requirements of The Companies Act 2006 s414, s414CA and s414CB by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures. It addresses all the disclosure requirements of the TCFD and links to additional information located elsewhere within the Annual Report.

### Governance Board-Level Oversight

The group's Board of directors is responsible for setting the group's strategy, taking into account all relevant risks and opportunities, including those related to climate matters. As such, the Board will drive and be responsible for all climate-related risks and opportunities. The Board driving these climate-related risks and opportunities underlines the importance of addressing these issues.

Whenever the Board meets, climate change will be on the agenda. In addition to the main Board, the group will make use of various Board Committees to support the gathering and embedding of climate impacts within the group as follows:

- **The Audit Committee** - is responsible for overseeing and ensuring compliance with the group's disclosure obligations. This Committee ordinarily meets twice a year.
- **The Remuneration Committee** - integrates the group's climate performance metrics into the group's key personnel variable remuneration where relevant and will ensure that climate targets are embedded into incentive schemes over time.

### Management-Level Oversight

Whilst the Board will retain oversight of all climate-related issues, the group recognises the importance of creating a structure that enables the Board to make informed decisions. As such the group's Executive Strategy Team, headed by the Group Managing Director, a full Board member, and including senior personnel from the UK and each overseas subsidiary, will have overall responsibility for the day-to-day operation of climate-related issues. The Executive Strategy Team meets on a monthly basis and allows the Group Managing Director to advise and inform the Board on how the group should adapt its business strategy by considering climate change risks and opportunities.

# Strategic Report

## Task force on climate-related financial disclosures (continued)

During the year the group has established a specific ESG Committee, headed by a newly recruited Group ESG Director who reports into the Executive Strategy Team. The Group ESG Director reports directly to the Group Managing Director. To ensure continuity of message and to underline the importance of climate-related issues, several members of the Executive Strategy Team are members of the ESG Committee. The ESG Committee receives direction from the Executive Strategy Team, oversees delivery of the ESG agenda and reviews and reports back progress against key ESG priorities. The ESG Committee includes leaders from the following functions: Transport, Property, Operations Support, Finance, Commercial, Technical, Procurement and Operations. This Committee meets not less than quarterly.



### Strategy

The group undertook a material issues assessment to identify the significant risks and opportunities for the group from an ESG perspective, the results of which are detailed on the following pages. The group believes climate-related matters represent opportunities as well as posing certain risks for the group. The group believes that its market position and financial strength bring it a competitive advantage in responding to these risks and maximising the opportunities. Specifically, the group has identified opportunities arising from the development of new products and services that support the transition to a lower -carbon economy, the shift in customer preference from ownership to rental and the overall benefits to the environment as a whole that arise from sharing assets over their life cycle.

The group considers the range of climate -related risks and opportunities over the short, medium and long term. In assessing these time horizons, the group has defined short term as being over the next two years, medium term as being three to five years and long term being five to ten years. When considering the impacts of physical risks, a longer-term horizon of more than 10 years is used. These risks and opportunities are factored into the group's strategic planning.

When determining future risks and exposure to the group's business, two future scenarios have been considered: A less than 2°C emission scenario pathway and a 4°C emissions scenario:

- **Less than 2°C emission scenario.** This scenario represents a transition to the low-carbon economy. Risks and the associated timeframes are more immediate, with the potential for accelerated policy changes and changing technology demands in favour of this transition.
- **4°C emissions scenario.** In this scenario, there is an increased likelihood of more extreme weather events such as flooding, extreme summer temperatures and wildfires, meaning the impact of climate change on physical risks would start to have a much greater impact on possibly all of the group's global locations.

## Transitional risks

The table below details the transition risks identified by the group split into four key areas; Policy and Legal, Technology, Market and Reputation for a less than 2°C emission scenario. The timeframe over which these risks are considered to have a material impact and details of the impacts are also given below.

Risk Type	Risk Description	Time Frame	Impact
Policy and Legal	Not meeting compliance requirements of advancing climate regulation	Medium	Possible reputational damage and fines. Loss of customers if not complying with legislation.  This would impact higher-emission areas of the business and associated revenue streams. This could also cause equipment and services to become obsolete such as diesel equipment, resulting in potential asset impairment.
Technology	Obsolescence of high-carbon equipment	Long	A significant proportion of our fleet contains a diesel engine. This could lead to this equipment becoming obsolete, resulting in potential asset impairment and accelerated capital expenditure to replace obsolete assets.
	Low-carbon equipment more expensive than high-carbon	Medium	The shift to low- or zero -emission technologies will increase the initial capital cost of assets meaning gross margin deterioration unless rental prices can be increased.
	Technological changes may not keep up with customer demand	Long	The ability to replace high -carbon equipment with low-carbon equipment in isolated locations without power supply could be hindered, resulting in a loss of revenue.
Market	Customer demand for low-carbon equipment may outstrip supply	Short	Loss of revenue to competitor if demand for low-carbon equipment outstrips ability to supply.
	Increased energy/fuel prices adversely impacting fuel-based equipment demand	Short	Loss of revenue on fuel sales and lower unit hire unless low-carbon alternative available.
Reputation	The group not meeting science-based targets and net zero commitments on emissions	Medium	Possible reputational damage and fines. Loss of customers if not complying with legislation.

## Physical risks

The group has operations based in UK, Europe and the Middle East. The majority of the group's suppliers are also based in these regions. The impact of climate change has already been seen in many of these regions with increased flooding, the record summer temperatures in 2022 for the UK and Europe and the extreme heat event in Southern Europe in 2023 as examples. Certain of the group's locations will be more prone to the risks below, for instance the Middle East will be less prone to heatwaves with temperatures being consistently high and a local infrastructure designed to cope for this scenario. A 4°C emissions scenario considered for physical risks highlights the increased risks of climate change over the very long term.

Risk Type	Risk Description	Time Frame	Impact
Acute	Increased risk of floods/heatwaves in UK and Europe	Very Long	This could negatively impact operating efficiency and increase costs as business operations and human capital may be significantly affected.
Chronic	Increased record temperatures	Very Long	This could cause a health risk for employees making certain locations unsafe to work in for certain periods.

# Strategic Report

## Task force on climate-related financial disclosures (continued)

### Climate-related opportunities

The table below highlights the opportunities that the transition to a low-carbon economy and the physically changing environment may present to the group:

Risk Type	Risk Description	Time Frame	Impact
Products and services	Increased demand for products with low-carbon emissions	Medium	Potential new revenue streams and growth
Extreme weather events	Increased flooding and record temperatures	Long	The group can provide climate-related specialist hire equipment generating additional revenue
Climate leadership	The group could become sector climate leaders	Medium	Reputational enhancement increasing the group's ability to win new customers focused on low-emission transition

The group believes the diverse product offering and geographical spread of its locations present significant risk mitigation to the physical risks brought about by the extreme weather events or changing weather patterns. The group's products are in high demand to respond to the consequences of extreme weather events, such as flooding or record summer temperatures. Climate change and the increased frequency of extreme weather events that it brings about could lead to increasing demand for the group's products and services.

In addition, the increasing complexity and cost of keeping pace with the latest regulatory legislation makes it more difficult for customers to maintain compliance. Low-carbon equipment has tended to be more complicated to maintain and has an increased initial capital cost compared to traditional high-carbon equipment. As such, the group believes there will be an increasing demand shift from customers purchasing a new asset to rental of that asset from an industry specialist such as Andrews Sykes, which will provide an additional economic push to move from direct ownership to rental of equipment. The group believes that this, coupled with the environmental benefits for customers of renting rather than owning assets, will contribute to a larger rental market. Given the group's strong balance sheet and cash reserves, the group is well placed and confident in its ability to be able to capitalise on this increase in demand.

### Resilience of the group's strategy

The group, with its long history, has proved it has a business model that is both resilient and adaptable in the face of change. The group benefits from a geographically diversified operating structure such that it is not reliant on any one particular depot location for the continuation of its business. The group's strategy seeks to take advantage of these benefits presented by the group's business model, whilst also recognising the risks inherent in the business and the environment in which we operate, including the environmental considerations of climate change. The group discusses climate-related matters on a regular basis through the various Committees as previously described and assesses how changes may affect the group's operations and how the business would respond under those circumstances. The group has outlined the thinking under two climate scenarios, an increase in average temperatures by 2°C or less and an increase in average temperatures by more than 4°C.

#### 2°C or less scenario

In a 2°C or less scenario, the group believes that the risks and opportunities faced will primarily be related to transition risks. In this scenario, as the group and our suppliers and customers look to reduce carbon emissions, the group is likely to face increasing costs whether that be through increased cost of our rental fleet or other operational costs from increased energy costs or property rates increasingly being tied to the efficiency of the property. In order to minimise these costs, we are working with our suppliers and other parties to move to newer, more efficient technologies where possible and find operational savings that energy efficient products offer.

In the near to medium term, production capacity will likely constrain the availability of new technology. The group expects to have sufficient time to be able to transition our rental fleet to the latest technology gradually under the normal economic replacement cycle of the fleet. The group believes there will be an increasing demand shift from customers purchasing a new asset to rental of that asset from an industry specialist such as Andrews Sykes, which will provide an additional economic push to move from direct ownership to rental.

We expect rental and transportation rates to reflect the increased cost of rental and transportation equipment, enabling us to maintain similar levels of gross margin. As the disposal of old rental fleet is not a significant driver of operating profit for the group, an anticipated reduction in the second-hand value of the group's older, less environmentally friendly equipment is not anticipated to have a material impact on the group's results.



## 4°C or more scenario

In a 4°C scenario, we would expect to see an increase in physical risks (i.e. increased instances of extreme weather events) in addition to the transition risks discussed above. As previously discussed, The group benefits from a geographically diversified operating structure such that it is not reliant on any one particular depot location for the continuation of its business. This geographical diversification provides some mitigation to the immediate impact of physical risks on our operations and enables us to plan for the longer term. In a 4°C scenario, there is an increased likelihood of more extreme weather events such as flooding, extreme summer temperatures, wildfires and other natural disasters, which would cause damage to our operations resulting in lost revenue and higher rectification costs.

In any scenario, the speed of the transition of assets from high carbon to low carbon will be constrained by the availability of new technologies and manufacturing capacity. The group believes that its long-standing supply relationships with key equipment suppliers will aid in this transition and allow for equipment to be transitioned within the group's regular replacement cycle.

## Risk management

### Identifying and assessing climate-related risks

To establish the group's exposure to climate-related risk, a list of risks, including physical and transition risks, has been developed by the ESG Committee. Physical risks are either acute (for instance arising from flooding) or chronic (e.g. rising global temperatures). Transition risks can include policy and regulation, technological, market, reputation or legal risks. This list of risks has been assessed to evaluate the likelihood and materiality of impact and incorporates both financial and non-financial factors. This approach will be regularly reviewed and updated by the ESG Committee.

### Managing climate-related risks

Having created a detailed climate-related risk list, the ESG Committee has identified and refined the risks according to their materiality and they are then embedded into the ESG Committee's risk management framework where climate-related controls and mitigation activities are sought from internal stakeholders, as well as any climate risk specialists as required. On at least a six-monthly basis, the Executive Strategy Team assess the group's comprehensive list of climate-related risks and opportunities for materiality based on their likelihood and impact. This approach is aligned with the group's risk management framework and based on current expectations of climate trajectories and global action. The Executive Strategy Team then decide whether to transfer, control or mitigate each risk and embed into the group's overall risk management framework.

### Integrating climate-related risk into overall risk management

The process for identifying, assessing and managing climate-related risks is the same as for all the risks faced by the group. The Board has overall responsibility for risk management and implementation of the risk management policy; included within this is responsibility for climate-related risks.

Climate-related risk management is integrated in our overall risk management. As described above, the group's climate-related risks are integrated into the group's overall risk register and used by the Board to assess the group's principal risks. All risks and opportunities identified in this disclosure are therefore listed in the group's risk register.

The group's risk management processes ensure that risks are promptly identified, assessed and responded to.

The group's Risk Committee monitors the actions taken across the group to manage the group's risk and ensure that adequate assurance is obtained over them. In addition, the group's Risk Committee ensures that risks have been appropriately assessed in relation to risk rating.

# Strategic Report

## Task force on climate-related financial disclosures (continued)

### Metrics and targets

The group has been disclosing Scopes 1 and 2 emissions for the group's UK subsidiaries since 2020 in accordance with Streamlined Energy and Carbon Reporting ("SECR"). This gives some trend analysis but does not include all the subsidiaries of the group. In FY23 the group has adopted the Greenhouse Gas ("GHG") Protocol methodology to calculate the entire group's GHG emissions. The use of this metric will allow for aggregation and comparison across organisations and jurisdictions. FY23 will be the first year of consolidated group GHG emissions and as such will form a baseline for the assessment of future years.

The group has set the following metrics to reduce exposure to climate-related risks:

	1 January 2023 to 31 December 2023	1 January 2022 to 31 December 2022
	Tonnes CO <sub>2</sub> e	Tonnes CO <sub>2</sub> e
Scope 1: Combustion of fuel and operation of facilities	2,237.19	2,948.14
Scope 2: Electricity, heat, steam and cooling purchased for own use	250.39	286.32
<b>Total Scope 1 and Scope 2 emissions</b>	<b>2,487.58</b>	<b>3,234.46</b>
Scope 3: Electricity	21.53	11.39
Scope 3: Waste	28.11	14.87
Scope 3: Transport - other business travel	234.00	123.80
<b>Total Scope 3 emissions</b>	<b>283.64</b>	<b>150.06</b>
<b>Total Scope 1, 2 and 3</b>	<b>2,771.22</b>	<b>3,384.52</b>
Tonnes of CO <sub>2</sub> e per £m turnover	35.19	40.77

The group is working towards an estimate of the group's Scope 3 emissions and to understand how these will evolve going forward. The most significant components of the group's Scope 3 emissions relate to the group's customers' use of our assets during the rental period. Measuring Scope 3 emissions will involve a significant application of judgement. Accordingly, even when developed, the group's Scope 3 emissions will always be subject to a significant degree of estimation uncertainty.

During the year the group achieved a 613.30 tonnes of CO<sub>2</sub>e reduction, or 18.1%, on the prior year. This was largely achieved due to the 710.95 tonnes of CO<sub>2</sub>e reduction in the Scope 1 emissions. The business is in the process of transitioning its fleet of vehicles away from internal combustion engines to those using hybrid and full electric technology. This shift has primarily driven the decrease in this area, along with the continued monitoring and reporting of vehicle usage. The business continues to promote video conferencing and a reduction in business travel in cars where possible. This reduction in business travel in cars has naturally led to an increase in the use of public transportation, notably rail, which has increased the Scope 3 emissions during the year. The group's tonnes of CO<sub>2</sub>e per £m turnover has decreased 13.7% in the year, from 40.77 to 35.19.

The group has set a near-term target to reduce Scope 1 and 2 emissions by 5% per year and to achieve a 35% reduction in the total CO<sub>2</sub> from the 2023 baseline level by 2030. We will develop a long-term plan to reach net zero by 2050, in line with the UK commitments. Our road map will focus on Scope 1 and 2 emissions showcasing a full breakdown of all carbon-related activities.

In order to achieve these targets, the group is working on creating detailed plans covering all aspects of the group's operations including, but not limited to, our product offering, vehicle fleet, properties, operations and supply chain, all over multi-year timeframes. Target areas include:

- near term: use of HVO fuels, route optimisation, telematics, use of heat pump technology and sourcing renewable energy;
- medium term: including transition to lower-carbon transport fleet and renewable energy generation; and
- long term: including decarbonisation of hire fleet equipment.

The group's pathway to reducing carbon will specifically focus on targets that cover our transport fleet, fuel usage, energy and waste consumption. Currently 30% of our UK fleet is either full electric or hybrid. As our vehicles are largely leased for on average 48-60 months, the group has an up-to-five-year replacement cycle. As such, the group's aim is that by 2030, 80% of our car fleet is either full electric or hybrid and 30% of our commercial fleet is full electric or hybrid. To support this, we aim to install electric charging points at all of the large hub depots throughout the group. In addition, by 2030 we aim to reduce our internal energy consumption by 30%. The group aims to achieve this electricity usage through the installation of LED lighting throughout our depot network along with various other energy saving initiatives including the installation of AMR meters throughout our depots.

Details of the group's policies on its employees and social matters can be found on page 19 under the disclosures on directors' duties and Section 172(1) statement. Details of the group's policies and procedures in respect to human rights and anti-bribery matters can be found on page 23 within the Directors' Report.

# Strategic Report

## Review of risks and uncertainties

### Principal risks and uncertainties

The group's principal risks are as follows:

#### Going concern

The directors are required to consider the application of the going concern concept when approving financial statements. Full details of these considerations are given in note 1 on page 43.

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.

#### Competitive risks

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 amongst 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. Our pricing is regarded as competitive to the market place.

#### Technological risks

In order to remain competitive, management recognises the need to invest in appropriate IT equipment and software to ensure we continue to meet the demands of customers and remain operationally efficient. 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 is currently working through an upgrade of its existing IT systems and this will involve a new group-wide ERP system being fully rolled out over the next year.

#### Climate risk

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. Further information can be found under the task force on climate -related financial disclosures on pages 11 to 16.

#### 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 29 to the consolidated financial statements, are:

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

# Strategic Report

## Review of risks and uncertainties (continued)

### 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 2022 (2022: 31 December 2019) and have been rolled forward by an independent qualified actuary to 31 December 2023. The net surplus, after asset restrictions for withholding taxes, at the year end amounted to £1.6 million (2022: £5.4 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 £5.4 million to the surplus as at 31 December 2023 of £1.6 million is as follows:

	£m
Opening IAS 19 surplus less asset restriction recognised in the financial statements	5.4
Contributions paid by the group into the scheme	0.1
Actual loss on scheme assets	(5.7)
Actuarial gain on scheme liabilities	(0.1)
Net pension charge	(0.1)
Movement on asset restriction	2.0
<b>Closing IAS 19 surplus less asset restriction recognised in the financial statements</b>	<b>1.6</b>

The assumptions adopted by the directors, including mortality assumptions and discount rates, used to arrive at the above surplus are set out in note 16 to the financial statements.

#### Defined benefit scheme funding valuation

The last triennial funding valuation was as at 31 December 2022. The formal 2022 funding valuation, including a revised schedule of contributions, was agreed between the pension scheme trustees and the Board of directors in December 2023 and was effective from 1 January 2024. In accordance with this schedule of contributions, and in line with the actions taken by the group during the year as already described, the group is not required to make any further regular contributions into the scheme. This replaces the agreed schedule of contributions from the previous triennial valuation as at 31 December 2019 which required the company to pay £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 £120,000 during 2023 and expects to make no contributions to the pension scheme during 2024.

#### 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. During the prior year, the UK introduced a salary sacrifice arrangement for pension contributions meaning the employer now makes all pension contributions instead of the employee and employer making contributions. As such, the employers' contribution rates vary from 8% to 15%. The current period charge in the income statement amounted to £1,175,000 (2022: £1,017,000). 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.

## Share buybacks

During the year the company repurchased and cancelled 289,301 ordinary shares at a price between 510 pence and 665 pence per share for each of these shares. The company has repurchased its own ordinary shares for cancellation and these purchases enhanced earnings per share and were for the benefit of all shareholders. In the prior year, the company repurchased 26,314 shares at a nominal value of 1 pence per share for cancellation.

At the forthcoming 2023 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 and Section 172(1) statement

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 they consider, 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 adviser. 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 17 to 19 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.

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.

# Strategic Report

## Review of risks and uncertainties (continued)

### Business relationships

Our business strategy prioritises organic growth. We regard customer relationships as being of the utmost importance and our key account customers, which 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.

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.

### 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 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 amongst 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 86.90% 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.

## Principal decisions taken during the year

During the year the Board declared and paid a special dividend of 59.4 pence per share as set out in note 32. During our engagement with investors, the level of cash held by the group was discussed and from this discussion the Board decided to return an additional £24.9 million to shareholders. In reaching this decision the Board considered the group's overall solvency and any potential impact on either the group's creditors or the ability to invest in future capital additions to the hire fleet. The Board concluded that the payment of the special dividend had no material effect on the group's ongoing business and also that there were sufficient distributable reserves to pay the dividend.

During the year the Board made the decision to close our French subsidiary, Andrews Sykes Climat Location. In making the decision, the Board considered the continuing losses being made despite the recent attempts to downsize and return the subsidiary to profitability and the future pipeline of potential work. Ultimately it was decided that the French business did not warrant further investment of cash and management time and both of these resources could be more efficiently deployed elsewhere to generate improved returns for the shareholders and the decision was taken to close the business. A contributing factor was the Board's decision to incorporate a new German subsidiary, Klimamieten AS GmbH. With reference to market research undertaken on the German market, the Board made the decision that the group's resources would be better employed in generating shareholder returns by entering the German market than persisting with the French operations.

Signed on behalf of the Board:

**CD Webb**

Director

7 May 2024

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Wednesbury

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# 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 21.

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 page 8.

## Results and equity dividends

The results for the financial year are set out in the consolidated income statement on page 38.

The company paid three dividends during the year. On 16 June 2023, a final dividend for the year ended 31 December 2022 of 14.00 pence per ordinary share was paid. This was followed on 3 November by an interim dividend for 2023 of 11.90 pence per ordinary share, and a special dividend of 59.40 pence per ordinary share. Total dividend payments made during the year amounted to £35,743,000 (2022: £17,292,000).

The Board has decided to propose a final dividend of 14.00 pence per share. If approved at the forthcoming Annual General Meeting, this dividend, which in total amounts to £5.86 million, will be paid on 21 June 2024 to shareholders on the register as at 24 May 2024.

## Directors

The directors in office at 7 May 2024 are shown on page 30.

In accordance with the company's articles of association, Mr C Webb and Mr JP Murray retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming 2024 Annual General Meeting.

## Directors' interests

Other than the beneficial interests disclosed below, no director in office at 31 December 2023 had any disclosable interests in share capital of the company or any subsidiary undertaking.

	Ordinary one pence shares	
	At 31 December 2023	At 31 December 2023
Estate of 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 2023 and 7 May 2024 or the date of resignation, if earlier.

During the year JG Murray served as a director until 7 June 2023 when he resigned as a director.

## Substantial shareholdings

At 7 May 2024, 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	86.90%

## Directors' share options

None of the directors in office at 31 December 2023 held any options to subscribe for ordinary shares at either 31 December 2023 or 31 December 2022. There have been no changes in the directors' share options during the period from 31 December 2023 to 7 May 2024.



## **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.

## **Business ethics, modern slavery and human rights**

Senior employees across the group receive regular business ethics training to ensure they are aware of their obligations and responsibilities with regard to the UK Bribery Act. The group's Anti-Bribery Committee monitors and oversees compliance with the UK Bribery Act. Anti-corruption and bribery policies are maintained and reviewed on a regular basis with relevant guidance incorporated into our employee handbooks and available on our website.

Human rights and modern slavery are important aspects of our business ethics. We have group-wide policies in place covering these areas, all of which protect our employees, our business and our suppliers. These policies are embedded in our everyday business operations. Modern slavery is an abuse of human rights and we have a separate modern slavery policy that commits the group to ensuring there is no modern slavery in our business or our supply chain. Any suspicion that our policy is being breached or at risk of being breached can be reported through our anonymous whistleblowing procedures.

## **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's consumption is immaterial to the group and is, therefore, not disclosed separately in this Directors' Report.

# Directors' Report

## (continued)

### GHG emissions and energy use for the period 1 January 2022 to 31 December 2023

	1 January 2023 to 31 December 2023	1 January 2022 to 31 December 2022
Emissions from activities, which the company owns or controls, including combustion of fuel and operation of facilities tCO <sub>2</sub> e (Scope 1)	1,750.56	2,339.99
Emissions from purchase of electricity, heat, steam and cooling purchased for own use tCO <sub>2</sub> e (Scope 2, location-based)	154.16	156.83
Total gross Scope 1 and Scope 2 emissions tCO <sub>2</sub> e	1,904.72	2,496.82
Energy consumption used to calculate above emissions (kWh)	7,728,586.95	9,500,635.38
Gas (kWh)	174,937.00	315,694.00
Electricity (kWh)	744,445.00	810,966.00
Transport fuels (kWh)	6,809,204.95	8,373,955.38
Other energy sources (Scope 1 and 2)	N/A	N/A
Total gross Scope 1 and Scope 2 emissions by unit turnover/revenue (tCO <sub>2</sub> e/£M)	40.79	52.45
Methodology	ISO14064 Part 1 2018 and CEMARS	ISO14064 Part 1 2018 and CEMARS
Emissions from other activities tCO <sub>2</sub> e (Scope 3): Electricity	13.34	14.35
Emissions from other activities tCO <sub>2</sub> e (Scope 3): Waste	N/A	N/A
Emissions from other activities tCO <sub>2</sub> e (Scope 3): Transport - other	53.76	21.15
Total gross Scope 3 emissions tCO <sub>2</sub> e	67.10	35.50
Total gross Scope 1, Scope 2 and Scope 3 emissions tCO <sub>2</sub> e	1,971.82	2,532.31
Total gross GHG emissions per unit turnover/revenue (tCO <sub>2</sub> e/£M)	42.22	53.20
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 and electric vehicles within our transport fleet where possible.

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

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. Moving to newer, more efficient depot locations is also enabling the more efficient heating and lighting of our operations and reducing the level of gas and electricity usage.

During 2023, the transition of our fleet of vehicles towards hybrids and full electric vehicles has allowed the business to significantly reduce the level of transport fuel used within the business. As vehicles come to the end of their lease period and are renewed with hybrid or full electric vehicles, the business should see a continuing reduction in the fuel consumption into next year and beyond. In addition, the business carries out meetings via online conferences where possible, in order to reduce fuel consumption.

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, [andrews-sykes.com](http://andrews-sykes.com).

Application of the code:

Code principle	How Andrews Sykes applies the principle
<b>1. Establish a strategy and business model which promote long-term value for shareholders</b>	<p>The principal activity of Andrews Sykes Group plc (the "company") and its subsidiaries (the "group") is the hire, sale and installation of a range of equipment including pumping, portable heating and air conditioning. The group operates from depots in the UK, France, Italy, the Netherlands, Belgium, Luxembourg, Switzerland, Germany and the UAE.</p> <p>Shareholder value in the medium term to long term is intended to be delivered by driving operational excellence across the group and growing within selected markets and geographies. The Board believes that the presence and requirements of a long-standing controlling shareholder helps focus the company's strategy on long-term shareholder value creation.</p> <p>The group's strategy and business model is discussed, agreed and reviewed on a regular basis by the Board and is set out each year in the company's Annual Report with updates (as appropriate) provided in the full year and half year financial results announcements. The group's financial statements can be found in the "Corporate Publications" section of the company's website. The presence and requirements of a long-standing majority shareholder has resulted in a strategy with the key aim of creating long-term shareholder value.</p>

# Directors' Report

## (continued)

Code principle	How Andrews Sykes applies the principle
<b>2. Embed effective risk management, considering both opportunities and threats, throughout the organisation</b>	<p>The group's principal risks, and plans to mitigate these risks, are identified and set out in the company's Annual Report.</p> <p>The Board considers carefully the key risks impacting upon the group based on the information presented to it and makes key decisions taking into account a range of risks, both internal and external to the company, including its supply chain.</p> <p>Key elements of the group's system of internal controls are:</p> <ul style="list-style-type: none"><li>● Control environment - the Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. This is under the direct supervision of the Managing Director, supported by appropriate policy statements.</li><li>● Risk management - the Managing Director is responsible for identifying risks facing the business and for putting in place procedures to mitigate and monitor risks. Risks are assessed and monitored at Board level on an ongoing basis, as well as during the annual business planning process.</li><li>● Information systems - the group has a comprehensive system of financial reporting. The annual budget is approved by the Board. Actual results and variances compared with the budget are reported to the Board monthly, supported by detailed management commentaries. Revised forecasts are regularly prepared and reported to the Board.</li><li>● Control procedures - policies and procedures manuals are maintained at all significant business locations. In particular, there are clearly defined policies for capital expenditure including appropriate authorisation levels. Larger capital projects and major investments and divestment decisions require Board approval.</li><li>● Monitoring systems - internal controls are monitored by executive management.</li></ul> <p>The Board routinely considers the effectiveness of the company's system of internal controls. The Board has established an Audit Committee, further details of which are set out below. The Audit Committee considers risk and internal control as a fundamental part of its responsibilities.</p> <p>The Board reports upon internal financial controls in accordance with the ICAEW's guidance "Internal Control and Financial Reporting".</p>

**Code principle****How Andrews Sykes applies the principle****3. Maintain the Board as a well-functioning, balanced team led by a Chair**

The Board consists of seven members, led by Jean-Jacques Murray, the executive Chairman who manages and provides leadership to the Board to ensure that it is effective in its task of setting and implementing the company's direction and strategy.

There is one other executive member of the Board - Carl Webb, the Group Managing Director, who develops and implements the group's strategy, manages performance and ensures the Board is informed about business matters. Carl was appointed to the Board on 5 March 2021 to assume the day-to-day responsibilities, supported by the Andrews Sykes senior management team, and ensure the continuity of the company's established strategy. Whilst not a full Board member, Ian Poole, the Company Secretary and Group Finance Director, provides financial reporting advice to the Board and is responsible for maintaining the group's financial records.

There are five Non-executive directors of which one, Andrew Kitchingman, is independent. The other non-executive directors Jean-Pierre Murray (Vice Chairman), Marie-Claire Leon, Emmanuel Sebag and Xavier Mignolet - are all associated with EOI (the company's 86.90 % shareholder) and are not considered independent.

The non-executive directors provide oversight and scrutiny of the performance of the executive team to ensure that the company's key strategic objectives are met, as well as representing the shareholders of the company. None of the non-executive directors participate in any performance -related remuneration/ share option schemes.

The company has only one independent non-executive director whereas the code recommends that boards have at least two independent non-executive directors. The Board considers that there is sufficient independence on the Board taking into account the shareholder base of the company. For this reason the Board has no current plans to appoint an additional independent non-executive director but will keep the matter under review.

Andrews Sykes and EOI have entered into a relationship agreement (originally dated 10 December 1999 and updated on 21 September 2018) in which EOI has provided certain assurances to Andrews Sykes with regard to its relationship with Andrews Sykes. The agreement confirms that the business and affairs of Andrews Sykes shall be managed by the Board in accordance with Andrews Sykes' Memorandum and Articles of Association and with applicable laws and all relevant statutory provisions for the benefit of shareholders as a whole. Any transactions or other relationships between EOI and Andrews Sykes will be at arm's length and on a normal commercial basis. Where appropriate, Board members associated with EOI must declare their interest and take no part in decisions.

The Managing Director works full time in the business and is contracted to make such contribution and time commitment as is required for the fulfilment of his duties. The non-executive directors are required to prepare for and to attend Board meetings and meetings of such Board Committees of which they are members. They are expected to commit sufficient time to enable them to fulfil their duties. Each director has access to the company secretary who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. Each director also has the right to take independent professional advice in connection with his or her duties at the company's expense.

Further details of the seven Board members and their experience are provided in the directors and advisers section of the Annual Report and on the Directors section of the company's website. The directors maintain their knowledge through a combination of technical and market bulletins and attendance at seminars.

# Directors' Report

## (continued)

Code principle	How Andrews Sykes applies the principle
<p><b>4. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</b></p>	<p>The Board is considered to comprise individuals with a good blend of relevant experience in the company's sector, the financial and the public markets and with the necessary experience and strategic and operational skills required to drive the group forward.</p> <p>The directors' biographies and skill sets are detailed in the Annual Report and on the Directors section of the company's website.</p> <p>Each director keeps up to date with their specialist experience and knowledge by following relevant information and publications. From time to time this is supported by the company's advisers and specialist consultants.</p>
<p><b>5. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement</b></p>	<p>The Board's performance is primarily measured by the financial performance of the group and its ability to meet key business objectives. In recent years the financial performance of the group has been strong, which has encouraged the Board to believe that its membership is appropriate. The Board also considers that the stability of its membership over recent years has been a major contributor to the company's success. We do, however, recognise that from time to time new Board members will add value and bring fresh ideas. In addition to financial results the Board is also measured on its ability to meet key business objectives, such as the group's geographic growth within mainland Europe.</p> <p>The Chairman evaluates the Board performance informally on a regular basis and formally at least twice per year. The group reviews succession and contingency plans frequently and takes great care and consideration when selecting new Board members.</p>
<p><b>6. Promote a corporate culture that is based on ethical values and behaviours</b></p>	<p>The group has a long-established heritage and reputation based on sound ethical values and the Board considers this to be of great ongoing value. Many companies within our market sector envy our reputation and we frequently optimise this commercially by attracting new staff.</p> <p>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 ISO9001, ISO14001, OHSAS18001 and ISO45001:2018, details of which can be found on the Accreditations page of the company's website.</p> <p>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 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 years plus service, which is a testament to our working culture. We engage with a number of community trusts and charities to offer opportunities to those that have had difficulties finding employment.</p>
<p><b>7. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</b></p>	<p>The company reports on its financial performance and updates on its corporate governance at least two times each year, at the half year and full year financial results. The financial results are also communicated to the stock market via RNS announcements.</p> <p>These reports and announcements are available on the Corporate Publications and Announcements section of the company's website. Copies of previous years' reports since 2010 are also on the company's website.</p> <p>The Board pays particular attention to the votes cast by the shareholders at the AGM. In the event that a significant proportion (&gt;20% including proxies) of independent votes are cast against a resolution at a General Meeting of the company, the Board intends, on a timely basis, to explain any action it has taken or will take as a result of that vote.</p>

## Summary of attendance at meetings

Director	Board meetings	Remuneration Committee	Audit Committee
Number of meetings in the year	2	1	1
JG Murray (deceased)	-	N/A	N/A
JJ Murray	2	1	N/A
AJ Kitchingman	2	1	1
MC Leon	2	N/A	N/A
X Mignolet	2	N/A	1
JP Murray	2	N/A	N/A
EDO A Sebag	2	N/A	N/A
C Webb	2	N/A	N/A

The Remuneration Committee comprises JJ Murray as Chair and AJ Kitchingman. The Committee reviews the performance of executive directors and sets the basis of their service agreements with due regard to the interest of the shareholders. Details of the directors' remuneration are set out in note 9. Due to there only being one other executive director apart from the Chairman, the directors consider the disclosures given in note 9 are adequate and a separate Remuneration Committee Report is not included in these financial statements.

The Audit Committee comprises AJ Kitchingman as Chair and X Mignolet. The Audit Committee is responsible for ensuring that the financial performance of the group is properly monitored, controlled and reported on. The Audit Committee considers risk and internal control as a fundamental part of its responsibilities. It meets the auditor to discuss the audit approach and the results of the audit. The Audit Committee considers the need to introduce an internal audit function each year. After taking into consideration the current size and complexity of the group, the Committee believes that it would not be cost effective to have an internal audit function and the Committee feels that sufficient control is obtained through the scope and quality of management's ongoing monitoring of risks. As such, and given the inclusion of the independent Audit Report on pages 32 to 37, the directors consider no additional Audit Committee Report to be required.

## 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 2023 and subsequently.

## Financial risks

Financial risks are discussed in the Strategic Report under principal risks and uncertainties section on page 17.

## 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

Mazars LLP, who were appointed by the Board at the last Annual General Meeting, 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**  
Executive Chairman  
7 May 2024

Unit 601, Access 10 Business Park  
Bentley Road South  
Wednesbury  
WS10 8LQ

# Directors and Advisers

## Chairmen

### **JJ Murray MBA - Executive Chairman**

Age 57. Chairman of the Remuneration Committee. Executive Chairman of London Security plc, Nu Swift Limited and Ansul S.A.

### **JP Murray- Non-executive Vice Chairman**

Age 55. Non-executive Vice Chairman of London Security plc.

## Executive director

### **CD Webb**

Age 57. Managing Director. Industry specialist, having managed the group's UK hire and sales business for the last 20 years. Appointed Group Managing Director on 5 March 2021.

## Non-executive directors

### **AJ Kitchingman FCA**

Age 59. 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 and HC Slingsby plc.

### **MC Leon BS**

Age 60. Non-executive director of London Security plc.

### **X Mignolet (HEC-Economics)**

Age 59. Director of London Security plc, Ansul S.A. and Importex S.A. Member of the Audit Committee.

### **EDOA Sebag MBA**

Age 56. 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. Group Finance Director.

### **Registered Office and Company Number**

Unit 601, Access 10 Business Park  
Bentley Road South  
Wednesbury  
West Midlands  
WS10 8LQ  
Company number: 00175912

### **Registrar**

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

### **Nominated Adviser**

Houlihan Lokey Advisory Limited  
1 Curzon Street  
London  
W1J 5HD

### **Stockbroker**

Zeus Capital Ltd  
82 King Street  
Manchester  
M2 4WQ

### **Auditor**

Mazars LLP  
First Floor  
Two Chamberlain Square  
Birmingham  
B3 3AX

### **Bankers**

HSBC 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 apply 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 apply 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;
- 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 2023 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity, and notes to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. 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 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006 and prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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

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.

Our audit procedures to evaluate the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the group's and the parent company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, as described in note 1, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors' control;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the inflationary climate;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Key audit matters

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) we identified, including those which 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.

We summarise below the key audit matter in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

This matter, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

### Key audit matter

#### Fraud risk in revenue recognition in the application of cut-off (group)

Refer to the significant accounting policies note 2 and further disclosures on revenue on note 4 to the group financial statements.

The group's revenue for the year of £78,747k (2022: £83,007k) is a highly material balance comprising several revenue streams with varying revenue recognition requirements.

Revenue recognition is susceptible to risk of fraud, especially given revenue is a key performance indicator for the group.

For Andrews Sykes Group plc, we see the risk of fraud in revenue recognition as being principally in relation to cut-off of hire revenue including manual journals posted to revenue during the financial statement close process. This is considered to be a risk in relation to revenue recognised around the year end which may be recorded in the incorrect period.

Additionally, we identified that there is a specific cut-off risk in relation to hire contracts commencing in December. This is because typically hire contracts have revenue recognised and billed in full on the final day of the month, therefore we considered there to be a risk of error surrounding the revenue recognition of contracts commencing part-way through the month as an additional calculation is needed by management to pro-rata revenue accurately.

### How our scope addressed this matter:

Our group audit procedures included, but were not limited to:

- Obtaining an understanding of the process over recognition of revenue across trading components in the group and assessing the design and implementation of the relevant controls;
- Substantive testing of a sample of hire contracts across the group specifically targeting contracts commenced in December to assess whether revenue has been recognised appropriately;
- Substantive testing of a sample of revenue-related deductions such as rebates or credit notes to assess whether revenue has been recognised in the appropriate period; and
- Testing of manual journals recorded to revenue one-month pre and post year end and agreeing the value and accounting treatment to supporting documentation and assessing the cut off treatment.

### Our observations

Based on the audit work performed, revenue is fairly stated.

# Independent Auditor's Report to the Members of Andrews Sykes Group plc (continued)

## Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

### Group materiality

<b>Overall materiality</b>	£1,170,000
<b>How we determined it</b>	5% of profit before taxation (PBT)
<b>Rationale for benchmark applied</b>	We used profit before tax as a basis for materiality as profit before tax is the primary measure used by the shareholders in assessing the performance of the Group.
<b>Performance materiality</b>	<p>Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole</p> <p>We set performance materiality at £825,000, which represents 70% of overall materiality</p> <p>In determining performance materiality, we considered a number of factors such as the history of misstatements detected in previous years, and the effectiveness of the control environment.</p>
<b>Reporting threshold</b>	We agreed with the directors that we would report to them misstatements identified during our audit above £35,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Parent company materiality

<b>Overall materiality</b>	£1,084,000
<b>How we determined it</b>	3% of net assets
<b>Rationale for benchmark applied and other judgements</b>	<p>The company does not trade, with its main operations being that of a holding company, we believe that the net assets are the primary measure used by shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark</p> <p>For the purposes of our audit of group financial statements, materiality was capped at component allocated materiality of £233,000.</p>
<b>Performance materiality</b>	<p>Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole</p> <p>We set performance materiality at £759,000, which represents 70% of overall materiality</p> <p>In determining performance materiality, we considered a number of factors such as the history of misstatements detected in previous years, and the effectiveness of the control environment.</p>
<b>Reporting threshold</b>	We agreed with the directors that we would report to them misstatements identified during our audit above £32,500 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the group and the parent company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included an audit of the group and the parent company financial statements. Based on our risk assessment, two components including the parent company were subject to full scope audit performed by the group audit team. A further seven

components were subject to audit procedures over one or more account balance and/or disclosures by the group audit team. Under the direction and oversight of the group audit partner, the component audit teams performed a full scope audit on one component and audit procedures over one or more account balance and/or disclosures on another.

The components scoped in for audit procedures over one or more account balances and/or disclosures were not individually financially significant enough to require a full scope audit for group purposes, but the group audit risk assessment process identified specific material balances and other specific audit areas require further testing. The remaining five components were subject to analytical procedures and review of financial information at group level.

We set out below a summary of the group approach to demonstrate the coverage of group revenue, profit before tax, net assets and total assets resulting from our audit procedures.

## Coverage of key benchmarks

	Profit before			
	Revenue	tax	Net assets	Total assets
Full scope audit	74%	81%	56%	55%
Audit procedures over one or more balances and/or disclosures	23%*	-	29%	32%
Total coverage	97%	81%	85%	87%

\* coverage based on audit procedures performed over significant risk assertions only

Additionally, at the parent company level, the group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

The component materialities applied in our group audit ranged from £1,000,000 to £188,000.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

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 course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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.

## Matters on which we are required to report by exception

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

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.

# Independent Auditor's Report to the Members of Andrews Sykes Group plc (continued)

## Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 31, 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.

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

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.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with AIM rules for companies, employment regulation, health and safety regulation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group and the parent company, the industry in which they operate, and the structure of the group, and considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as: tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the “Key audit matters” section of this report.

A further description of our responsibilities is available on the Financial Reporting Council’s website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

### **Use of the audit 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.

#### **Louis Burns**

Senior Statutory Auditor  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Birmingham

7 May 2024

# Consolidated Income Statement

## For the year ended 31 December 2023

	Note	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
<b>Continuing operations</b>			
<b>Revenue</b>	4	<b>78,747</b>	83,007
Cost of sales		<b>(27,017)</b>	(30,006)
<b>Gross profit</b>		<b>51,730</b>	53,001
Distribution costs		<b>(11,451)</b>	(14,936)
Administrative expenses		<b>(16,583)</b>	(14,402)
Increase in credit loss provision		<b>(959)</b>	(2,133)
<b>Operating profit</b>		<b>22,737</b>	21,530
<b>Adjusted EBITDA*</b>			
Depreciation		<b>(6,002)</b>	(6,565)
Depreciation and impairment of right-of-use assets		<b>(2,814)</b>	(4,017)
Profit on the sale of plant and equipment		<b>673</b>	575
Profit on the sale of property		<b>-</b>	866
Profit on the sale of right-of-use assets		<b>258</b>	55
<b>Operating profit</b>		<b>22,737</b>	21,530
Finance income	6	<b>1,618</b>	631
Finance costs	7	<b>(759)</b>	(610)
<b>Profit before tax</b>	8	<b>23,596</b>	21,551
Tax expense	10	<b>(5,838)</b>	(4,531)
<b>Profit for the year attributable to equity holders of the parent company</b>		<b>17,758</b>	17,020
There were no discontinued operations in either of the above periods.			
<b>Earnings per share from continuing and total operations:</b>			
<b>Basic (pence)</b>	11	<b>42.24p</b>	40.36p
<b>Diluted (pence)</b>	11	<b>42.24p</b>	40.36p
<b>Interim, final and special dividends paid per equity share (pence)</b>	32	<b>85.30p</b>	41.00p
<b>Proposed final dividend per equity share (pence)</b>	32	<b>14.00p</b>	14.00p

\* Earnings before interest, taxation, depreciation, profit on the sale of property, plant and equipment, amortisation and other gains and losses.



# Consolidated Statement of Comprehensive Income

## For the year ended 31 December 2023

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Profit for the year	17,758	17,020
<b>Other comprehensive income</b>		
Currency translation differences on foreign operations	(436)	1,222
Foreign exchange difference on IFRS 16 adjustments	15	(32)
<b>Net other comprehensive (expense)/income that may be recycled to profit and loss</b>	<b>(421)</b>	1,190
Remeasurement of defined benefit pension assets and liabilities	16 (5,988)	823
Related asset restriction	2,012	(735)
<b>Net other comprehensive (expense)/income that will not be recycled to profit and loss</b>	<b>(3,976)</b>	88
Other comprehensive income for the year net of tax	(4,397)	1,278
<b>Total comprehensive income for the period attributable to equity holders of the parent company</b>	<b>13,361</b>	18,298

# Consolidated Balance Sheet

## At 31 December 2023

		31 December 2023 £'000	31 December 2022 £'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	12	19,344	19,361
Right-of-use assets	13	13,959	9,667
Deferred tax asset	15	126	229
Retirement benefit pension surplus	16	1,618	5,353
		<b>35,047</b>	34,610
<b>Current assets</b>			
Stock	17	2,405	4,434
Trade and other receivables	18	19,251	19,535
Current tax assets	19	904	423
Other financial assets	20	-	16,700
Cash and cash equivalents	21	19,967	20,518
		<b>42,527</b>	61,610
<b>Total assets</b>		<b>77,574</b>	96,220
<b>Current liabilities</b>			
Trade and other payables	22	17,858	16,695
Current tax liabilities	23	950	810
Right-of-use lease obligations	25	2,429	2,505
		<b>21,237</b>	20,010
<b>Non current liabilities</b>			
Right-of-use lease obligations	25	12,968	8,817
Provisions	26	2,903	2,682
		<b>15,871</b>	11,499
<b>Total liabilities</b>		<b>37,108</b>	31,509
<b>Net assets</b>		<b>40,466</b>	64,711
<b>Capital and reserves</b>			
Share capital	27	419	421
Share premium		13	13
Retained earnings		36,048	59,872
Translation reserve		3,737	4,158
Other reserve		249	247
<b>Total equity</b>		<b>40,466</b>	64,711

These consolidated financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the Board of directors on 7 May 2024 and were signed on its behalf by:

**JJ Murray**  
Executive Chairman

# Consolidated Cash Flow Statement

## For the year ended 31 December 2023

		Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
<b>Operating activities</b>			
<b>Profit for the year after tax</b>		<b>17,758</b>	17,020
<i>Adjustments to reconcile profit for the year to net cash inflow from operating activities:</i>			
Taxation charge	10	<b>5,838</b>	4,531
Finance costs	7	<b>759</b>	610
Finance income	6	<b>(1,618)</b>	(631)
Profit on sale of plant and equipment	8	<b>(673)</b>	(575)
Profit on sale of property	8	<b>-</b>	(866)
Profit on sale of right-of-use assets	8	<b>(258)</b>	(55)
Depreciation of property, plant and equipment	12	<b>6,002</b>	6,565
Depreciation and impairment of right-of-use assets	13	<b>2,814</b>	4,017
Difference between pension contributions paid and amounts recognised in the consolidated income statement	16	<b>147</b>	(1,152)
Movements in stocks	17	<b>(550)</b>	(1,206)
Decrease in receivables	18	<b>41</b>	1,232
Increase in payables	22	<b>1,289</b>	2,492
Movement in provisions	26	<b>221</b>	711
<b>Cash inflow from continuing operations</b>		<b>31,770</b>	32,693
Interest paid	7	<b>(759)</b>	(610)
Corporation tax paid		<b>(6,065)</b>	(4,487)
<b>Net cash inflow from operating activities</b>		<b>24,946</b>	27,596
<b>Investing activities</b>			
Disposal of plant and equipment		<b>1,145</b>	1,906
Purchase of property, plant and equipment		<b>(4,060)</b>	(2,463)
Cash on deposit with greater than three month maturity	20	<b>16,700</b>	(16,700)
Interest received excluding foreign exchange gains	6	<b>1,202</b>	265
<b>Net cash inflow/(outflow) from investing activities</b>		<b>14,987</b>	(16,992)
<b>Financing activities</b>			
Loan repayments	24	<b>-</b>	(3,000)
Capital repayments for right-of-use lease obligations		<b>(2,759)</b>	(2,849)
Equity dividends paid	32	<b>(35,743)</b>	(17,292)
Equity dividends forfeited		<b>(1,863)</b>	85
<b>Net cash outflow from financing activities</b>		<b>(40,365)</b>	(23,056)
<b>Net decrease in cash and cash equivalents</b>		<b>(432)</b>	(12,452)
Cash and cash equivalents at the start of the year		<b>20,518</b>	32,443
Effect of foreign exchange rate changes		<b>(119)</b>	527
<b>Cash and cash equivalents at the end of the year</b>	21	<b>19,967</b>	20,518

# Consolidated Statement of Changes in Equity

## For the year ended 31 December 2023

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Translation reserve £'000	Capital redemption reserve £'000	UAE legal reserve £'000	Netherlands legal reserve £'000	Attributable to equity holders of the parent £'000
Balance at 31 December 2021	422	13	59,971	2,968	158	79	9	63,620
Profit for the year	-	-	17,020	-	-	-	-	17,020
Other comprehensive income for the year net of tax	-	-	88	1,190	-	-	-	1,278
Total comprehensive income	-	-	17,108	1,190	-	-	-	18,298
Dividends paid*	-	-	(17,292)	-	-	-	-	(17,292)
Share and dividend forfeiture	(1)	-	85	-	1	-	-	85
Total of transactions with shareholders	(1)	-	(17,207)	-	1	-	-	(17,207)
Balance at 31 December 2022	<b>421</b>	<b>13</b>	<b>59,872</b>	<b>4,158</b>	<b>159</b>	<b>79</b>	<b>9</b>	<b>64,711</b>
Profit for the year	-	-	17,758	-	-	-	-	17,758
Other comprehensive expense for the year net of tax	-	-	(3,976)	(421)	-	-	-	(4,397)
Total comprehensive income/(expense)	-	-	13,782	(421)	-	-	-	13,361
Dividends paid*	-	-	(35,743)	-	-	-	-	(35,743)
Share repurchase	(2)	-	(1,863)	-	2	-	-	(1,863)
Total of transactions with shareholders	(2)	-	(37,606)	-	2	-	-	(37,606)
<b>Balance at 31 December 2023</b>	<b>419</b>	<b>13</b>	<b>36,048</b>	<b>3,737</b>	<b>161</b>	<b>79</b>	<b>9</b>	<b>40,466</b>

\* See note 32 for further details

### 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 1 pence 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 2023

### 1 General information

#### Legal status and country of incorporation

Andrews Sykes Group plc, company number 00175912, is a public company limited by shares and was incorporated in England and Wales under the Companies Acts 1908-1917. 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. The address of the registered office is Unit 601, Access 10 Business Park, Bentley Road South, Wednesbury, West Midlands, WS10 8LQ.

#### 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 apply 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. In the previous year, the group repaid in full the £3.0 million bank loan outstanding and now have no external loans in place. 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.

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 2024, and has extrapolated this forward until the end of May 2025 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 2024 forecasts have been reviewed and approved by the Board.

Whilst profitability and cash flow performance to the end of March 2024 have been close to expectation, in order to further assess the company's ability to continue to trade as a going concern, management has 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 13% versus budget - a variance level seen across any individual product class for 2023 and 2022 actual results versus 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 Board considers this scenario to be extremely unlikely. The headline numbers at a group level are as follows:

- Group turnover for the 12 months ending 31 December 2024 is forecast to be adverse to the 31 December 2023 figures. Operating profit is below the profit for 2023.
- Closing net funds as at the end of May 2025 are forecast to be below the level reported at 31 December 2023.

Under this reasonable worst-case scenario, the group has sufficient net funds throughout 2024 and up to the end of May 2025, to continue to operate as a going concern.

# Group Accounting Policies

## For the year ended 31 December 2023 (continued)

### 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 and management experience to continue to trade for the foreseeable future even in the reasonable worst-case scenario identified by the group. Management has also considered the risks previously identified around climate change and their potential impact on the forecasts produced and has not identified any significant risks that impact the going concern assumption. 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 2023 and the comparative period is for the 12 months ended 31 December 2022.

#### 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 78 to 85, 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 2023

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 is not aware of any new UK-adopted international financial reporting standards that would have a material impact on the group's financial statements.

## 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 2023. 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 and charged to cost of sales and administrative expenses in the income statement 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	14% to 33%
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. Profit on the sale of plant and equipment are ad-hoc transactions and do not constitute a separate line of business.

### Leased assets

#### Lessors 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. Further detail has been disclosed in the revenue note on page 51.

# Group Accounting Policies

## For the year ended 31 December 2023 (continued)

### 2 Significant accounting policies continued

#### Lessee accounting

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.

For short-term leases, as defined by IFRS 16, operating lease payments are charged as an expense in the income statement on a straight-line basis over the lease term. This accounting policy applies for 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 30.

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.

#### Stocks

Stocks are valued at the lower of cost of purchase and net realisable value on a first-in-first-out basis. 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. Items of stock are periodically capitalised to property, plant and equipment and added to the hire fleet for rental out to external customers. These items of stock are transferred at cost price and capitalised within property, plant and equipment.



## 2 Significant accounting policies continued

### 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 measured at fair value through profit or loss or at 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 the expected credit losses on 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 18 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.

#### 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 assets

Other financial assets comprise amounts of cash that the Group has on deposit with a maturity date in excess of three months from the date of initial deposit.

#### 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.

# Group Accounting Policies

## For the year ended 31 December 2023 (continued)

### 2 Significant accounting policies continued

#### 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 16, 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 are presented separately on the balance sheet within non-current assets, respectively, after the withholding tax applicable to pension scheme surpluses in the UK of 35% has been included against them. An asset restriction is applied to the associated defined benefit surplus as it is expected that the defined benefit scheme would deduct withholding tax from any surplus before a net surplus is returned to the company. No deferred taxation is recognised for the timing difference on actuarial movements on the basis that the net surplus is expected to be recovered by way of a refund on wind-up. Net defined benefit pension scheme surpluses are only recognised to the extent of any future refunds 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.

#### 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 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 consolidated statement of changes in equity. 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.

## 2 Significant accounting policies continued

### 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. Any rebates are treated as variable lease income and recognised in the income statement when it is earned;
- 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 recognised under IFRS 15 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. Sales or revenue rebates are recognised as a separate liability to reflect the method of settlement and included as a component of accruals (see note 22). This balance also includes separate rebates for hire revenue whereby recognition and measurement criteria have been met under IFRS 16. The Group reviews its estimate at each reporting date and updates the liability accordingly.

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.

### 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.

### 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 commonly used in the industry as a 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.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2023

### 2 Significant accounting policies continued

#### 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.

Restructuring costs include those costs, including redundancy and associated move costs, expected to be incurred as a result of site relocation.

France closure costs include those costs, including redundancy, legal and contractual exit costs, expected to be incurred as a result of the decision to cease operations in France.

### 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.

#### Judgements

##### Pension scheme surplus recoverability

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 unconditional right to recover the related net surplus upon wind-up, and the expected manner of recovery of any surplus is via a refund, it is appropriate to recognise the asset in the consolidated financial statements. When assessing the valuation of the surplus, the directors have recognised any associated tax as an asset restriction.

##### Disclosure of France ceasing to trade

When assessing the disclosures required around the French subsidiary ceasing to trade during the year, the directors have considered IFRS 5 and have concluded that France is not to be classified and disclosed as a discontinued operation due to France not being disposed of or classified as held for sale whilst existing contracts continue to wind down.

#### Estimates

##### Incremental borrowing rate for leased assets

The group operates from a large number of leased premises throughout its entire geographical footprint. In addition, the group chooses to lease its fleet of motor vehicles to allow operational flexibility. Each of these leases is subject to an incremental borrowing rate used to calculate the right-of-use liability and asset value. Given the group operates in different legal jurisdictions and does not have any direct borrowings in all of these jurisdictions, there is an element of estimation in determining the applicable incremental borrowing rate. The incremental borrowing rate used is based on indicative rates provided by the group's bank.

If the incremental borrowing rate was increased/decreased by 1% the interest charge would increase/decrease by approximately £20,000 per annum and the value of the right-of-use additions during the year would decrease/increase by approximately £0.4 million.

##### Pension scheme assumptions and mortality tables

As set out in note 16, 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 16 on page 66.

### 3 Use of critical accounting judgements and estimates continued

#### 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. The group incurs maintenance spend in order to keep its fleet to a high level of repair, which often extends an individual asset's life beyond its originally assessed useful economic life. During the year the group incurred £2.6 million of repair costs. More substantial repairs, such as replacement parts, are capitalised, with the asset also removed from the fixed asset register. To provide sufficient asset availability for periods of extreme weather, the group routinely keeps nil net book value items rather than scrap them. The profits on the disposal of hire assets represent occasional requests to sell hire assets, often to an existing customer, and are not considered by management to indicate that there is positive residual value in the entire hire assets portfolio. The group also considers market-based evidence from other comparable industry competitors when assessing the useful economic life of its assets. Information on the estimated useful lives of equipment for hire is included in the accounting policies. Further details of property, plant and equipment are disclosed in note 12.

If the economic life of each of the hire fleet assets 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 £1.9 million.

#### Expected credit losses

Management considers 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, for instance the debtor is in liquidation or receivership.

If the credit loss percentage for the gross debtors greater than six months old was increased by 10%, the expected credit loss provision would increase by approximately £0.1 million. Similarly, if the credit loss percentage for the gross debtors greater than six months old was decreased by 10%, the expected credit loss provision would decrease by approximately £0.4 million. Further disclosure is included in note 18 on page 68.

### 4 Revenue

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

	2023 £'000	2022 £'000
<b>Continuing operations</b>		
Revenue outside the scope of IFRS 15 and recognised as lease income in accordance with IFRS 16:		
Hire	73,706	74,612
Revenue recognised at a point in time in accordance with IFRS 15:		
Sales	2,885	5,482
Maintenance	1,243	1,357
Installation including sales of units	913	1,556
<b>Group consolidated revenue from the sale of goods and provision of services</b>	<b>78,747</b>	<b>83,007</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023 (continued)

## 5 Business and geographical segmental analysis

The group operates in the United Kingdom, Europe (the Netherlands, Belgium, Italy, France, Germany, 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.

The group holds no external loans. The internal management accounts provided to the Board include balance sheet and cash flow information provided on both an entity only 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 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
	Andrews Sykes Climat Location SAS	France
	Klimamieten AS GmbH	Germany
	Andrews Sykes 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 Netherlands, Belgium, Italy, Germany, 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.

## 5 Business and geographical segmental analysis continued

The reportable segments are therefore:

Segment	Entity	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
	Andrews Sykes Climat Location SAS	France
	Klimamieten AS GmbH	Germany
	Andrews Sykes Climat Location SA	Switzerland
Hire and sales Middle East	Andrews Sykes Luxembourg SARL	Luxembourg
	Khansaheb Sykes LLC	United Arab Emirates
Installation and maintenance	Andrews Air Conditioning and Refrigeration Limited	United Kingdom

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.

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 2023

	Hire & sales UK	Hire & sales Europe	Hire & sales Middle East	Installation and maintenance	Subtotal	Eliminations	Consolidated results
Revenue	£'000	£'000	£'000	£'000	£'000	£'000	£'000
External sales:							
Hire	42,840	25,964	4,902	-	73,706	-	73,706
Sales	1,479	700	706	-	2,885	-	2,885
Maintenance	-	-	-	1,243	1,243	-	1,243
Installations	47	4	-	862	913	-	913
Total external sales	44,366	26,668	5,608	2,105	78,747	-	78,747
Inter-segment sales	240	917	100	-	1,257	(1,257)	-
Total revenue	44,606	27,585	5,708	2,105	80,004	(1,257)	78,747
<b>Segment result</b>	<b>15,009</b>	<b>8,663</b>	<b>401</b>	<b>(48)</b>	<b>24,025</b>		<b>24,025</b>
Unallocated overheads and expenses							(1,288)
<b>Operating profit</b>							<b>22,737</b>
Finance income							1,618
Finance costs							(759)
<b>Profit before taxation</b>							<b>23,596</b>
Taxation							(5,838)
<b>Profit for the period from continuing and total operations</b>							<b>17,758</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023 (continued)

## 5 Business and geographical segmental analysis continued

Income statement analysis for the 12 months ended 31 December 2022

	Hire & sales UK	Hire & sales Europe	Hire & sales Middle East	Installation and maintenance	Subtotal	Eliminations	Consolidated results
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue							
External sales:							
Hire	45,544	23,200	5,868	-	74,612	-	74,612
Sales	1,579	994	2,909	-	5,482	-	5,482
Maintenance	-	-	8	1,349	1,357	-	1,357
Installations	90	10	-	1,456	1,556	-	1,556
Total external sales	47,213	24,204	8,785	2,805	83,007	-	83,007
Inter-segment sales	347	72	-	-	419	(419)	-
Total revenue	47,560	24,276	8,785	2,805	83,426	(419)	83,007
<b>Segment result</b>	16,425	6,888	(365)	33	22,981		22,981
Unallocated overheads and expenses							(1,451)
<b>Operating profit</b>							21,530
Finance income							631
Finance costs							(610)
<b>Profit before taxation</b>							21,551
Taxation							(4,531)
<b>Profit for the period from continuing and total operations</b>							17,020

Balance sheet information as at 31 December 2023

	Hire & sales UK	Hire & sales Europe	Hire & sales Middle East	Installation and maintenance	Subtotal	Eliminations	Consolidated results
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment assets	36,665	20,201	5,177	645	62,688	-	62,688
Retirement benefit pension surplus							1,618
Deferred tax assets							126
Current tax assets							904
Unallocated corporate assets							12,238
<b>Consolidated total assets</b>							77,574
Segment liabilities	(24,171)	(9,150)	(1,478)	(488)	(35,287)	-	(35,287)
Current tax liabilities							(950)
Unallocated corporate liabilities							(871)
<b>Consolidated total liabilities</b>							(37,108)



## 5 Business and geographical segmental analysis continued

Balance sheet information as at 31 December 2022

	Hire & sales UK £'000	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation and maintenance £'000	Subtotal £'000	Eliminations £'000	Consolidated results As restated £'000
Segment assets	33,717	24,320	6,638	880	65,555		65,555
Retirement benefit pension surplus							5,353
Deferred tax assets							229
Current tax assets							423
Unallocated corporate assets							24,660
Consolidated total assets							96,220
Segment liabilities	(18,997)	(8,603)	(1,590)	(562)	(29,752)	-	(29,752)
Current tax liabilities							(810)
Unallocated corporate liabilities							(947)
Consolidated total liabilities							(31,509)

### Other information for the 12 months ended 31 December 2023

	Hire & sales UK £'000	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation and maintenance £'000	Consolidated results £'000
Capital additions	3,764	2,547	271	-	6,582
Right-of-use asset additions	7,020	707	8	137	7,872
Depreciation	3,078	2,155	769	-	6,002
Right-of-use asset depreciation	1,745	962	53	54	2,814

### Other information for the 12 months ended 31 December 2022

	Hire & sales UK £'000	Hire & sales Europe £'000	Hire & sales Middle East £'000	Installation and maintenance £'000	Consolidated results £'000
Capital additions	2,145	2,525	444	-	5,114
Right-of-use asset additions	1,086	724	32	14	1,856
Depreciation	3,329	2,186	1,032	18	6,565
Right-of-use asset depreciation	2,126	1,786	47	58	4,017

### (ii) Geographical segments

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

	By origin		By destination	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
United Kingdom	46,471	50,018	46,229	49,371
Europe	26,667	24,204	26,895	24,826
Middle East and Africa	5,609	8,785	5,614	8,802
Rest of the World	-	-	9	8
	78,747	83,007	78,747	83,007

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023 (continued)

## 5 Business and geographical segmental analysis continued

The carrying amounts of segment assets and non-current assets (excluding retirement benefit pension surplus, current 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.

	By origin		By destination	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
United Kingdom	49,548	59,257	23,536	18,439
Europe	20,201	24,320	8,714	8,927
Middle East and Africa	5,177	6,638	1,053	1,662
	<b>74,926</b>	90,215	<b>33,303</b>	29,028

## 6 Finance income

	2023 £'000	2022 £'000
Net pension scheme interest on pension scheme surplus (note 16)	388	124
Interest receivable on bank deposit accounts	1,202	265
Inter-company foreign exchange gains	28	242
	<b>1,618</b>	631

## 7 Finance costs

	2023 £'000	2022 £'000
Interest charge on bank loans and overdrafts	-	33
Interest charge on right-of-use lease obligations	759	577
	<b>759</b>	610

## 8 Profit before taxation

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

	Note	2023 £'000	2022 £'000 As restated
Net foreign exchange trading (gains) and losses		85	(32)
Depreciation of property, plant and equipment	12	6,002	6,565
Depreciation of right-of-use assets	13	2,814	3,021
Impairment of right-of-use assets	13	-	996
Profit on sale of plant and equipment	12	(673)	(575)
Profit on sale of property	12	-	(866)
Profit on sale of right-of-use assets	13	(258)	(55)
Cost of stock recognised as an expense	17	7,680	11,167
Vehicle and travel costs		4,261	5,419
Property costs		5,462	5,441
Rehire costs		2,589	2,416
Professional services		2,710	2,450
IT and communication		1,629	1,631
Operating lease rental payments for short-term leases		287	447
Gross employment costs	9	23,113	23,114
Auditor's remuneration:			
The audit of the consolidated accounts		98	85
The audit of the group's subsidiaries annual accounts		211	253
		<b>56,010</b>	61,477
Representing functional costs of:			
Cost of sales		27,017	30,006
Distribution costs		11,451	14,936
Administrative expenses		16,583	14,402
Increase in credit loss provision		959	2,133
		<b>56,010</b>	61,477

No fees were payable to the company's auditor in respect of non-audit services in the current or prior year. The prior year audit fee has been restated for additional fees agreed following the signing of the group accounts.

## 9 Employee information

The average number of people employed by the group during the year was:

	2023 Number	2022 Number
Sales and distribution	155	166
Engineers	191	242
Managers and administration	133	143
Total employees	<b>479</b>	551

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023 (continued)

## 9 Employee information continued

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

	2023 £'000	2022 £'000
Wages and salaries	19,206	19,421
Redundancy and termination payments	85	278
Social security costs	2,647	2,398
Other defined contribution pension costs (note 16)	1,175	1,017
Employment costs	<b>23,113</b>	23,114

### Key management compensation

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

	2023 £'000	2022 £'000
Short-term employee benefits	2,855	2,834
Post employment benefits - pensions	134	148
Social security costs	438	411
	<b>3,427</b>	3,393

### Directors' emoluments

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

Director	2023			2022		
	Emoluments £'000	Pension £'000	Total £'000	Emoluments £'000	Pension £'000	Total £'000
AJ Kitchingman	42	-	42	41	-	41
MC Leon	20	-	20	20	-	20
JJ Murray	44	-	44	36	-	36
JP Murray	20	-	20	20	-	20
CD Webb	514	-	514	469	13	482
	<b>640</b>	-	<b>640</b>	586	13	599

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

For key management personnel purposes, £78,000 (2022: £63,000) of NI contributions should be included in the above totals.

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

	2023 Number	2022 Number
Defined contribution	1	1
Defined benefit	-	-

The total amount payable to the highest paid director in respect of remuneration was £514,000 (2022: £469,000). Company pension contributions of £Nil (2022: £13,000) were made to a money purchase pension scheme on his behalf.

In the current and prior 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

	2023	2022
	£'000	£'000
<b>Current tax:</b>		
UK corporation tax at 23.5% (2022: 19%)	3,457	2,538
Adjustments in respect of prior year	3	(55)
	<b>3,460</b>	<b>2,483</b>
Overseas tax based on the taxable profit for the period	2,275	2,088
Total current tax charge	<b>5,735</b>	<b>4,571</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	177	(173)
Adjustments in respect of prior years	(74)	133
Total deferred tax charge	<b>103</b>	<b>(40)</b>
<b>Tax expense reported in the consolidated income statement</b>	<b>5,838</b>	<b>4,531</b>

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 23.5% (2022: 19%) as follows:

	2023	2022
	£'000	£'000
<b>Reconciliation of total tax charge</b>		
Profit on ordinary activities before tax	23,596	21,551
Corporation tax charge at standard rate of 23.5% (2022: 19%)	5,545	4,095
<i>Adjusted by the effects of:-</i>		
Expenses not deductible for tax purposes	79	(290)
Effects of different tax rates of overseas subsidiaries	42	486
Utilisation of overseas tax losses	(22)	(30)
Overseas tax losses not recognised	265	192
Adjustments to tax charge in respect of prior periods	(71)	78
Total tax expense reported in the consolidated income statement	<b>5,838</b>	<b>4,531</b>

### 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 19% to 25% with effect from 1 April 2023, thus a blended rate of 23.5% is applicable for the current year. This amendment was enacted by Parliament on 24 May 2021 and received Royal Assent on 10 June 2021 and has increased the amount of corporation tax payable in the current year and into the future.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023 (continued)

## 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.

	2023	
	Total earnings £'000	Number of shares
Basic earnings/weighted average number of shares	17,758	42,043,715
Basic earnings per ordinary share (pence)	42.24	

  

	2022	
	Total earnings £'000	Number of shares
Basic earnings/weighted average number of shares	17,020	42,172,124
Basic earnings per ordinary share (pence)	40.36	

### 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.

## 12 Property, plant and equipment

	Property £'000	Equipment for hire £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>					
At 31 December 2021	5,260	68,695	1,841	5,772	81,568
Exchange differences	14	1,855	100	91	2,060
Additions	13	1,764	288	398	2,463
Transferred from inventory	-	2,651	-	-	2,651
Disposals	(685)	(3,659)	(535)	(1,383)	(6,262)
At 31 December 2022	4,602	71,306	1,694	4,878	82,480
Exchange differences	(4)	(654)	(43)	(33)	(734)
Additions	-	3,735	286	39	4,060
Transferred from inventory	-	2,522	-	-	2,522
Disposals	-	(7,144)	(281)	(784)	(8,209)
<b>At 31 December 2023</b>	<b>4,598</b>	<b>69,765</b>	<b>1,656</b>	<b>4,100</b>	<b>80,119</b>
<b>Depreciation</b>					
At 31 December 2021	1,516	52,989	1,393	4,793	60,691
Exchange differences	11	1,489	84	78	1,662
Charge for year	125	5,787	198	455	6,565
Disposals	(493)	(3,538)	(405)	(1,363)	(5,799)
At 31 December 2022	1,159	56,727	1,270	3,963	63,119
Exchange differences	(3)	(542)	(35)	(29)	(609)
Charge for year	89	5,488	124	301	6,002
Disposals	-	(6,796)	(278)	(663)	(7,737)
<b>At 31 December 2023</b>	<b>1,245</b>	<b>54,877</b>	<b>1,081</b>	<b>3,572</b>	<b>60,775</b>
<b>Net book value</b>					
<b>At 31 December 2023</b>	<b>3,353</b>	<b>14,888</b>	<b>575</b>	<b>528</b>	<b>19,344</b>
At 31 December 2022	3,443	14,579	424	915	19,361
At 31 December 2021	3,744	15,706	448	979	20,877

The group did not have any non-cancellable contractual commitments for the acquisition of property, plant and equipment at either 31 December 2023 or 31 December 2022.

The additions value attributed to hire fleet items is a combined amount of purchased fixed assets as well as items transferred from stock during the period.

### Net book value of land and buildings comprises:-

	2023 £'000	2022 £'000
Freehold	3,313	3,396
Long leasehold	40	47
	<b>3,353</b>	<b>3,443</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023 (continued)

## 13 Right-of-use assets

	Property £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>				
At 31 December 2021	12,786	6,242	843	19,871
Exchange differences	238	82	9	329
Additions	438	1,396	22	1,856
Disposals	(1,066)	(783)	(84)	(1,933)
At 31 December 2022	12,396	6,937	790	20,123
Exchange differences	(99)	(37)	(3)	(139)
Additions	6,397	1,470	5	7,872
Disposals	(2,507)	(1,312)	(71)	(3,890)
At 31 December 2023	16,187	7,058	721	23,966
<b>Depreciation</b>				
At 31 December 2021	3,668	3,270	510	7,448
Exchange differences	119	59	5	183
Charge for year	1,423	1,428	170	3,021
Disposals	(364)	(744)	(84)	(1,192)
Impairment	820	147	29	996
At 31 December 2022	5,666	4,160	630	10,456
Exchange differences	(66)	(29)	(3)	(98)
Charge for year	1,378	1,342	94	2,814
Disposals	(1,852)	(1,242)	(71)	(3,165)
<b>At 31 December 2023</b>	<b>5,126</b>	<b>4,231</b>	<b>650</b>	<b>10,007</b>
<b>Net book value</b>				
<b>At 31 December 2023</b>	<b>11,061</b>	<b>2,827</b>	<b>71</b>	<b>13,959</b>
At 31 December 2022	6,730	2,777	160	9,667
At 31 December 2021	9,118	2,972	333	12,423

During the previous year the group undertook an impairment review of its right-of-use assets and identified two events which gave rise to an impairment loss. As disclosed in note 26, the UK business undertook a restructuring exercise during the previous year resulting in the relocation of four locations into one larger consolidated site. The exit from these four locations led to onerous leases and in turn the impairment of the associated right-of-use assets, which now have no economic value to the group. An impairment amount of £289,000 relating to property assets has been charged against administrative expenses during the previous year in relation to this.

In addition to the above, during the previous year our French subsidiary, Climate Location SAS, ceased trading from three depot locations. Property right-of-use assets associated with these three depots of £531,000 has been impaired as a result of this exit due to no future economic benefit expecting to be generated by these assets. In addition, due to the continued operating losses generated by Andrews Sykes Climat Location SAS, the group decided to impair £147,000 of motor vehicle right-of-use assets and £29,000 of plant and machinery assets.

As disclosed in note 25, 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 and leasing vehicles 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 30 and the maturity analysis of lease liabilities is in note 25.

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 £1,761,000 due within less than one year after the year end date (2022: £2,055,000). No amounts are contractually receivable after more than one year (2022: £Nil).



## 14 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.

## 15 Deferred tax asset

The deferred tax assets and liabilities recognised separately 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	Provisions and other short-term timing differences £'000	Total £'000
Asset at 31 December 2021	127	40	22	189
Credited/(charged) to income statement (note 10)	287	(66)	(181)	40
Asset/(liability) at 31 December 2022	414	(26)	(159)	229
Credited/(charged) to income statement (note 10)	<b>(78)</b>	<b>30</b>	<b>(55)</b>	<b>(103)</b>
<b>Asset/(liability) at 31 December 2023</b>	<b>336</b>	<b>4</b>	<b>(214)</b>	<b>126</b>

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 2023 and 31 December 2022 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% (2022: 25%) has been used.

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 totalling £1,093,000 (2022: £834,000). There is no expiry date on the utilisation of these losses.

Of the above recognised deferred tax asset, approximately £237,000 (2022: £211,000) is expected to be recovered after more than 12 months.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2023 (continued)

### 16 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”), as well as overseas schemes.

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. During the current year the group completed an insurance buy-in of the scheme meaning the scheme has been derisked in terms of investment, interest rate, inflation and longevity risks. The buy-in secures an insurance asset that fully matches, subject to final price adjustments, the remaining pension liabilities of the scheme.

As at 31 December 2023, the group had a net defined benefit pension scheme surplus, calculated in accordance with IAS 19 using the assumptions as set out below, of £2,489,000 (2022: £8,236,000). It is assumed that the scheme surplus will be recovered through a refund; as such the applicable withholding tax of 35% has been applied to the scheme surplus giving a net surplus recognised on the balance sheet of £1,618,000 (2022: £5,353,000). 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 2022. The valuation, including a revised schedule of contributions, was agreed between the pension scheme trustees and the Board of directors in December 2023 and was effective from 1 January 2024. In accordance with this schedule of contributions, and based on the actions taken by the group during 2023 as already described, the group is no longer required to make any regular contributions into the scheme. This replaces the 31 December 2019 triennial valuation which required the group to make regular contributions into the scheme of £110,000 per month for the period 1 January 2021 to 31 December 2022 and £10,000 per month from 1 January 2023 until 31 December 2025 or until a revised schedule of contributions was agreed, as was done in December 2023.

Consequently, the group has made total contributions to the pension scheme of £120,000 during 2023 and expects to make contributions of £Nil during 2024.

#### Principal risks

Historically the principal risks related to investment, interest rate, inflation and longevity risks. However, the DB scheme has implemented a whole scheme buy-in, essentially fully hedging all of these risks. The following table summarises the principal risks associated with the group’s DB scheme in the prior year:

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.

## 16 Retirement benefit pension schemes continued

The last full actuarial valuation was carried out as at 31 December 2022. 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:

	<b>31 December 2023</b>	31 December 2022
Rate of increase of pensions in payment	<b>3.10%</b>	3.15%
Rate of increase of pensions in deferment	<b>2.65%</b>	2.55%
Discount rate	<b>4.50%</b>	4.75%
Inflation assumption - RPI	<b>3.10%</b>	3.15%
Inflation assumption - CPI	<b>2.65%</b>	2.55%
Percentage of deferred members taking maximum tax-free lump sum on retirement	<b>0.00%</b>	75.00%

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics. The current mortality table used is 100% S3PA CMI\_2022 (2022: 100% S3PA CMI\_2021), heavy tables for males and middle for females, with a 1.25% per annum long-term improvement rate for both males and females (2022: 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:

	<b>2023 Years</b>	2022 Years
Current pensioners at 65		
male	<b>19.2</b>	19.8
female	<b>23.3</b>	23.8
Future pensioners currently 45		
male	<b>20.6</b>	21.2
female	<b>24.9</b>	25.3

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

the benefit obligation.

### Valuations

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

	<b>2023 £'000</b>	2022 £'000
Listed investments:		
UK equities	-	14,938
Corporate bonds	-	7,815
Gilts	<b>735</b>	13,439
	<b>735</b>	36,192
Cash	<b>2,612</b>	617
Insurance asset (not listed investment)	<b>27,199</b>	-
Fair value of plan assets	<b>30,546</b>	36,809
Present value of liability	<b>(28,057)</b>	(28,573)
<b>Scheme surplus</b>	<b>2,489</b>	8,236
Impact of asset restriction	<b>(871)</b>	(2,883)
<b>Net pension asset recognised on the balance sheet</b>	<b>1,618</b>	5,353

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2023 (continued)

### 16 Retirement benefit pension schemes continued

#### Movement in scheme assets

	2023	2022
	£'000	£'000
Fair value at beginning of year	36,809	48,475
Interest income on scheme assets	1,700	890
Return on assets (excluding interest income)	(5,914)	(11,844)
Administrative expenses charged to the income statement	(267)	(168)
Employer contributions	120	1,320
Benefits paid	(1,902)	(1,864)
<b>Fair value at end of year</b>	<b>30,546</b>	<b>36,809</b>

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

	2023	2022
	£'000	£'000
Benefit obligation at start of year	(28,573)	(42,338)
Interest cost	(1,312)	(766)
Actuarial gain/(loss) arising from:		
Demographic assumptions	(819)	139
Financial assumptions	726	14,095
Experience adjustments	19	(1,567)
Benefits paid	1,902	1,864
<b>Benefit obligation at end of year</b>	<b>(28,057)</b>	<b>(28,573)</b>

The present value of the defined benefit obligation of £28,057,000 (2022: £28,573,000) comprised approximately 40% relating to deferred participants and 60% relating to pensioners (2022: 45% deferred participants and 55% pensioners).

The weighted average duration of the pension scheme liabilities is 12 years (2022: 14 years).

#### Key assumptions - sensitivity analysis

Historically the principal risks related to investment, interest rate, inflation and longevity risks. However, during the year the scheme has implemented a whole scheme buy-in, essentially fully hedging all of these risks and meaning the scheme is no longer impacted by discount rate, inflation or mortality assumptions.

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 net surplus would increase by approximately £Nil (2022: £1.3 million). If the actual longevity is one year less than that assumed, the pension scheme net surplus 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 pension scheme net surplus by £Nil (2022: £0.3 million) and £Nil (2022: £0.3 million) respectively. A 0.1% decrease in these assumptions would increase/reduce the pension scheme net surplus by a similar amount.

The above sensitivity analyses are based on a change in an assumption whilst 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 net surplus to significant assumptions, the same method has been applied as when calculating the pension scheme net surplus 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.

## 16 Retirement benefit pension schemes continued

There are other plan assets held by the scheme to cover any potential increase in plan liabilities arising from the conclusion of Guaranteed Minimum Pension Equalisation. Changes to assumptions relating to these plan assets are not considered significant.

This methodology is unchanged from last year's disclosures. The directors have presented the disclosure in the same format in order to show prior year comparatives.

### Amounts recognised in the income statement

	2023	2022
	£'000	£'000
Administrative expenses:		
Pension scheme administrative expenses	267	168
	<b>267</b>	168
Interest income on pension scheme assets	(1,700)	(890)
Interest expense on pension scheme liabilities	1,312	766
Net interest income on pension surplus (note 6)	(388)	(124)
<b>Net pension (income)/charge</b>	<b>(121)</b>	44

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

	2023	2022
	£'000	£'000
Return on assets (excluding interest income)	5,914	11,844
Experience adjustments	(19)	1,567
Actuarial (gains)/losses arising from changes in financial assumptions	(726)	(14,095)
Actuarial losses/(gains) arising from changes in demographic assumptions	819	(139)
<b>Total re-measurement of the net defined asset shown in other comprehensive income</b>	<b>5,988</b>	(823)
<b>Cumulative actuarial loss recognised in other comprehensive income</b>	<b>9,496</b>	3,508

	2023	2022
	£'000	£'000
Interest income on pension scheme assets	1,700	890
Return on assets (excluding interest income)	(5,914)	(11,844)
<b>Actual return on plan assets</b>	<b>(4,214)</b>	(10,954)

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.

### Movement in surplus during the year

	2023	2022
	£'000	£'000
Surplus in scheme at beginning of year	8,236	6,137
Movement in year:		
Employer contributions	120	1,320
Net pension income/(charge)	121	(44)
Actuarial gain	(5,988)	823
<b>Surplus in scheme at end of year</b>	<b>2,489</b>	8,236
Related asset restriction movement	(871)	(2,883)
<b>Net pension asset recognised on the balance sheet</b>	<b>1,618</b>	5,353

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2023 (continued)

### 16 Retirement benefit pension schemes continued

#### 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. During the previous year the UK introduced a salary sacrifice arrangement for pension contributions meaning the employer now makes all pension contributions instead of the employee and employer making contributions. The amount varies, generally based upon the individual's seniority and 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 8% to 15%, the current average being 7.7% (2022: 5.2%). The current period charge in the income statement amounted to £893,000 (2022: £689,000).

#### Overseas defined contribution pension scheme arrangements

Overseas companies make their own pension arrangements, the charge for the period being £282,000 (2022: £328,000). No additional disclosure is given on the basis of materiality.

### 17 Stock

	2023 £'000	2022 £'000
Raw materials and consumables	96	382
Finished goods	2,309	4,052
	<b>2,405</b>	<b>4,434</b>

The cost of stock recognised as an expense in the period was £7,680,000 (2022: £11,167,000). In addition a further £2,522,000 of items held in stock at 31 December 2022 (2022: £2,651,000 items held in stock at 31 December 2021) have been capitalised in the hire fleet this year. The net credit in the income statement for net realisable value provisions was £420,000 (2022: credit of £89,000), comprising write downs of £252,000 (2022: £132,000) and reversal of write downs of £672,000 (2022: £221,000). Inventory is stated net of impairment provisions totalling £877,000 (2022: £1,297,000).

### 18 Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	16,633	17,435
Amounts due from related parties	407	35
Prepayments	1,729	1,608
Other receivables	482	457
	<b>19,251</b>	<b>19,535</b>

No collateral is held in respect of overdue trade receivables.

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

	Total £'000	Not past due		Past due		
		£'000	<3 months £'000	3-6 months £'000	6-12 months £'000	> 12 months £'000
2023 Gross debtor	21,188	10,765	4,887	1,904	1,199	2,434
Lifetime expected credit loss	(4,555)	(65)	(335)	(833)	(888)	(2,434)
Net carrying amount	16,633	10,700	4,552	1,071	311	-
Expected credit loss percentage	21.5%	0.6%	6.9%	43.8%	74.1%	100.0%

## 18 Trade and other receivables continued

	Total	Not past due	Past due			
	£'000	£'000	<3 months	3-6 months	6-12 months	> 12 months
	£'000	£'000	£'000	£'000	£'000	£'000
2022 Gross debtor	21,535	11,333	5,949	1,092	941	2,220
Lifetime expected credit loss	(4,100)	(178)	(446)	(549)	(711)	(2,216)
Net carrying amount	17,435	11,155	5,503	543	230	4
Expected credit loss percentage	19.0%	1.6%	7.5%	50.3%	75.6%	99.8%

Current trade receivables 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 receivables not considered to be overdue as at 31 December 2023 was 41 days (2022: 41 days).

The expected credit loss provision 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 and written off. The movement in the provision during the period is as follows:

	2023	2022
	£'000	£'000
Balance at the beginning of the year	4,100	3,562
Foreign exchange difference	(156)	361
Charge for year	959	2,133
Amounts utilised	(348)	(1,955)
<b>Balance at the end of the year</b>	<b>4,555</b>	<b>4,100</b>

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

## 19 Current tax assets

	2023	2022
	£'000	£'000
UK corporation tax	484	423
Overseas tax (denominated in Euros)	420	-
	<b>904</b>	<b>423</b>

## 20 Other financial assets

	2023	2022
	£'000	£'000
Deposit accounts	-	16,700

Deposit accounts comprise bank deposits with a maturity of more than three months from inception. Of the above deposit amounts, all £16,700,000 in the prior year has matured.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023 (continued)

## 21 Cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank	7,290	13,268
Deposit accounts	12,677	7,250
	<b>19,967</b>	20,518

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 a maturity of three months or less on inception. Interest was received at an average floating rate of approximately 4.3% (2022: 1.3%).

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 29.

## 22 Trade and other payables

	2023 £'000	2022 £'000
Trade payables	4,482	4,329
Amounts due to related party	263	238
Other taxation and social security	2,284	2,288
Accruals	10,620	9,587
Other payables	209	253
	<b>17,858</b>	16,695

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 30 days (2022: 40 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 29.

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

## 23 Current tax liabilities

	2023 £'000	2022 £'000
UK corporation tax	75	-
Overseas tax (denominated in Euros)	875	810
	<b>950</b>	810

## 24 Bank loans

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. All annual instalments have been made in accordance with the agreement and the group has operated within the agreed bank covenants. The loan was fully repaid during the previous year.

As the loan was paid in full during the previous year, narrative on interest rate reform has not been considered necessary.

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



## 25 Right-of-use lease obligations

### Financial liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Amounts payable under right-of-use lease obligations:				
Within one year	3,192	2,908	2,429	2,505
In the second to fifth years	7,911	6,592	5,714	5,694
After five years	10,507	3,694	7,254	3,123
	21,610	13,194	15,397	11,322
Less future finance charges	(6,213)	(1,872)	-	-
Present value of lease obligations	15,397	11,322	15,397	11,322

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.

## 26 Provisions

	2023		2023		2022		2022	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	France closure	Restructuring	Dilapidation	Total	Restructuring	Dilapidation	Total	
Balance at 1 January	-	672	2,010	2,682	-	1,971	1,971	
Transferred from accruals	135	-	-	135	-	-	-	
Provision created in the year	464	339	439	1,242	672	306	978	
Utilised during the year	-	(408)	(382)	(790)	-	(154)	(154)	
Unused amounts reversed	-	(126)	(240)	(366)	-	(113)	(113)	
	599	477	1,827	2,903	672	2,010	2,682	

Dilapidation costs expected to be settled at the end of the lease term, ranging from 1 year to 20 years, 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. The final actual cost is uncertain and based on future wear and tear, the current provision is based on best estimates.

Restructuring provision relates to the continuing property relocation within the UK. In the previous year four properties were vacated and merged into one large consolidated site. The associated costs involved included expected move costs and redundancy. The majority of these costs were incurred during 2023. During the current year, three further property locations are in the process of being vacated and merged into one larger facility. The associated costs involved included expected move costs and other associated landlord costs. It is anticipated that the majority of these costs will be incurred during 2024. The impact of discounting is considered immaterial to the amounts provided. The final actual cost is uncertain and based on discussions with landlords and final actual move costs. The current provision is based on best estimates.

France closure provision relates to the decision taken during the year to cease trading of our French subsidiary, Andrews Sykes Climat Location, and wind the business up.

The associated costs involved include redundancy, anticipated legal fees of the closure and defence of several legal claims being defended and settlement of outstanding supplier contracts. It is anticipated that the majority of these costs will be incurred after 2024. The impact of discounting is considered immaterial to the amounts provided.

The final actual cost is uncertain and based on the satisfactory settlement of the current legal claims. The current provision is based on best estimates.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023 (continued)

## 27 Share capital

	2023	2022
	£'000	£'000
<b>Allotted, called up and fully paid</b>		
41,858,744 (2022: 42,148,045) Ordinary shares of 1 pence each	419	421

During the year, the company purchased and cancelled 289,301 (2022: 26,314) ordinary shares of 1 pence each. The company paid a price between 510 pence and 665 pence per share for each of these shares (2022: nominal value of 1 pence per share). The capital redemption reserve has been increased by the amount by which the company's share capital has been diminished on cancellation of the shares.

Following the year end, no further shares have been purchased or cancelled. Following the previous year end, a further 11,656 ordinary shares of 1 pence each were purchased and cancelled by the company at a price between 510 pence and 525 pence per share. As at 7 May 2024 there were 41,858,744 ordinary shares in issue.

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.

## 28 Analysis of net funds and movement in financing liabilities

	2023	2022
	£'000	£'000
Cash and cash equivalents per consolidated cash flow statement	19,967	20,518
Other financial assets	-	16,700
<b>Gross funds</b>	<b>19,967</b>	<b>37,218</b>
<b>Bank loans:</b>		
At the beginning of the year	-	3,000
Loans repaid	-	(3,000)
At the end of the year	-	-
<b>Right-of-use lease obligations:</b>		
At the beginning of the year	(11,322)	(12,934)
Capital repayments for right-of-use lease obligations	2,759	2,849
Interest charged	(759)	(577)
Interest paid	759	577
New right-of-use assets entered into during the year	(7,872)	(1,856)
Termination of right-of-use obligations	983	796
Effect of foreign exchange rate changes on right-of-use leases	55	(177)
At the end of the year	(15,397)	(11,322)
<b>Gross debt</b>	<b>(15,397)</b>	<b>(11,322)</b>
<b>Net funds</b>	<b>4,570</b>	<b>25,896</b>

## 29 Financial instruments

### Capital risk management

The group manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to shareholders. The capital structure of the group consists of net funds, which are analysed in note 28, and equity comprising issued share capital, reserves and retained earnings as disclosed on the balance sheet.

The net funds to equity percentage is:

	2023 £'000	2022 £'000
Net funds per note 28	4,570	25,896
Equity attributable to equity holders of the parent company	40,466	64,711
Net funds to equity percentage	11.3%	40.0%

### Categories of financial instruments

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

	2023 £'000	2022 £'000
<b>Financial assets</b>		
Trade receivables and amounts due from related parties	17,040	17,470
Other debtors	482	457
Cash and cash equivalents	19,967	20,518
	<b>37,489</b>	<b>38,445</b>
<b>Financial liabilities</b>		
Trade payables and amounts due to related parties	4,745	4,567
Accruals and other creditors	10,829	9,840
Right-of-use lease obligations	15,397	11,322
	<b>30,971</b>	<b>25,729</b>
Surplus of financial assets over financial liabilities	<b>6,518</b>	<b>12,716</b>

In addition to managing the capital structure to ensure the ability of the group to continue as a going concern, the group also manages its cash and cash equivalent balances in view on the credit rating of the institutions in which funds are held. The Standard & Poor credit ratings of the institutions by geographical region where cash and cash equivalents are held are detailed below:

	Credit ratings of financial institutions	Cash and cash equivalent	Credit ratings of financial institutions	Cash and cash equivalent
UK	A+	14,017	A to A+	10,417
Europe	BBB to A+	4,701	BBB to A+	8,277
Middle East	BAA to A+	1,249	A-	1,824
		<b>19,967</b>		<b>20,518</b>

The group monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

# Notes to the Consolidated Financial Statements

## For the year ended 31 December 2023 (continued)

### 29 Financial instruments continued

#### 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/collars that limit the group's exposure to fluctuations in any bank loans/treasury deposits. Due to the lack of external financing and favourable rates being available on treasury deposits, the group does not hold any interest rate caps/collars or any other derivative financial instrument as at 31 December 2023 (2022: £Nil), although this position is constantly under review.

A 1% increase in the average bank deposit rate for the period would have increased the net bank deposit interest receivable by £280,000 (2022: £240,000); 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.

#### Credit risk

Credit risk refers to the risk that a counterparty will default, defined as not paying within a given period, 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 18.

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 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 2023 amounted to £19,967,000 (2022: £37,218,000), by continuously monitoring forecast and actual cash flows, by matching the maturity profiles of monetary assets and liabilities and by managing the funds held in deposit accounts to match when the group may need access to these funds.

In view of the significant levels of net funds available to the group of £4,570,000 (2022: £25,896,000), the directors believe that additional unutilised borrowing facilities are not required.

## 29 Financial instruments continued

### Liquidity and interest risk tables

The following table details the group's remaining contractual maturity for its non-derivative financial liabilities. The table has been prepared based on the undiscounted contractual maturities of the financial instruments. The future finance charges 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 £950,000 (2022: £810,00) and other tax and social security of £2,284,000 (2022: £2,288,000). 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	Due 3 months to 1 year	Due 2 - 5 years	Due after 5 years	Total
<b>At 31 December 2023</b>						
Non-interest bearing	N/A	13,394	5,415	-	-	18,808
Right-of-use lease obligation	6.3%	798	2,394	7,911	10,507	21,610
<b>Total</b>		<b>14,192</b>	<b>7,809</b>	<b>7,911</b>	<b>10,507</b>	<b>40,418</b>

	Weighted average interest rate	Due within 3 months	Due 3 months to 1 year	Due 2 - 5 years	Due after 5 years	Total
<b>At 31 December 2022</b>						
Non-interest bearing	N/A	12,585	4,920	-	-	17,505
Right-of-use lease obligation	N/A	727	2,181	6,592	3,694	13,194
<b>Total</b>		<b>13,312</b>	<b>7,101</b>	<b>6,592</b>	<b>3,694</b>	<b>30,699</b>

## 30 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:

	Plant, machinery and equipment	
	2023	2022
	£'000	£'000
Future minimum payments due:		
Not later than one year	230	252
After one year but not more than five years	395	379
After more than five years	-	12
	<b>625</b>	<b>643</b>

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023 (continued)

## 31 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.

### Trading transactions

During the period, the group entered into the following transactions in the normal course of business with associated companies:

	<b>2023</b>	2022
	<b>£'000</b>	£'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	<b>108</b>	111
Amount owed by the group to associates within the London Security plc group	-	-
Sales of goods and services to companies connected with Khansaheb Sykes LLC	<b>635</b>	59
Amounts owed to the group by companies connected with Khansaheb Sykes LLC	<b>407</b>	35
Purchase of goods and services from associates connected with Khansaheb Sykes LLC	<b>337</b>	304
Amounts owed by the group to companies connected with Khansaheb Sykes LLC	<b>263</b>	238

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.

## 32 Dividend payments

The directors declared and paid the following dividends during the 12 month periods ended 31 December 2023 and 31 December 2022:

	2023		2022	
	pence per share	Total dividend paid £'000	pence per share	Total dividend paid '£'000
Final dividend for the 12 months ended 31 December 2022 paid to members on the register at 26 May 2023 on 16 June 2023	14.00	5,898	-	-
Interim dividend declared on 25 September 2023 and paid to shareholders on the register at 6 October 2023 on 3 November 2023	11.90	4,981	-	-
Special dividend declared on 25 September 2023 and paid to shareholders on the register at 6 October 2023 on 3 November 2023	59.40	24,864	-	-
Final dividend for the 12 months ended 31 December 2021 paid to members on the register at 27 May 2022 on 17 June 2022	-	-	12.50	5,272
Interim dividend declared on 27 September 2022 and paid to shareholders on the register at 7 October 2022 on 4 November 2022	-	-	11.90	5,019
Special dividend declared on 27 September 2022 and paid to shareholders on the register at 7 October 2022 on 4 November 2022	-	-	16.60	7,001
	<b>85.30</b>	<b>35,743</b>	<b>41.00</b>	<b>17,292</b>

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 14.0 pence (*2022: 14.0 pence*) per ordinary share. If approved at the forthcoming Annual General Meeting, this dividend, which in total amounts to £5,860,000 (*2022: £5,899,000*), will be paid on 21 June 2024 to shareholders on the register at 24 May 2024.

## 33 Ultimate parent company

As at 7 May 2024, EOI Sykes Sarl, which is incorporated in Luxembourg, held 86.90% of the share capital of Andrews Sykes Group plc and is therefore the immediate parent company. The intermediate holding company is SK Participation Limited, a company incorporated in Jersey, 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 SK Participation Limited.

# Parent Company Balance Sheet

## At 31 December 2023

	Notes	31 December 2023		31 December 2022	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	3		<b>30,157</b>		30,159
<b>Current assets</b>					
Debtors	4	<b>852</b>		4,133	
Cash at bank and in hand		<b>12,051</b>		24,368	
		<b>12,903</b>		28,501	
Creditors: Amounts falling due within one year	5	<b>(6,912)</b>		(11,757)	
<b>Net current assets</b>			<b>5,991</b>		16,744
<b>Total assets less current liabilities being net assets</b>			<b>36,148</b>		46,903
<b>Capital and reserves</b>					
Share capital	7		<b>419</b>		421
Share premium			<b>13</b>		13
Profit and loss account			<b>33,344</b>		44,099
Capital redemption reserve			<b>161</b>		159
Other reserve			<b>2,211</b>		2,211
<b>Shareholders' funds</b>			<b>36,148</b>		46,903

The profit for the year dealt with in the accounts of the parent company was £26,851,000 (2022: £27,680,000).

These consolidated financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the Board of directors on 7 May 2024 and were signed on its behalf by:

**JJ Murray**

Executive Chairman



# Parent Company Statement of Changes in Equity

## For the year ended 31 December 2023

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Capital redemption reserve £'000	Other reserve £'000	Attributable to equity holders of the company £'000
Balance at 31 December 2021	422	13	33,626	158	2,211	36,430
Profit for the year	-	-	27,680	-	-	27,680
Dividends paid*	-	-	(17,292)	-	-	(17,292)
Share and dividend forfeiture	(1)	-	85	1	-	85
Total of transactions with shareholders	(1)	-	(17,207)	1	-	(17,207)
Balance at 31 December 2022	421	13	44,099	159	2,211	46,903
Profit for the year	-	-	<b>26,851</b>	-	-	<b>26,851</b>
Dividends paid*	-	-	<b>(35,743)</b>	-	-	<b>(35,743)</b>
Share repurchase	<b>(2)</b>	-	<b>(1,863)</b>	<b>2</b>	-	<b>(1,863)</b>
Total of transactions with shareholders	<b>(2)</b>	-	<b>(37,606)</b>	<b>2</b>	-	<b>(37,606)</b>
<b>Balance at 31 December 2023</b>	<b>419</b>	<b>13</b>	<b>33,344</b>	<b>161</b>	<b>2,211</b>	<b>36,148</b>

\* See note 32 for further details

### 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 1 pence 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 2023

### 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 sections 11 and 12 of FRS 102 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.

## 1 Significant accounting policies continued

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.

### Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as 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.

# Notes to the Company Financial Statements

For the year ended 31 December 2023 (continued)

## 2 Employee information

The company has no employees other than the directors.

### Directors' emoluments

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

Director	2023			2022		
	Emoluments £'000	Pension £'000	Total £'000	Emoluments £'000	Pension £'000	Total £'000
AJ Kitchingman	42	-	42	41	-	41
MC Leon	20	-	20	20	-	20
JJ Murray	44	-	44	36	-	36
JP Murray	20	-	20	20	-	20
	<b>126</b>	<b>-</b>	<b>126</b>	<b>117</b>	<b>-</b>	<b>117</b>

CD Webb was remunerated through Andrews Sykes Hire Limited and received no employment benefits directly from the company.

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

For key management personnel purposes, £9,000 (2022: £9,000) of NI contributions should be included in the above totals.

No directors, in either the current or prior year, had any pension contributions or were members of either a defined contribution or defined benefit pension scheme.

In the current and prior 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.

## 3 Fixed asset investments

	Subsidiary undertakings shares £'000
<b>Cost</b>	
At 31 December 2022	39,798
Disposal	(2)
At 31 December 2023	<b>39,796</b>
<b>Provisions</b>	
At the beginning and end of the period	<b>9,639</b>
<b>Net book value</b>	
<b>At 31 December 2023</b>	<b>30,157</b>
At 31 December 2022	30,159

### 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 (dormant)  
 Andrews Sykes Properties Limited\* (property holding company)  
 Sykes Ground Water Control Limited (dormant)  
 Heat for Hire (Scotland) Limited (Scotland; dormant)  
 Sykes Pumps Limited (dormant)

### 3 Fixed asset investments continued

#### 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)  
Klimamieten AS GmbH (Germany)  
Khansaheb Sykes LLC (49%; United Arab Emirates)  
Nolo Climat S.R.L. (Italy)  
AAC&R Limited (dormant)  
Sykes Pumps International Limited (dormant)

\* Denotes 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 to provide these companies with a parental guarantee.

Unless otherwise indicated, all are incorporated in England and Wales with a registered address of Unit 601, Axxess 10 Business Park, Bentley Road South, Wednesbury, WV10 8LQ. Their principal activity is the hire, sales, service and/or installation of specialist environmental control products mainly in the country of incorporation.

The registered office address of 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 Giuliani, Parabiago 20015, Italy.

The registered office address of Andrews Sykes Climat Location SAS is 330 Rue Claude Chappe, 60530, Ecruis, France.

The registered office address of Andrews Sykes Climat Location SA is Chemin de la Louve 15, 1196 Gland, Switzerland.

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

The registered office address of Klimamieten AS GmbH is Europaallee 123, 50226, Nord Rhein Westfalen, Germany.

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.

# Notes to the Company Financial Statements

For the year ended 31 December 2023 (continued)

## 4 Debtors

	2023	2022
	£'000	£'000
Amounts due from group undertakings	665	3,776
Other debtors	141	167
Deferred tax	-	25
Prepayments	46	165
	<b>852</b>	<b>4,133</b>

All inter-company loans are due on demand. Interest is charged on all inter-company loans at commercial rates of interest. No provisions are considered necessary against amounts owed by group undertakings.

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 25%	25
Profit and loss account charge	(25)
<b>Asset at the end of the period at 25%</b>	<b>-</b>

## 5 Creditors

### Amounts due within one year

	2023	2022
	£'000	£'000
Amounts due to group undertakings	6,041	10,769
Trade creditors	127	121
Accruals and deferred income	744	867
	<b>6,912</b>	<b>11,757</b>

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 29 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 2023 or 31 December 2022.

## 7 Share capital

	2023	2022
	£'000	£'000
<b>Allotted, called up and fully paid</b>		
41,858,744 (2022: 42,148,045) Ordinary shares of 1 pence each	<b>419</b>	421

During the year, the company purchased and cancelled 289,301 (2022: 26,314) ordinary shares of 1 pence each. The company paid a price between 510 pence and 665 pence per share for each of these shares. The capital redemption reserve has been increased by the amount by which the company's share capital has been diminished on cancellation of the shares.

Following the year end no further shares have been purchased or cancelled. Following the previous year end, a further 11,656 ordinary shares of 1 pence each were purchased and cancelled by the company at a price between 510 pence and 525 pence per share. As at 7 May 2024 there were 41,858,744 ordinary shares in issue.

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

	2023	2022
	£'000	£'000
Profit for the financial year	<b>26,851</b>	27,680
Dividends declared and paid	<b>(35,743)</b>	(17,292)
Share repurchase/dividend forfeiture	<b>(1,863)</b>	85
<b>Net (decrease)/increase in shareholders' funds</b>	<b>(10,755)</b>	10,473
Shareholders' funds at the beginning of the year	<b>46,903</b>	36,430
<b>Shareholders' funds at the end of the period</b>	<b>36,148</b>	46,903

## 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:

	2023	2022
	£'000	£'000
Purchase of goods and services from associates within the London Security plc group	<b>108</b>	111

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 7 May 2024, EOI Sykes Sarl, which is incorporated in Luxembourg, held 86.90% of the share capital of Andrews Sykes Group plc and is therefore the immediate parent company. The intermediate holding company is SK Participation Limited, a company incorporated in Jersey, 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 SK Participation Limited.

# Five-Year History

	2023	2022	2021	2020	2019
	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>	<b>78,747</b>	83,007	75,219	67,259	77,246
<b>Operating profit from continuing operations</b>	<b>22,737</b>	21,530	20,074	16,386	19,298
Interest charge on right-of-use leases	(759)	(577)	(530)	(530)	(526)
Inter-company foreign exchange (losses)/gains	28	242	(25)	(75)	(270)
Net interest credit/(charge) excluding inter-company foreign exchange and right-of-use lease interest	1,590	356	(20)	52	58
<b>Profit before taxation</b>	<b>23,596</b>	21,551	19,499	15,833	18,560
<b>Taxation</b>	<b>(5,838)</b>	(4,531)	(3,959)	(2,813)	(3,541)
<b>Profit for the financial period</b>	<b>17,758</b>	17,020	15,540	13,020	15,019
Dividends per share paid in the year	<b>85.30p</b>	41.00p	23.40p	46.10p	23.80p
Dividends paid during the year	<b>35,743</b>	17,292	9,869	19,442	10,038
Basic earnings per share from continuing operations	<b>42.24p</b>	40.36p	36.85p	30.87p	35.61p
Proposed ordinary final dividend per share	<b>14.00p</b>	14.00p	12.50p	11.50p	10.50p







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