

Andrews Sykes Group plc
Summary of results
For the 12 months ended 31 December 2014

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Revenue from continuing operations	56,400	61,072
EBITDA* from continuing operations	15,569	18,592
Operating profit	11,311	14,683
Profit after tax for the financial period	9,311	11,518
Basic earnings per share from total operations (pence)	22.03p	27.25p
Interim and final dividends paid per equity share (pence)	23.80p	17.80p
Proposed final dividend per equity share (pence)	11.90p	11.90p
Net cash inflow from operating activities	10,621	14,216
Total interim and final dividends paid	10,058	7,523
Net funds	16,846	19,113

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

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Chairman's Statement

Overview and financial highlights

Summary

The group's revenue for the year ended 31 December 2014 was £56.4 million, a decrease of £4.7 million, or 7.6%, compared with the same period last year. This decrease had an adverse impact on operating profit which fell by £3.4 million from £14.7 million last year to £11.3 million in the year under review. This decrease is primarily due to two factors: the under-performance of our operations in the Benelux region and our heating business in the UK: both of which mainly impacted the group's performance in the first half of the year and had been largely addressed by the end of the fourth quarter.

As a consequence of the above, our basic earnings per share decreased from 27.25p last year to 22.03p in the current period. Although lower than in the previous year, the basic earnings per share is still considered to be a positive factor reflecting once again the strong trading performance of the majority of the group's businesses.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £10.6 million compared with £14.2 million last year. Net funds only decreased by £2.3 million from £19.1 million last year to £16.8 million at 31 December 2014 despite shareholder related cash outflows of £10.1 million (2013: £7.5 million) on equity dividends. Therefore, over the last two financial years, the group has returned £17.6 million in cash to shareholders. At the same time the level of external bank borrowings reduced from £8 million as at the end of last year to £7 million as at 31 December 2014. The Board is now proposing a further final dividend totalling £5.0 million payable in June 2015.

Cost control, cash and working capital management continue to be priorities for the group. Capital expenditure is concentrated on assets that give a good return and in total £4.4 million was invested in the hire fleet this year, a level very similar to last year's expenditure of £4.6 million. In addition, the group invested a further £0.5 million on property, plant and equipment. These actions will ensure that the group's infrastructure and revenue generating assets are sufficient to support future growth and profitability. Hire fleet utilisation, condition and availability continue to be the subjects of management focus.

Operating performance

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

	Turnover	Operating profit
	£'000	£'000
1st half 2014	26,759	4,349
1st half 2013	29,774	6,427
2nd half 2014	29,641	6,962
2nd half 2013	31,298	8,256
Total 2014	56,400	11,311
Total 2013	61,072	14,683

The above table demonstrates that the majority of the trading shortfall compared with last year occurred in the first half of the year. Turnover in that period was 10.1% lower than in the same period in 2013 resulting in a reduction in operating profit of 32.3%. However, the group's trading results improved in the second half of the year. Whilst still behind last year's levels, the percentage shortfall in turnover and operating profit compared to 2013 both significantly reduced, to 5.3% and 15.6% respectively, compared with the first half year. The majority of the shortfall in the second half occurred in the third quarter; by the end of the fourth quarter trading had nearly recovered to the previous year's levels.

Once again our main hire and sales business sector in the UK and Europe faced challenging trading conditions throughout the year. Our UK pump business performed well and made a significant contribution to the group's operating profit. Similarly our specialist chiller and boiler hire divisions both traded ahead of last year as did our air conditioning and ventilation business. However, overall, the operating profit of this business segment fell from £13.5 million last year to £10.5 million in 2014 which is the main reason for the decline in the group's overall performance this year.

The fall in profitability of this business sector was mainly due to two factors: a sharp decline in trading in the Benelux region and a disappointing performance from our UK heating business. The poor trading performance in the Benelux region was due to a combination of two factors: a decline in the construction sector in the Netherlands and a mild winter throughout the region which failed to stimulate demand for our heating products. This also had an adverse impact on our heating business in the UK which was responsible for the majority of the shortfall in turnover of our main UK trading subsidiary, Andrews Sykes Hire Limited. Nevertheless, by the end of 2014, economic trading conditions throughout Europe had improved significantly and weather conditions had returned to seasonal normality. Consequently, we are now able to look forward to 2015 with a more optimistic outlook.

Despite the above adverse trading conditions, the group's diverse product range is able to return a robust performance during any weather conditions. This is supported by the continuing development of non-weather dependent niche markets which continue to benefit the performance of our specialist hire divisions. We will continue to invest in and develop these businesses as well as our traditional core products and services.

Our hire and sales business in the Middle East had a successful year. Nevertheless the operating profit for this business segment fell from £1.8 million in 2013 when trading was particularly good to £1.5 million in 2014. Our climate rental division which was formed in 2012 continues to expand and returned a positive contribution to the business results.

Turnover of our fixed installation business sector in the UK was £0.1 million ahead of 2013 at £4.0 million but due to price competition and a change in mix in this fragmented market, operating margins were reduced. Consequently operating profit for this business sector fell from £0.4 million in 2013 to just over £0.2 million in the current year.

Careful cost control resulted in a £0.1 million reduction in central overheads from £1.0 million in 2013 to £0.9 million in the current year.

Profit for the financial year

Profit before tax was £11.8 million this year compared with £15.0 million last year. This is mainly attributable to the above £3.4 million reduction in operating profit which has been slightly offset by an increase in dividends received from Oasis Sykes, our trade investment in Saudi Arabia. Net finance costs increased by £0.1 million compared with 2013.

Tax charges reduced from £3.5 million to £2.5 million in 2014 due to a combination of the decrease in profits before tax and a fall in the overall effective tax rate from 23.0% in 2013 to 20.8% in 2014. Profit for the financial year was £9.3 million compared with £11.5 million last year.

Equity dividends

The company paid two dividends during the year. On 19 June 2014 a final dividend for the year ended 31 December 2013 of 11.9 pence per ordinary share was paid and this was followed on 2 December 2014 by the payment of an interim dividend for 2014 also of 11.9 pence per share. Therefore, during 2014, a total of £10.1 million in cash dividends has been returned to our ordinary shareholders.

I am pleased to announce that, in view of the group's ongoing profitability and its significant cash resources, the board has proposed a final dividend for 2014 of 11.9 pence per ordinary share. If approved at the forthcoming Annual General Meeting this dividend, which in total amounts to £5.0 million, will be paid on 19 June 2015 to shareholders on the register on 29 May 2015.

Net funds

At 31 December 2014 the group had net funds of £16.8 million compared with £19.1 million last year, a decrease of only £2.3 million despite the payment of the above equity dividends totalling £10.1 million during the year.

Share buybacks

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

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

Outlook

The group's policy to increase investments in new technologically advanced and environmentally friendly non-seasonal products will be continued into 2015. Investments will also continue in our traditional businesses to ensure we are ready to support our customers in times of extreme weather conditions.

The group continues to face challenges in all of its geographical markets but our business remains strong, cash generative and well developed, with positive net funds. Improvements have already been seen in the Benelux region and we anticipate improved performances from our newly established, but currently small, businesses in France, Switzerland and Luxembourg. The board is therefore cautiously optimistic for further success in 2015 always being mindful of the favourable or adverse impact that the weather can have on our business.

JG Murray

Chairman

5 May 2015

Andrews Sykes Group plc
Consolidated Income Statement
For the 12 months ended 31 December 2014

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Continuing operations		
Revenue	56,400	61,072
Cost of Sales	(24,101)	(25,318)
Gross profit	32,299	35,754
Distribution costs	(10,410)	(10,994)
Administrative expenses	(10,578)	(10,077)
Operating profit	11,311	14,683
EBITDA*	15,569	18,592
Depreciation and impairment losses	(4,563)	(4,459)
Profit on the sale of plant and equipment	305	550
Operating profit	11,311	14,683
Income from trade investments	517	194
Finance income ⁺	342	1,730
Finance costs ⁺	(414)	(1,643)
Profit before taxation	11,756	14,964
Taxation	(2,445)	(3,446)
Profit for the financial period	9,311	11,518
There were no discontinued operations in either of the above periods		
Earnings per share		
Basic (pence)	22.03p	27.25p
Diluted (pence)	22.03p	27.25p
Interim and final dividends paid per equity share (pence)	23.80p	17.80p
Proposed final dividend per equity share (pence)	11.90p	11.90p

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

⁺ Restated in accordance with IAS19 (2011).

Andrews Sykes Group plc
Consolidated Statement of Comprehensive Total Income
For the 12 months ended 31 December 2014

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Profit for the financial period	<u>9,311</u>	<u>11,518</u>
Other comprehensive charges		
Items that may be reclassified to profit and loss:		
Currency translation differences on foreign currency net Investments	(312)	137
Items that will never be reclassified to profit and loss:		
Remeasurement of defined benefit assets and liabilities	(802)	(1,524)
Related deferred tax	<u>160</u>	<u>388</u>
Other comprehensive charges for the period net of tax	<u>(954)</u>	<u>(999)</u>
Total comprehensive income for the period	<u><u>8,357</u></u>	<u><u>10,519</u></u>

Andrews Sykes Group plc
Consolidated Balance Sheet
As at 31 December 2014

	31 December 2014		31 December 2013	
	£'000	£'000	£'000	£'000
Non-current assets				
Property, plant and equipment		16,388		16,432
Lease prepayments		51		53
Trade investments		164		164
Deferred tax asset		626		618
Retirement benefit pension surplus		1,253		1,204
		18,482		18,471
Current assets				
Stocks	4,618		3,231	
Trade and other receivables	14,348		14,631	
Overseas tax (denominated in Euros)	133		280	
Cash and cash equivalents	24,077		27,417	
	43,176		45,559	
Current liabilities				
Trade and other payables	(10,963)		(10,271)	
Current tax liabilities	(1,321)		(1,599)	
Bank loans	(980)		(980)	
Obligations under finance leases	(114)		(114)	
Provisions	(9)		(13)	
	(13,387)		(12,977)	
Net current assets		29,789		32,582
Total assets less current liabilities		48,271		51,053
Non-current liabilities				
Bank loans	(5,975)		(6,955)	
Obligations under finance leases	(162)		(255)	
Provisions	-		(8)	
		(6,137)		(7,218)
Net assets		42,134		43,835
Equity				
Called-up share capital		423		423
Share premium		13		13
Retained earnings		39,295		40,684
Translation reserve		2,148		2,460
Other reserves		245		245
Surplus attributable to equity holders of the parent		42,124		43,825
Minority interest		10		10
Total equity		42,134		43,835

Andrews Sykes Group plc
Consolidated Cash Flow Statement
For the 12 months ended 31 December 2014

	12 months ended 31 December 2014 £'000	12 months ended 31 December 2013 £'000
Cash flows from operating activities		
Cash generated from operations	13,222	17,689
Interest paid	(166)	(243)
Net UK corporation tax paid	(2,268)	(2,340)
Withholding tax paid	(47)	(39)
Overseas tax paid	(120)	(851)
Net cash flow from operating activities	<u>10,621</u>	<u>14,216</u>
Investing activities		
Dividends received from trade investments	517	194
Sale of property, plant and equipment	511	706
Purchase of property, plant and equipment	(3,727)	(4,392)
Interest received	270	281
Net cash flow from investing activities	<u>(2,429)</u>	<u>(3,211)</u>
Financing activities		
Loan repayments	(1,000)	(8,000)
New loans raised	-	8,000
Finance lease capital repayments	(93)	(97)
Equity dividends paid	(10,058)	(7,523)
Net cash flow from financing activities	<u>(11,151)</u>	<u>(7,620)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(2,959)</u>	<u>3,385</u>
Cash and cash equivalents at the beginning of the period	27,417	24,108
Effect of foreign exchange rate changes	(381)	(76)
Cash and cash equivalents at end of the period	<u>24,077</u>	<u>27,417</u>
Reconciliation of net cash flow to movement in net funds in the period		
Net (decrease) / increase in cash and cash equivalents	(2,959)	3,385
Cash outflow from the decrease in debt	1,093	8,097
Cash inflow from the increase in loans	-	(8,000)
Non-cash movement in respect of raising loan finance	(20)	65
Movement in net funds during the period	<u>(1,886)</u>	<u>3,547</u>
Opening net funds at the beginning of the period	19,113	15,642
Effect of foreign exchange rate changes	(381)	(76)
Closing net funds at the end of the period	<u>16,846</u>	<u>19,113</u>

Andrews Sykes Group plc

Consolidated Statement of Changes in Equity For the 12 months ended 31 December 2014

	Attributable to equity holders of the parent company						Minority interest	Total equity
	Share capital £'000	Share Premium £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000		
At 31 December 2012	423	13	37,825	2,323	245	40,829	10	40,839
Profit for the financial period	-	-	11,518	-	-	11,518	-	11,518
Other comprehensive charges:								
Items that may be reclassified to profit and loss:								
Currency translation differences on foreign currency net investments	-	-	-	137	-	137	-	137
Items that will never be reclassified to profit and loss:								
Remeasurement of defined benefit assets and liabilities	-	-	(1,524)	-	-	(1,524)	-	(1,524)
Related deferred tax	-	-	388	-	-	388	-	388
Total other comprehensive charges	-	-	(1,136)	137	-	(999)	-	(999)
Transactions with owners recorded directly in equity								
Dividends paid	-	-	(7,523)	-	-	(7,523)	-	(7,523)
Total transactions with owners	-	-	(7,523)	-	-	(7,523)	-	(7,523)
At 31 December 2013	423	13	40,684	2,460	245	43,825	10	43,835
Profit for the financial period	-	-	9,311	-	-	9,311	-	9,311
Other comprehensive charges:								
Items that may be reclassified to profit and loss:								
Currency translation differences on foreign currency net investments	-	-	-	(312)	-	(312)	-	(312)
Items that will never be reclassified to profit and loss:								
Remeasurement of defined benefit assets and liabilities	-	-	(802)	-	-	(802)	-	(802)
Related deferred tax	-	-	160	-	-	160	-	160
Total other comprehensive charges	-	-	(642)	(312)	-	(954)	-	(954)
Transactions with owners recorded directly in equity:								
Dividends paid	-	-	(10,058)	-	-	(10,058)	-	(10,058)
Total transactions with owners	-	-	(10,058)	-	-	(10,058)	-	(10,058)
At 31 December 2014	423	13	39,295	2,148	245	42,124	10	42,134

Notes

1. Basis of preparation

Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. Therefore the financial information set out above does not constitute the company's financial statements for the 12 months ended 31 December 2014 or 31 December 2013 but it is derived from those financial statements.

2. Going Concern

The board remains satisfied with the group's funding and liquidity position. The group has operated throughout the 2014 financial year and until the date of signing these accounts within its financial covenants as contained in the bank agreement. Consequently the loans have been analysed between current and non-current liabilities in accordance with the agreed repayment profile.

Both loan capital and interest payments have been made in accordance with the bank agreement. On 30 April 2014 the first capital repayment of £1 million was made and this was followed by a further capital payment, also of £1 million on 30 April 2015. Interest is paid bi-annually at the end of October and April. The group's profit and cash flow projections indicate that the financial covenants included within the new bank loan agreement will be met for the foreseeable future.

The group continues to have substantial cash resources which at 31 December 2014 amounted to £24.1 million compared with £27.4 million as at 31 December 2013. Profit and cash flow projections for 2015 and 2016, which have been prepared on a conservative basis taking into account reasonably possible changes in trading performance, indicate that the group will be profitable and generate positive cash flows after loan repayments. These forecasts and projections indicate that the group should be able to operate within the current bank facility agreement entered and all associated covenants will be met.

The board considers that the group has considerable financial resources and a wide operational base. As a consequence, the board believes that the group is well placed to manage its business risks successfully, as demonstrated by the current year's result, despite uncertain external influences and the current uncertain economic outlook for certain of our trading territories in Europe.

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

3. Distribution of Annual Report and Financial Statements

The group expects to distribute copies of the full Annual Report and Financial Statements that comply with IFRSs by 15 May 2015 following which copies will be available either from the registered office of the company; Premier House, Darlington Street, Wolverhampton, WV1 4JJ; or from the company's website; www.andrews-sykes.com. The Annual Report and Financial Statements for the 12 months ended 31 December 2013 have been delivered to the Registrar of Companies and those for the 12 months ended 31 December 2014 will be filed at Companies House following the company's Annual General Meeting. The auditors have reported on those financial statements; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain details of any matters on which they are required to report by exception.

4. Date of Annual General Meeting

The group's Annual General Meeting will be held at 10.30 a.m. on Tuesday 16 June 2015 at Floor 5, 10 Bruton Street, London, W1J 6PX.