Andrews Sykes Group plc
Summary of results
For the 12 months ended 31 December 2016

	12 months ended 31 December 2016 £'000	12 months ended 31 December 2015 £'000
Revenue from continuing operations	**65,389**	60,058
EBITDA* from continuing operations	**20,664**	17,701
Operating profit	**15,816**	13,208
Profit after tax for the financial period	**14,473**	10,800
Basic earnings per share from total operations (pence)	**34.25p**	25.55p
Interim and final dividends paid per equity share (pence)	**23.80p**	23.80p
Proposed final dividend per equity share (pence)	**11.90p**	11.90p
Net cash inflow from operating activities	**15,133**	12,124
Total interim and final dividends paid	**10,058**	10,058
Net funds	**17,673**	14,558

* 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.

For further information please contact:

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Chairman's Statement

Overview and financial highlights

Summary

The group's revenue for the year ended 31 December 2016 was £65.4 million, an increase of £5.3 million, or 8.9%, compared with the same period last year. This increase had a more than proportionate impact on operating profit which increased by 19.7%, or £2.6 million, from £13.2 million last year to £15.8 million in the year under review. This increase, which follows a 16.8% increase last year, reflects strong performances from both our hire and sales businesses in the UK and Europe and the Middle East. Part of this increase, in Sterling terms, is due to the relatively weak pound compared with overseas currencies but nevertheless the underlying trading performance in our overseas subsidiaries shows a significant improvement compared to last year.

Net finance income was £1.7 million this year compared with £0.2 million in 2015. This is largely attributable to a foreign exchange gain arising on the retranslation of inter-company balances of £1.6 million which is also due to the relatively weak value of Sterling compared with overseas currencies, notably the Euro and the UAE Dirham.

Mainly as a consequence of the increase in operating profit and net finance income, our basic earnings per share increased by 34.1% from 25.55p last year to 34.25p in the current period. The basic earnings per share is a positive factor reflecting the strong trading performance of the group's businesses.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £15.1 million compared with £12.1 million last year. Despite shareholder related cash outflows of £10.1 million on ordinary dividends, net funds increased by £3.2 million from £14.5 million at 31 December 2015 to £17.7 million at 31 December 2016.

Our policy of returning affordable dividends to shareholders continues. Over the last four financial years the group has paid £37.7 million in cash to shareholders. At the same time the level of external bank borrowings reduced from £6 million as at the end of last year to £5 million as at 31 December 2016. The Board is once again proposing a further final dividend payment amounting to £5.0 million which, if approved at the forthcoming AGM, would be paid in June 2017.

Cost control, cash and working capital management continue to be priorities for the group. Capital expenditure is concentrated on assets that give a good return and in total £6.2 million was invested in the hire fleet this year, £0.6 million more than last year and significantly more than the wasting depreciation charge of £4.5 million. In addition, the group invested a further £0.7 million in property, plant and equipment. These actions will ensure that the group's infrastructure and revenue generating assets are sufficient to support future growth and profitability. Hire fleet utilisation, condition and availability continue to be the subjects of management focus.

Operating performance

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

	Turnover	Operating profit
	£'000	**£'000**
1st half 2016	**30,287**	**6,395**
1st half 2015	28,240	4,973
2nd half 2016	**35,102**	**9,421**
2nd half 2015	31,818	8,235
Total 2016	**65,389**	**15,816**
Total 2015	60,058	13,208

The above table demonstrates that the successful performance in the first half of the year continued into the second half. Turnover in the first half of the year showed a 7.2% improvement over the same period in 2015 and, in the second half, the percentage improvement increased to 10.3%. Operating profit for the first half year showed a 28.6% improvement compared with the same period in 2015 and a 14.4% improvement for the second half year. Although the percentage improvement was lower in the second half this year this is in comparison to a much stronger performance in the second half of last year. Traditionally the group makes more profit in the second half year due to the higher profit margins on its air conditioning products which are hired predominantly in the second half of the year.

The above significant improvement in operating profit has been achieved despite any significant extremes in climatic conditions. The operating profit of our main business segment in the UK and Northern Europe increased from £11.3 million last year to £13.8 million in the year under review. Whilst demand for our pumping and dehumidification products was stimulated by the floods in the North of England at the beginning of 2016, the absence of a hot summer did not help our air conditioning business. Generally the underlying performance was better than last year across the business sector due to robust operational management. Our traditional businesses continue to be developed and supported by the expansion of non-weather dependent niche markets which benefit the performance of our specialist hire divisions. This year's result further demonstrates that with a diverse product range we are able to return a strong performance despite the absence of any significant extreme weather conditions.

Our hire and sales business in the Middle East had another excellent trading year. The operating profit for this business segment increased from £2.3 million last year to £2.9 million in 2016. Trading was strong throughout the region and our climate rental division returned a positive contribution to the business results.

Our fixed installation business sector in the UK returned a slightly reduced operating profit of £0.3 million this year, £0.1 million behind the result achieved last year. The market continues to be fragmented with high levels of price competition.

Central overheads increased from £0.8 million in 2015 to £1.2 million in the current year.

Profit for the financial year

Profit before tax was £17.5 million this year compared with £13.4 million last year. This is attributable to the above £2.6 million increase in operating profit and the £1.5 million increase in net finance income. No dividends were received in either year from Oasis Sykes, our trade investment in Saudi Arabia.

Tax charges increased from £2.6 million in 2015 to £3.1 million this year. The overall effective tax rate reduced from 19.2% in 2015 to 17.5% primarily due to an increase in profits earned by our business based in the Middle East, where corporation tax rates are very low, the utilisation of off balance sheet overseas tax losses and a reduction in the UK corporation tax rate. Profit for the financial year was £14.4 million compared with £10.8 million last year.

Equity dividends

The company paid two dividends during the year. On 24 June 2016 a final dividend for the year ended 31 December 2015 of 11.9 pence per ordinary share was paid and this was followed on 2 November 2016 by the payment of an interim dividend for 2016 also of 11.9 pence per share. Therefore, during 2016, 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 2016 also of 11.9 pence per ordinary share. If approved at the forthcoming Annual General Meeting this dividend, which in total amounts to £5.0 million, will be paid on 26 June 2017 to shareholders on the register as at 26 May 2017.

Net funds

At 31 December 2016 the group had net funds of £17.7 million compared with £14.5 million last year, an increase of £3.2 million despite the payment of the above equity dividends totalling £10.1 million during the year.

Bank loan facilities

The final capital repayment of £5 million that was due under the bank loan agreement entered into in April 2013 was made in accordance with the agreed repayment schedule on30 April 2017. This was financed by a new five year loan of £5 million also with the Royal Bank of Scotland. This will be repaid by four equal annual instalments of £0.5 million per annum commencing in April 2018 followed by a final balloon repayment of £3 million due in April 2022.

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 2017. Investments will also continue in our traditional businesses to ensure we are ready to support our customers in times of extreme weather conditions.

The group continues to face both challenges and opportunities in all of its geographical markets but our business remains strong, cash generative and well developed, with positive net funds. The Board is therefore cautiously optimistic for further success in 2017, always being mindful of the favourable or adverse impact that the weather can have on our business.

JG Murray

Chairman

10 May 2017

Andrews Sykes Group plc
Consolidated Income Statement
For the 12 months ended 31 December 2016

	12 months ended 31 December 2016 £'000	12 months ended 31 December 2015 £'000
Continuing operations		
Revenue	**65,389**	60,058
Cost of Sales	**(26,677)**	(25,284)
Gross profit	**38,712**	34,774
Distribution costs	**(11,512)**	(10,828)
Administrative expenses	**(11,384)**	(10,738)
Operating profit	**15,816**	13,208
EBITDA*	**20,664**	17,701
Depreciation and impairment losses	**(5,310)**	(4,959)
Profit on the sale of plant and equipment	**462**	466
Operating profit	**15,816**	13,208
Finance income	**1,875**	323
Finance costs	**(150)**	(164)
Profit before taxation	**17,541**	13,367
Taxation	**(3,068)**	(2,567)
Profit for the financial period	**14,473**	10,800

There were no discontinued operations in either of the above periods

Earnings per share		
Basic (pence)	**34.25p**	25.55p
Diluted (pence)	**34.25p**	25.55p
Interim and final dividends paid per equity share (pence)	**23.80p**	23.80p
Proposed final dividend per equity share (pence)	**11.90p**	11.90p

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

Andrews Sykes Group plc
Consolidated Statement of Comprehensive Total Income
For the 12 months ended 31 December 2016

	12 months ended 31 December 2016 £'000	12 months ended 31 December 2015 £'000
Profit for the financial period	**14,473**	10,800
Other comprehensive income / (charges)		
Items that may be reclassified to profit and loss:		
Currency translation differences on foreign currency net Investments	**1,924**	(175)
Items that will never be reclassified to profit and loss:		
Remeasurement of defined benefit assets and liabilities	**(2,201)**	1,157
Related deferred tax	**418**	(207)
Other comprehensive income for the period net of tax	**141**	775
Total comprehensive income for the period	**14,614**	11,575

Andrews Sykes Group plc
Consolidated Balance Sheet
As at 31 December 2016

	31 December 2016		31 December 2015	
	£'000	**£'000**	£'000	£'000
Non-current assets				
Property, plant and equipment		**20,062**		17,750
Lease prepayments		**49**		50
Trade investments		**164**		164
Deferred tax asset		**559**		282
Retirement benefit pension surplus		**1,161**		2,443
		21,995		20,689
Current assets				
Stocks	**4,994**		4,199	
Trade and other receivables	**18,425**		16,584	
Overseas tax (denominated in Euros)	**-**		17	
Cash and cash equivalents	**22,819**		20,715	
	46,238		41,515	
Current liabilities				
Trade and other payables	**(13,055)**		(11,090)	
Current tax liabilities	**(1,825)**		(1,306)	
Bank loans	**(4,995)**		(980)	
Obligations under finance leases	**(102)**		(101)	
	(19,977)		(13,477)	
Net current assets		**26,261**		28,038
Total assets less current liabilities		**48,256**		48,727
Non-current liabilities				
Bank loans	**-**		(4,995)	
Obligations under finance leases	**(49)**		(81)	
		(49)		(5,076)
Net assets		**48,207**		43,651
Equity				
Called-up share capital		**423**		423
Share premium		**13**		13
Retained earnings		**43,619**		40,987
Translation reserve		**3,897**		1,973
Other reserves		**245**		245
Surplus attributable to equity holders of the parent		**48,197**		43,641
Minority interest		**10**		10
Total equity		**48,207**		43,651

Andrews Sykes Group plc
Consolidated Cash Flow Statement
For the 12 months ended 31 December 2016

	12 months ended 31 December 2016 £'000	12 months ended 31 December 2015 £'000
Cash flows from operating activities		
Cash generated from operations	**17,693**	14,623
Interest paid	**(136)**	(155)
Net UK corporation tax paid	**(1,846)**	(1,881)
Overseas tax paid	**(578)**	(463)
Net cash flow from operating activities	**15,133**	12,124
Investing activities		
Sale of property, plant and equipment	**673**	711
Purchase of property, plant and equipment	**(5,392)**	(5,234)
Interest received	**241**	197
Net cash flow from investing activities	**(4,478)**	(4,326)
Financing activities		
Loan repayments	**(1,000)**	(1,000)
Finance lease capital repayments	**(116)**	(94)
Equity dividends paid	**(10,058)**	(10,058)
Net cash flow from financing activities	**(11,174)**	(11,152)
Net decrease in cash and cash equivalents	**(519)**	(3,354)
Cash and cash equivalents at the beginning of the period	**20,715**	24,077
Effect of foreign exchange rate changes	**2,623**	(8)
Cash and cash equivalents at the end of the period	**22,819**	20,715

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

Net decrease in cash and cash equivalents	**(519)**	(3,354)
Cash outflow from the decrease in debt	**1,115**	1,094
Non-cash movement in respect of raising loan finance	**(20)**	(20)
Non-cash movements re new finance leases and hire purchase agreements	**(84)**	-
Movement in net funds during the period	**492**	(2,280)
Opening net funds at the beginning of the period	**14,558**	16,846
Effect of foreign exchange rate changes	**2,623**	(8)
Closing net funds at the end of the period	**17,673**	14,558

Andrews Sykes Group plc

Consolidated Statement of Changes in Equity
For the 12 months ended 31 December 2016

	Attributable to equity holders of the parent company						Minority interest	Total equity
	Share capital £'000	Share Premium £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000	£'000	£'000
At 31 December 2014	423	13	39,295	2,148	245	42,124	10	42,134
Profit for the financial period	-	-	10,800	-	-	10,800	-	10,800
Other comprehensive income and (charges):								
Items that may be reclassified to profit and loss:								
Currency translation differences on foreign currency net investments	-	-	-	(175)	-	(175)	-	(175)
Items that will never be reclassified to profit and loss:								
Remeasurement of defined benefit assets and liabilities	-	-	1,157	-	-	1,157	-	1,157
Related deferred tax	-	-	(207)	-	-	(207)	-	(207)
Total other comprehensive income and (charges)	-	-	950	(175)	-	775	-	775
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 2015	423	13	40,987	1,973	245	43,641	10	43,651
Profit for the financial period	**-**	**-**	**14,473**	**-**	**-**	**14,473**	**-**	**14,473**
Other comprehensive income and (charges):								
Items that may be reclassified to profit and loss:								
Currency translation differences on foreign currency net investments	**-**	**-**	**-**	**1,924**	**-**	**1,924**	**-**	**1,924**
Items that will never be reclassified to profit and loss:								
Remeasurement of defined benefit assets and liabilities	**-**	**-**	**(2,201)**	**-**	**-**	**(2,201)**	**-**	**(2,201)**
Related deferred tax	**-**	**-**	**418**	**-**	**-**	**418**	**-**	**418**
Total other comprehensive income and (charges)	**-**	**-**	**(1,783)**	**1,924**	**-**	**141**	**-**	**141**
Transactions with owners recorded directly in equity:								
Dividends paid	**-**	**-**	**(10,058)**	**-**	**-**	**(10,058)**	**-**	**(10,058)**
Total transactions with owners	**-**	**-**	**(10,058)**	**-**	**-**	**(10,058)**	**-**	**(10,058)**
At 31 December 2016	**423**	**13**	**43,619**	**3,897**	**245**	**48,197**	**10**	**48,207**

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 2016 or 31 December 2015 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 2016 financial year and until the date of signing these accounts within its financial covenants as contained in the bank agreement.

Both loan capital and interest payments have been made in accordance with the bank agreement. The first two capital repayments of £1 million each were made on the due dates in prior periods and these were followed by a further capital repayment, also of £1 million, on 30 April 2016. Interest is paid bi-annually at the end of October and April.

The final loan repayment was made on 30 April 2017, financed by a new five year loan of £5 million also with the Royal Bank of Scotland. This will be repaid by four equal annual instalments of £0.5 million per annum commencing on 30 April 2018 followed by a final balloon repayment of £3 million due on 30 April 2022. Interest will be charged at the 3 month LIBOR rate plus a margin of 1.1%. 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 2016 amounted to £22.8 million compared with £20.7 million as at 31 December 2015. Profit and cash flow projections for 2017 and 2018, which have been prepared on a conservative basis taking into account reasonably possible changes in trading performance, indicate that the group will be profitable and generate positive cash flows after loan repayments. These forecasts and projections indicate that the group should be able to operate within the new bank facility agreement and that all associated covenants will be met.

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

After making enquiries, the board has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the board continues to adopt the going concern basis when preparing 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 19 May 2017 following which copies will be available either from the registered office of the company; St David's Court, Union Street, Wolverhampton, WV1 3JE; or from the company's website; www.andrews-sykes.com. The Annual Report and Financial Statements for the 12 months ended 31 December 2015 have been delivered to the Registrar of Companies and those for the 12 months ended 31 December 2016 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 Wednesday 21 June 2017 at 2 Eaton Gate, London, SW1W 9BJ.