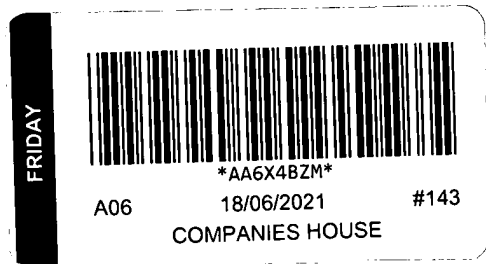




# Andrews Sykes Group plc

## Annual Report and Financial Statements 2020



SYKES PUMPS 

 **ANDREWS**  
AIR CONDITIONING

 **ANDREWS**  
HEAT FOR HIRE

 **ANDREWS**  
DEHUMIDIFICATION

 **ANDREWS**  
CHILLERS

 **ANDREWS**  
BOILERS

 **ANDREWS**  
VENTILATION

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# Summary of Results

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Revenue from continuing operations	67,259	77,246
EBITDA* from continuing operations	26,089	28,519
Operating profit	16,386	19,298
Profit after tax for the financial period	13,020	15,019
Basic earnings per share from total operations (pence)	30.87p	35.61p
Interim and final dividends paid per equity share (pence)	46.10p	23.80p
Proposed final dividend per equity share (pence)	11.50p	10.50p
Net cash inflow from operating activities	22,255	18,522
Total interim and final dividends paid	19,442	10,038
Net funds	7,672	12,136

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

# Chairman's Statement

## Overview and financial highlights

### Overview and outlook

Andrews Sykes' trading continues to be resilient despite the unprecedented challenge posed by the coronavirus pandemic. We are thankful and proud of our team members responding as essential service providers. The wellbeing of our employees and business partners is of paramount importance as we adhere to the local government guidelines. In the UK, Europe, and Middle East, we have introduced social distancing measures, furloughed employees where appropriate and embraced home working for as many employees as possible. Our priority is to keep our operations safe for customers, employees, and business partners.

Despite unprecedented circumstances, we are encouraged how the business has constantly adapted to overcome operational issues. We modified various aspects of our service to suit both clients and staff. These measures include cleaning and sanitising all equipment prior to despatch, non-contact deliveries wherever possible, and the mandatory use of PPE when on customer sites.

While lockdowns and 'stay at home' guidance have affected traditional opportunities in the facilities management and events sectors, we have instead capitalised on demand from other industries to generate profitable revenue. The company's extensive involvement with many COVID-related projects ensured consistent boiler and chiller revenue throughout the year. This was supported by an exceptional year for our UK pump hire business, which finished the year 3% up on the previous year's revenue.

Profit for 2020 was £13.0 million compared with £15.0 million for 2019; it reflects a fall in the level of trading across all our businesses as our markets continued to be affected by the pandemic. The Board is confident that once conditions ease and external market conditions improve, customer demand and trading will return to normal levels. Conditions are improving in the UK with positive signs for the months ahead.

We have modelled with caution the effects of sales decline along with other factors to ensure the group remains within its bank facilities including cash flow forecasts for a period more than 12 months. The group has sufficient funds beyond May 2022 without renegotiating its bank facilities. The Board, therefore, considers the group is well positioned to continue to manage through the impact of the pandemic considering its strong balance sheet and significant net cash position.

The Board has paid three dividends during 2020: the final dividend from 2019 of 10.5 pence per share and two interim dividends for 2020 of a total of 35.6 pence per share. The Board has decided to propose a final dividend for 2020 of 11.5 pence per share that, subject to shareholder approval, will be paid in June 2021.

### 2020 trading summary

The group's revenue for the year ended 31 December 2020 was £67.3 million, a decrease of £10.0 million, or 12.9%, compared with the same period last year. This decrease had a more than proportionate impact on operating profit which decreased by 15.1%, or £2.9 million, from £19.3 million last year to £16.4 million in the year under review. This decrease reflects a much lower level of trading across all our businesses mainly due to the effects of the coronavirus pandemic. The fourth quarter of 2020 was particularly challenging due to the combination of severe COVID-19 restrictions being imposed by the governments in the UK and Europe and a relatively mild winter in the UK.

Net finance costs were £0.6 million this year compared with £0.7 million last year. Profit before taxation was £15.8 million (2019: £18.6 million) and profit after taxation was £13.0 million (2019: £15.0 million).

The group has reported a decrease in the basic earnings per share of 4.74p, or 13.3%, from 35.61p in 2019 to 30.87p in the current year. This is mainly attributable to the above decrease in the group's operating profit.

The group continues to generate strong cash flows. Net cash inflow from operating activities was £22.3 million compared with £18.5 million last year reflecting strong cash management. Despite shareholder-related cash outflows of £19.4 million on ordinary dividends, net funds only decreased by £4.4 million from £12.1 million at 31 December 2019 to £7.7 million at 31 December 2020.

Cost control, cash and working capital management continue to be priorities for the group. Capital expenditure is concentrated on assets with strong returns; in total £4.9 million was invested in the hire fleet this year, lower than the normal level due to the decline in customer demand. 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 2020</b>	<b>33,480</b>	<b>7,000</b>
1st half 2019	34,974	6,918
<b>2nd half 2020</b>	<b>33,779</b>	<b>9,386</b>
2nd half 2019	42,272	12,380
<b>Total 2020</b>	<b>67,259</b>	<b>16,386</b>
Total 2019	77,246	19,298

The above table reflects the length and severity of the coronavirus pandemic, which extended longer than most people anticipated. The majority of the decline in both turnover and operating profit occurred in the second half of the year as all of this period was affected by the pandemic.

The turnover of our main business segment in the UK and Northern Europe decreased from £60.4 million last year to £55.2 million, and operating profit fell from £16.9 million to £15.1 million in the year under review. This reflects a decrease in both air conditioning and heater hire revenues due to a combination of the coronavirus pandemic, and a relatively mild summer and winter in the UK and most of Europe. Pump and boiler hire proved to be more resilient, the latter being assisted by some key contracts in the UK.

The turnover of our hire and sales business in the Middle East decreased from £13.2 million last year to £10.3 million, and operating profit decreased from £3.2 million to £2.0 million in the year under review. Whilst last year's result was exceptionally good, the second half of the current year was badly affected by the pandemic, the postponement of Expo 2020 and a slump in the oil price, which all had a very negative impact on the local economy. Nevertheless, there were some early signs of an improvement in our pump hire business towards the end of the year.

Our fixed installation business sector in the UK returned an operating profit of £0.2 million this year; the same as that achieved in 2019. The market continues to be fragmented with high levels of price competition.

Central overheads were £0.8 million in the current year compared with £1.0 million in 2019.

## Profit for the financial year

Profit before tax was £15.8 million this year compared with £18.6 million last year; a decrease of £2.8 million. This is attributable to the above £2.9 million decrease in operating profit and the reduction of £0.1 million in net interest costs.

Tax charges decreased from £3.5 million in 2019 to £2.8 million this year. The overall effective tax rate decreased slightly from 19.1% in 2019 to 17.8% this year. A detailed reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by 19% and the actual tax charge is given in note 11 to the consolidated financial statements. Profit for the financial year was £13.0 million compared with £15.0 million last year.

## Defined benefit pension scheme

A formal funding valuation as at 31 December 2019, together with a revised schedule of contributions and recovery plan, was agreed by the Board with the pension scheme trustees in March 2021. In accordance with this agreement, the group will be paying £1.3 million per annum into the pension scheme in both 2021 and 2022. Prior to the signing of this agreement, and prior to the payment of the special interim dividend noted below, the group made a one-off voluntary contribution of £600,000 to the pension scheme during 2020.

# Chairman's Statement

## Overview and financial highlights (continued)

### Equity dividends

The company paid three dividends during the year. On 19 June 2020, a final dividend for the year ended 31 December 2019 of 10.5 pence per ordinary share was paid, and this was followed by two interim dividends for 2020. The first, a special interim dividend of 23.7 pence per ordinary share was paid on 28 August 2020. This dividend was paid out of the group's substantial brought forward cash reserves accumulated from previous years' trading, a proportion of which were surplus to the group's requirements and were therefore returned to shareholders. On 6 November 2020, the company paid a second interim dividend of 11.9 pence per share. Therefore, during 2020, a total of £19.4 million in cash dividends has been returned to our ordinary shareholders.

The Board has decided to propose a final dividend of 11.5 pence per share. If approved at the forthcoming Annual General Meeting, this dividend, which in total amounts to £4.85 million, will be paid on 18 June 2021 to shareholders on the register as at 28 May 2021.

### Share buybacks

The company did not purchase any of its own ordinary shares for cancellation during the period under review. In previous years, purchases were made which enhanced earnings per share and were for the benefit of all shareholders. As at 4 May 2021, there remained an outstanding general authority for the directors to purchase 5,271,794 ordinary shares, which was granted at last year's Annual General Meeting.

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

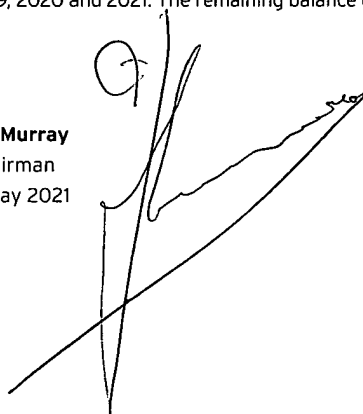
### Net funds

Despite shareholder related cash outflows of £19.4 million on ordinary dividends, net funds only decreased by £4.4 million from £12.1 million at 31 December 2019 to £7.7 million at 31 December 2020.

### Bank loan facilities

The group continues to operate within its bank covenants. In April 2017, a bank loan of £5 million was taken out with the group's bankers, Royal Bank of Scotland. The first four loan repayments of £0.5 million were made in accordance with the bank agreement on 30 April 2018, 2019, 2020 and 2021. The remaining balance of £3.0 million is due to be repaid by a final balloon repayment on 30 April 2022.

JG Murray  
Chairman  
4 May 2021



# Strategic Report

## Operational performance

### Principal objectives and strategy

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

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

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

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

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

### Future development of the business

Our success has been centred on providing technically advanced climate rental and pumping products to numerous geographic locations and market sectors. We plan to continue to develop new products and services within our specialist portfolio whilst continuing to expand our geographic coverage both within existing territories and new markets. During 2020, we continued to develop new products and have a number of new developments ready for launching in 2021, 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 2020, the unprecedented impact of the COVID-19 pandemic both on the business and the markets it serves worldwide was partially reflected in the year end numbers, but of equal importance is our proven ability to adapt and continue to find new COVID-secure methods of operating our business as circumstances changed throughout the year. 2020, above all else, reflects this flexibility in our group business and its ability to adapt to service our markets safely and securely on a sustainable basis moving forward.

### 2020 operational performance

In an exceptional year where the effects of COVID-19 have dominated the worldwide market, we are pleased to report that our business adapted well to the ever-changing challenges that the pandemic created for us. The group operating profit reduced by £2.9 million in 2020 compared to 2019. 2020 was clearly a year dominated by the impact of the pandemic, but 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 7% turnover decline when compared to last year, supported by a good overall year for our pump hire business in the UK - in fact, ending the year 3% up on the previous year's revenue. Our core markets of heating and air conditioning (in the traditional markets of "comfort" cooling and heating) and for the traditional events market were greatly impacted by the pandemic, but we did manage to see a sustainable revenue coming from our chillers and boilers, which were deployed on a large scale in the COVID-related work throughout 2020 in the UK.

# Strategic Report

## Operational performance (continued)

In mainland Europe, our total turnover was down 13% on the previous year, with operating profit 35% down on the previous year. Clearly the effect of the pandemic was felt throughout Europe with a relatively hot summer and mild winter being the overriding climates. As with the UK, there was, however, little requirement for comfort cooling or heating with office occupation being low and the events industry locked down. In the Benelux region, our business saw a mixed set of results with Holland benefiting from the decent summer and restricting the shortfall in revenues to about 15% on prior year. Belgium and Luxembourg, being more heavily impacted by COVID restrictions, saw reductions of between 25% and 40% respectively. Our Italian subsidiary, Nolo Climat, reported strong growth in 2019; this continued the year-on-year growth we have enjoyed since entering the Italian market in 2011. It is pleasing that we managed to maintain the overall performance in 2020 in line with the prior year, with good business levels in Milan and the opening of the new depot in Verona. Turnover in Italy was stable from 2019 to 2020 despite the pandemic. In France, turnover was stable but the operating profit declined when compared to the previous year, which was mostly due to the impact of the pandemic and the intermittent nature of the business with lockdowns interrupting continuity. This was particularly felt in our Paris operation, which did not see a summer air-conditioning season because of lockdown. We did, however, continue our investment in new depots and human resource across the country ready for the return to work post the easing of restrictions in 2021.

In the Middle East, Khansaheb Sykes produced a profit which was 30% lower than the prior year. The market was difficult for the entirety of the year; the total revenue falling by 20% and operating profit by 35%. Our HVAC rental division was impacted heavily by the pandemic with borders closed and travel highly restricted. This impacted on events planned and the market in the Middle East during the year.

The overall group operating profit of £16.4 million was a decrease of £2.9 million (15%) when compared to the 2019 results. Net funds are £7.7 million at 31 December 2020, compared to £12.1 million at 31 December 2019, despite shareholder-related cash outflows of £19.4 million on equity dividends.

## Hire and sales Europe

### Summary

Turnover of the European hire and sales business sector decreased from £64.0 million last year to £57.0 million in the current year; a decrease of £7.0 million or 11% compared with last year. Operating profit decreased by £0.5 million, or 4%, from 2019 to 2020. 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 Hire Limited

Our main UK trading subsidiary, Andrews Sykes Hire, has 26 locations covering the UK and employing over 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 2020 was marginally below that of the 2019 performance, which we are pleased to report is a resilient performance given the circumstances of 2020 with the pandemic. This, we believe, shows the ability of the business to react to changing customer needs and market circumstances, and to mobilise quickly to adapt to customer requirements.

### Andrews Sykes BV

With over 40 years of experience in the Dutch market, we currently have four depots strategically located throughout the Netherlands providing full coverage of the country. Our Dutch business also provides back up support to our operations in Belgium and Luxembourg. This subsidiary performed relatively well with total revenue 15% below that of the previous year.

### Andrews Sykes BVBA

Our Belgian subsidiary is based in Brussels and provides the full range of Andrews Sykes climate rental products throughout Belgium. Trading in both French and Flemish languages, the business has dual language branding, literature and website for the Belgian market. Similar to the Dutch business, our Belgian subsidiary was below the 2019 turnover levels by 26% as a result of the pandemic.

### 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 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 a second depot located in Bologna. Following the progress made in recent years, this business provided another record result in 2019 that we are pleased to report was matched by comparable business levels in 2020.

### **Andrews Sykes Climat Location SAS**

Our French subsidiary was established in 2012; since then we have established depots in Paris, Lyon, Lille and Marseille. The group have identified France as region of potential growth and have, therefore, accelerated our expansion plans with continued investment in our hire fleet, staff and additional depots. This expansion has continued during 2020 in order to provide a sustainable platform for 2021 onwards. Turnover for 2020 finished the year within 2% of the comparable number for 2019. Further growth to optimise geographical coverage is planned with new depots opening in 2021.

### **Climat Location SA**

Climat Location SA is our Swiss subsidiary, which opened in 2013; this operation was established to service the French cantons and works closely with our French subsidiary. Following a small profit in 2019, our Swiss operation produced another stable performance through the pandemic. We have recently relocated our operations to a larger facility and are now exploring further opportunities within the German cantons.

## **UK installation business**

### **Andrews Air Conditioning and Refrigeration Limited**

Andrews Air Conditioning and Refrigeration (AAC&R) is our UK-based fixed air conditioning, service, maintenance and installation business. This subsidiary provides a specialist service to customers who have or require permanently installed air conditioning systems. The total revenue for this business is split between the sale of new systems, and the service and maintenance of existing systems. In 2020, the business produced improved levels of profitability from a reduced level of turnover in the pandemic. Service work was increased but installations activity proved more difficult in the restrictions imposed in the pandemic. We look forward to the restarting of activity in 2021 to recommence this work.

## **Hire and sales Middle East**

### **Khansaheb Sykes LLC**

Khansaheb Sykes is our long-established pump hire and dewatering business, which is based in the UAE with locations in Sharjah, Dubai and Abu Dhabi. These centres also provide a base from which we cover other parts of the Middle East for both pump sales and hire. We have agents based throughout the Middle East including Oman, Kuwait, Bahrain and Qatar, which allows us to provide our products and services in these local markets. The business produced a relatively stable performance in the year with turnover (as a result of the pandemic) down 22% as a result of travel restrictions, and a reduced HVAC market and fewer project starts for our pump-related business.

## **Group summary**

The overall group result for 2020 shows a decrease in operating profit of £2.9 million, or 15%, when compared to 2019, which was a good result given the challenges faced throughout the World in 2020.

The Andrews Sykes business remains strong; the experience of our senior management team, coupled with our development plans, provide optimism for further progress in 2021 as we navigate out of the pandemic and adapt to the new environment accordingly. The group continues to develop new sales channels and propositions, which will enable the business to take advantage of favourable market conditions and opportunities as they arise. At the same time, the company continues to carefully control its cost base and ensure that satisfactory levels of profit can be achieved even during difficult market conditions.

# Strategic Report

## Review of risks, uncertainties and financial performance

### **Right-of-use assets and lease obligations stated in accordance with IFRS 16**

Last year, the group adopted IFRS 16, which establishes principles for the recognition, measurement, presentation and disclosures of leases, with effect from 1 January 2019.

IFRS 16 introduced a single, on-balance-sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The group adopted IFRS 16 on 1 January 2019 and applied the Standard's modified retrospective approach. Advantage was taken of the practical expedients not to perform a full review of existing leases, bringing onto the balance sheet the net present value of the remaining outstanding lease obligations as at the date of transition as both an asset and liability, and to exclude initial indirect costs in measuring the right-of-use assets. The group took advantage of the recognition exemption for short-term leases of less than 12 months in duration, but not the low-value exemption that was also available, and these continue to be accounted for as operating leases. 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.

The group recognised a right-of-use asset and a lease liability for its operating leases of properties, plant machinery and equipment, other than those that fall within the above recognition exemptions. The amount capitalised at transition was 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 rate as at 1 January 2019. The group has continued to apply IFRS 16 on a basis consistent with the above to all new or modified contracts entered into since the date of transition. Relevant leases have been discounted at the group's incremental borrowing rate applicable at the date the leases were entered into. The assets are depreciated on a straight-line basis over the remaining life of the lease and the interest expense is calculated in order to give a constant rate of interest on the outstanding capital liability.

There has been no change to the group's repayment obligations or commitments under the lease agreements as a result of the accounting requirements of IFRS 16.

## Key performance indicators (KPIs)

The group's principal KPIs are as follows:

	12 months ended 31 December 2020	12 months ended 31 December 2019
Average revenue per employee	£116,000	£130,500
EBITDA <sup>(1)</sup> from continuing operations	£26,089,000	£28,519,000
Operating cash flow as a percentage of operating assets employed <sup>(2)</sup>	75.1%	58.6%
Net funds	£7,672,000	£12,136,000
Net funds to equity percentage	13.7%	19.1%
Basic EPS from continuing operations (pence)	30.87p	35.61p

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 asset utilisation and health and safety statistics. These are not disclosed as management consider that to do so would give a business advantage to our competitors.

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

EBITDA<sup>(1)</sup> is a traditional non-statutory measure used by the Board to monitor the ability of the group to generate cash.

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

The net funds-to-equity percentage is indicative of the group's strength and capacity for taking on additional finance as and when the need arises. A reconciliation of the movement in net funds during the year is provided on page 13.

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 decreased this year by 13.3% from 35.61p in 2019 to 30.87p in 2020, primarily due to the decrease in operating profit primarily caused by the COVID-19 pandemic, which is discussed further elsewhere in this strategic report. Nevertheless, in the circumstances, achieving an EPS of 30.87p is regarded as an exceptional performance.

# Strategic Report

## Review of risks, uncertainties and financial performance (continued)

### Operating profit

The consolidated operating profit was £16.4 million for the year under review, a decrease of £2.9 million, or 15.1%, compared with last year's operating profit of £19.3 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 2020	12 months ended 31 December 2019
	£'000	£'000
Hire and sales Europe	15,062	16,933
Hire and sales Middle East	2,026	3,204
UK installation business	249	237
<b>Subtotal</b>	<b>17,337</b>	<b>20,374</b>
Unallocated costs and eliminations	(951)	(1,076)
<b>Consolidated operating profit</b>	<b>16,386</b>	<b>19,298</b>

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

Operating profit in the current period is after crediting furlough income that has been received from various government bodies to subsidise the cost of employing individuals whilst not in gainful employment, thereby avoiding the need to make them redundant. This has been disclosed on the face of the income statement as other operating income and within staff costs in note 10 to the financial statements. This income has reduced employment costs, which would otherwise have been saved had the employees been made redundant. The amount received by business sector is as follows:

	12 months ended 31 December 2020
	£'000
Hire and sales Europe	1,437
Hire and sales Middle East	-
UK installation business	193
<b>Other operating income</b>	<b>1,630</b>

### Net interest charge

The net interest charge for the current year is £553,000 compared with £738,000 in 2019. This can be analysed as follows:

	12 months ended 31 December 2020	12 months ended 31 December 2019
	£'000	£'000
Interest charge on bank loans and overdrafts	64	88
Interest charge on right-of-use lease liabilities	530	526
Interest receivable	(71)	(108)
Foreign exchange loss on inter-company balances	75	270
Net IAS 19 pension interest credit	(45)	(38)
<b>Total net interest charge</b>	<b>553</b>	<b>738</b>

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

The weighted average interest rate charged on the bank loans decreased from 1.93% last year to 1.38% in 2019, and the weighted average capital amount of the gross outstanding loans reduced from £4.2 million last year to £3.7 million. These two factors are reflected in the decrease in the bank loan interest shown above.

The interest charge on the right-of-use lease liabilities is due to the adoption of IFRS 16 on 1 January 2019. The interest charge arises from the requirement to split the operating lease repayments between capital and interest, and write off the interest element in the income statement so as to give a constant periodic charge on the outstanding lease obligations. The weighted average interest rate on right-of-use lease obligations fell slightly from 4.49% in 2019 to 4.3% this year, but the effect on the interest charge was offset by an increase in the average capital outstanding.

The average rate of interest receivable on short-term bank deposits decreased from last year's level of 0.44% to 0.28%, and the average amount of cash on deposit fell from £21.1 million in 2019 to £19.7 million in the current year. These two factors explain the decrease in interest receivable this year.

There was a net foreign exchange loss on inter-company balances this year of £75,000 compared with a loss of £270,000 last year. This reflects a strengthening of Sterling compared with the UAE Dirham, particularly during the month of December, and a weakening of Sterling compared with the Euro. The group's policy continues to be to not hedge its international assets with respect to foreign currency balance sheet translation exposure.

The net IAS 19 pension interest credit has been calculated by the group's actuary based on the assumptions as set out in note 18 to the financial statements. In accordance with IAS 19 (2011), the expected percentage return on assets has been limited to an equivalent rate used to discount the scheme's liabilities. A net credit arises in both periods as the scheme has a surplus calculated in accordance with IAS 19 (2011) at the end of both the current and previous financial years.

### Tax on profit on ordinary activities

The group's tax charge on ordinary activities was £2,813,000 (2019: £3,541,000) resulting in an overall effective tax rate of 17.8% (2019: 19.1%), which is less than the standard effective tax rate in the UK for the current year of 19.0% (2019: 19.0%). A summary of the factors giving rise to this decrease is given in the table below:

	£'000
Profit before taxation	15,833
Theoretical tax charge at the UK effective tax rate of 19.0%	3,008
Effects of different tax rates of subsidiaries operating abroad	(119)
Net overseas tax losses not recognised in deferred tax	33
Non tax-deductible expenses	125
Adjustments to prior periods	(234)
<b>Total tax charge for the financial year</b>	<b>2,813</b>

A detailed reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by 19.0% and the actual tax charge is given in note 11 to the consolidated financial statements.

The prior year adjustment includes a release of £183,000 of tax liabilities held in respect of dividends received from overseas subsidiaries in 2005 and 2006, which HM Revenue and Customs were contending were taxable. In 2020, the High Court ruled that such dividends were not taxable and this position was accepted by HM Revenue and Customs. Accordingly, these liabilities were released in the current year.

The deferred tax balances at both 31 December 2020 and 31 December 2019 have been calculated based on the substantively enacted rates that the directors anticipate will apply when the temporary differences are expected to reverse and, accordingly, a rate of 19% has been used. In the UK budget on 15 March 2021, the Chancellor announced that the rate of corporation tax in the UK would increase from its current level of 19% to 25% with effect from 1 April 2023. If this amendment is enacted by parliament and receives Royal Assent, it will increase the amount of corporation tax payable in the UK for future years.

### Profit for the financial year

Profit after tax for the financial year was £13,020,000 compared with £15,019,000 last year.

### Basic earnings per share (EPS)

The basic earnings per share decreased by 4.74p, or 13.3%, from 35.61p last year, to 30.87p in 2020. There were no dilutive instruments outstanding in either 2020 or 2019, and therefore there is no difference between the basic and diluted earnings per share figures.

Based on a year-end mid-market share price of 617.5 pence, the basic EPS gives a price to earnings ratio of 20.00 compared with 17.41 last year.

# Strategic Report

## Review of risks, uncertainties and financial performance (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 2020	12 months ended 31 December 2019
	£m	£m
Operating profit	16.4	19.3
Depreciation and profit on the sale of plant and equipment	6.7	6.7
Depreciation and profit on disposal of right-of-use assets	3.0	2.5
EBITDA*	26.1	28.5
Pension scheme administration costs in excess of defined benefit pension scheme contributions	(0.5)	-
Interest paid	(0.6)	(0.6)
Tax paid	(3.4)	(3.8)
Net working capital movements	0.7	(5.6)
<b>Net cash inflow from operating activities</b>	<b>22.3</b>	<b>18.5</b>

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

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

As well as cost control, management of working capital continues to be a priority. The net working capital decrease of £0.7 million reflects an increase in stocks (£2.7 million), a decrease in debtors (£4.1 million) and a decrease in creditors (£0.7 million) compared with last year. Total outstanding debtor days at the year-end fell from 74 days at the end of 2019 to 72 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 225 days (2019: 159 days). The local economy was badly affected by the coronavirus pandemic, the postponement of Expo 2020 and a slump in the oil price in the second half of the year. Consequently, debtor days increased dramatically in this region as payment terms were extended. The debtor days for our main hire and sales business in the UK decreased from last year's level of 55 days to 50 days at the end of the year. The group's average debtor days for current unimpaired debts decreased slightly to 35 days from last year's level of 36 days.

Adequate provisions continue to be made for expected credit losses and impairment of trade debtors. In 2020, debts written off against the expected credit loss provision were £477,000 compared with £547,000 last year, and there was a net charge of £490,000 (2019: £535,000) to the income statement from the expected credit loss provision, which was calculated on a consistent basis each year. Of these figures, £456,000 (2019: £241,000) of the debts written off and £441,000 (2019: £454,000) of the expected credit loss charge related to external debtors of our subsidiary in the Middle East.

Employer pension contributions of £720,000 (2019: £120,000) have been made by the group to the pension scheme in 2020. Pension scheme costs charged within administration expenses in the income statement in accordance with IAS 19 (2011) amounted to £150,000 (2019: £110,000), and there has also been a charge this year of £100,000 in respect of "Guaranteed Minimum Pension equalisation" regarding transfer values. Pensions are discussed in more detail on pages 16 and 17, and in note 18 to the financial statements.

## Net funds

Despite shareholder-related cash outflows of £19.4 million on ordinary dividends, net funds only decreased by £4.4 million from £12.1 million at 31 December 2019 to £7.7 million at 31 December 2020. The movement can be reconciled as follows:

	£m
Opening net funds	12.1
<b>Significant inflows:</b>	
Cash inflow from operating activities	22.3
Sale of plant and equipment	0.6
Interest received	0.1
<b>Significant outflows:</b>	
Capital expenditure	(4.2)
Equity dividends paid	(19.4)
<b>Significant non-cash movements:</b>	
Foreign exchange rate changes	(0.1)
Termination of right-of-use lease obligations	0.2
New IFRS 16 right-of use lease obligations	(3.9)
<b>Closing net funds</b>	<b>7.7</b>
<b>Comprises:</b>	
Bank loans net of loan finance costs	(3.5)
Cash at bank	24.0
<b>Total cash reserves</b>	<b>20.5</b>
<b>IFRS 16 right-of-use lease obligations</b>	<b>(12.8)</b>
<b>Closing net funds</b>	<b>7.7</b>

Foreign exchange rate changes include a gain on the reconversion of the group's overseas cash balances of £0.1 million and an exchange loss of £0.2 million on the reconversion of the element of the right-of-use lease obligations that are denominated in foreign currency.

The bank loan repayment profile is set out in note 24 to the financial statements. Interest is charged based on the three-month LIBOR rate plus a margin of 1.1%. The weighted average interest rate charged in the year was 1.38% (2019: 1.93%). Costs of raising loan finance are being amortised to the income statement over the period of the loan.

Management has been careful to ensure that the hire fleet is up to date and well maintained in order to meet customer demand. Total cash spent on the hire fleet, property, plant and equipment and vehicles amounted to £4.2 million (2019: £6.2 million). In addition, £1.1 million of items held in stock at December 2019 have also been capitalised in the hire fleet this year (2019: £2.4 million). Capital expenditure has been concentrated on hire fleet assets with high levels of utilisation and good rates of return as well as business development opportunities. Savings continue to be made in non-essential areas, and hire fleet maintenance and utilisation have been prioritised.

## Bank loan facilities

The group continues to operate within its bank covenants. In April 2017, a bank loan of £5 million was taken out with the group's bankers, Royal Bank of Scotland. This loan was repayable in four annual instalments of £0.5 million commencing 30 April 2018, followed by a balloon payment of £3 million due on 30 April 2022. The four annual instalments have all been made in accordance with the agreement and the group is operating within the agreed bank covenants. Interest is being charged at the three-month LIBOR rate plus a margin of 1.1%.

# Strategic Report

## Review of risks, uncertainties and financial performance (continued)

### Principal risks and uncertainties

The group's principal risks are as follows:

#### Going concern

The Board remains satisfied with the group's funding and liquidity position. The group has operated throughout the 2020 financial year within its financial covenants as contained in the bank agreement. We continue to make payments to our suppliers in accordance with our agreed terms and, with the exception of the May 2020 UK VAT payment that was deferred and paid in early 2021, all fiscal payments to the UK and overseas government bodies have been and will continue to be made on time. Bank loan repayments are also forecast to be made in accordance with the bank agreement. The group's UK trading entities continue to make use of the Coronavirus Job Retention Scheme but on a vastly reduced level as compared to April 2020 and the level of monthly receipts are not significant.

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 2021, and has extrapolated this forward into 2022 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 impact of COVID-19 on the group and was prepared on a cautiously realistic basis. This forecast takes into account specific factors relevant in each of our businesses. It has been assumed that the impact of the COVID-19 pandemic continues to affect trading for the remainder of 2021 but with trade returning to a more normal level in the latter part of the year. These 2021 forecasts have been reviewed and approved by the Board.

Whilst profitability and cash flow performance to the end of February 2021 has been close to expectation, in order to further assess the company's ability to continue to trade as a going concern, management have performed an exercise to assess a reasonable worst-case trading scenario and the impact of this on profit and cash. For the purposes of the cash forecast, only the below assumptions have been incorporated into this forecast:

- Normal level of dividends will be maintained during the 12 months subsequent to the date of approving the accounts;
- Bank loan of £3.5 million will be paid to terms, repaid in full and no new external funding sought;
- Hire turnover and product sales reduced based on year-to-date trends and 2020 trading levels. In total, turnover is reduced by over £15 million between the forecast period of March 2021 and May 2022;
- 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%;
- Coronavirus Job Retention Scheme participation ceases immediately;
- All current vacancies are filled immediately; and
- Capital expenditure is reduced by 5%.

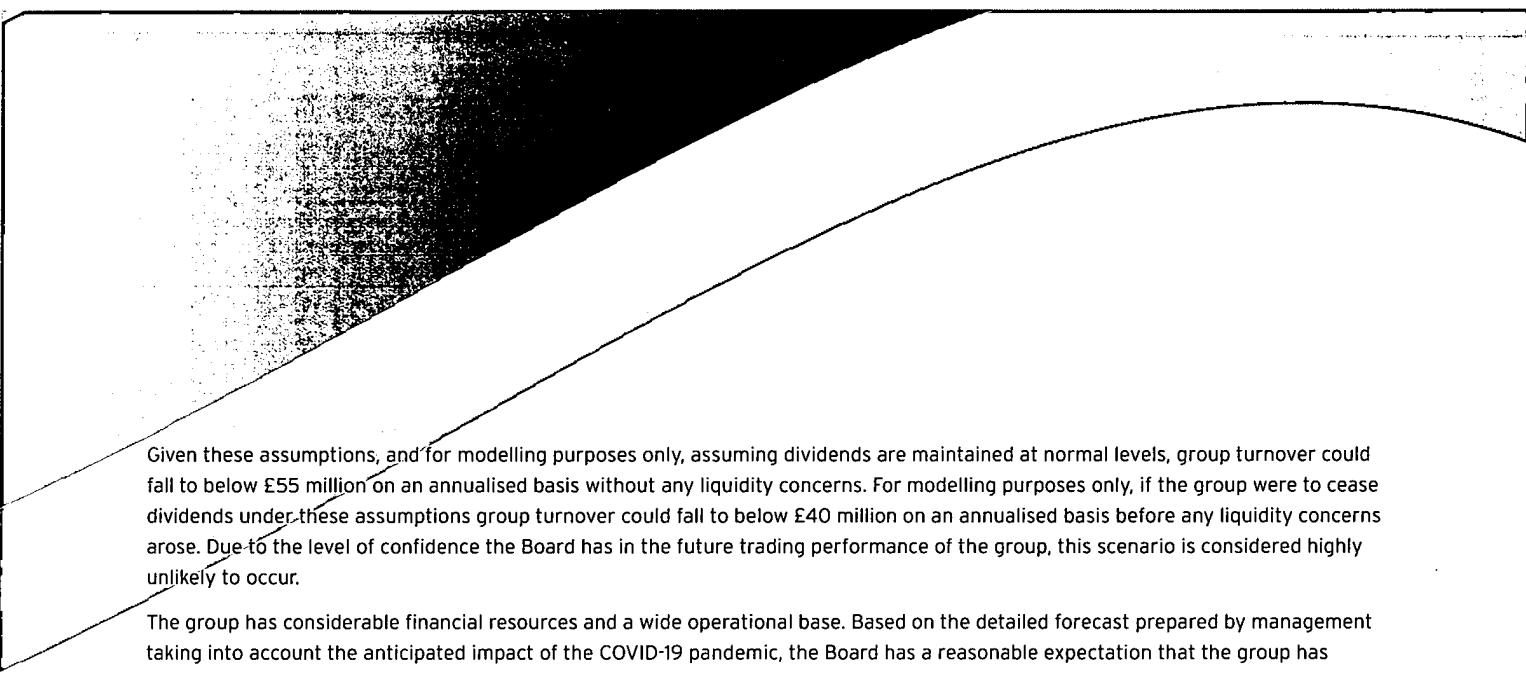
The above factors have all been reflected in the forecast for the period ending 12 months subsequent to the date of approving the accounts. The headline numbers at a group level are as follows:

- Group turnover for the 12 months ending 31 December 2021 is forecast to be comparable but above the 31 December 2020 figures. Operating profit is comparable to the profit for 2020.
- Closing net funds as at the end of May 2022 are forecast to be below the level reported at 31 December 2020.

Under this reasonable worst-case scenario, the group has sufficient net funds throughout 2021 and up to the end of May 2022, to continue to operate as a going concern.

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

- The existing bank loan would be repaid to terms in full;
- 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 £55 million on an annualised basis without any liquidity concerns. For modelling purposes only, if the group were to cease dividends under these assumptions group turnover could fall to below £40 million on an annualised basis before any liquidity concerns arose. 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 taking into account the anticipated impact of the COVID-19 pandemic, 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. The impact of the COVID-19 pandemic has been set out elsewhere in this strategic report.

Due to the fact that the group has well-established autonomous businesses operating within each of its main geographical markets, the directors do not consider that the group has significant cross border trading that may potentially be adversely affected by "Brexit". In addition, the directors do not expect that the group's performance will be impacted by changes to the mobility in the labour market as a consequence of this process. The group does have an investing relationship in its EU-based subsidiaries but it is not envisaged that there will be any significant barriers to investing imposed by any authority as a consequence of the UK leaving the EU. Although it is still early days, the UK officially left the EU at the end of last year and, so far, there is no evidence of any major problems which could be attributed to these factors.

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

In order to remain competitive, management recognises the need to invest in appropriate IT equipment and software. Consequently, the communication network, website, data capture systems and customer relationship systems are all being constantly reviewed and updated to ensure they remain at the forefront of industry standards. The group has recently restructured the group IT department to ensure that the appropriate developments and improvements continue to be made in this area.

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

### Financial risks

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

The key risks, which are discussed in more detail in note 30 to the consolidated financial statements, are:

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

# Strategic Report

## Review of risks, uncertainties and financial performance (continued)

### Pension scheme surplus

As set out in note 18 to the consolidated financial statements, as at 31 December 2020, the pension scheme assets were £45.0 million which, after deducting the present value of the pension scheme liabilities of £44.5 million, calculated in accordance with IAS 19, results in a pre-tax surplus of £0.5 million. When assessing the appropriateness of the recognition of this surplus, the directors have considered the guidance in IAS 19 and IFRIC 14 and have concluded that because of the rights upon wind-up it is appropriate to recognise this asset in the financial statements.

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

### Andrews Sykes Group pension schemes

#### Defined benefit pension scheme

The group had, for many years, operated a defined benefit pension scheme for the benefit of the majority of its UK employees. This scheme provided a pension based on the employee's final salary and length of service.

The Board reviewed the appropriateness of the scheme taking into account the interests of both the employees and the shareholders. Accordingly, to minimise the impact on the group's results in the future and with the agreement of the trustees, the scheme was closed to new entrants on 31 December 2002. Existing members are no longer eligible to make contributions to the scheme and no further pension liabilities accrue as a result of any future service.

The group has adopted the requirements of IAS 19 (2011) Employee Benefits and the scheme surplus has been calculated in accordance with the rules set out in the standard by an independent qualified actuary. The results were based on the last full actuarial valuation as at 31 December 2019 (2019: 31 December 2016) and have been rolled forward by an independent qualified actuary to 31 December 2020. The net surplus, before deferred tax, at the year end amounted to £0.5 million (2019: £1.96 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 £1.96 million to the surplus as at 31 December 2020 of £0.5 million is as follows:

	£m
Opening IAS 19 surplus recognised in the financial statements	1.96
Contributions paid by the group into the scheme	0.72
Actual return less interest income on scheme assets	1.63
Actuarial loss on scheme liabilities	(3.61)
Administration expenses and past service cost	(0.25)
Net finance income	0.05
<b>Closing IAS 19 surplus recognised in the financial statements</b>	<b>0.50</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 18 to the financial statements.

On 26 October 2018, a High Court judgement in the case of Lloyds Banking Group clarified that pension benefits paid by UK defined benefit pension schemes do need to be equalised for previously unequal Guaranteed Minimum Pensions (GMP). A charge was recognised in the Income Statement in 2018 as the ruling was considered to have created a new obligation, which was not previously incorporated into the calculation of the liabilities. As part of the work on the 2019 formal triennial funding valuation, further and better information is now available, which has resulted in an additional charge of £571,000, which has been charged in the consolidated statement of comprehensive total income and is included within in the actuarial loss of £3.61 million in the table above.

In addition, a GMP equalisation charge of £100,000 has also been recognised within administration expenses in the income statement as a past service cost. This follows a second High Court Judgement, also in the case of Lloyds Banking Group, in November 2020 when it was further clarified that, in addition to pension payments, pension transfer out values paid by UK defined benefit pension schemes also need to be equalised for previously unequal GMP. This charge has been recognised in the income statement as the ruling is considered to have created a new obligation, which was not previously incorporated into the calculation of the liabilities. Any changes in the assumptions adopted will be recognised in the consolidated statement of comprehensive total income as a remeasurement item.

## Defined benefit scheme funding valuation

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

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

## 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. Until 1 October 2017, employee and employer contributions were made at the rate of 1% each of pensionable salary, which were then increased to 3% for employees and 2% for employers. On 6 April 2019, these rates were further increased to 5% and 3% respectively. The government has not currently made any announcements regarding further increases in these rates.

Contributions for both existing members and members that have been auto enrolled are made to the same scheme. The employers' contribution rates vary from 1% to 10%, the current average being 3.65% (2019: 4.6%). The current period charge in the income statement amounted to £457,000 (2019: £462,000). Employee contribution rates are normally 5% with the employees having the option of increasing their contributions on a voluntary basis. The contributions are used to purchase a specific fund for the individual employee with both gains and losses from changes in the fund's market value accruing to that employee.

## Reconciliation of movement in group shareholders' funds

Group shareholders' funds have decreased from £63.5 million at the beginning of the year to £56.0 million at 31 December 2020. The movement can be reconciled as follows:

	£m
Opening shareholders' funds	63.5
Profit for the financial period	13.0
IAS 19 actuarial loss net of deferred tax	(1.6)
Dividends declared and paid during the year	(19.4)
Currency translation differences on foreign currency net investments	0.5
<b>Closing shareholders' funds</b>	<b>56.0</b>

Details of dividends declared and paid during the year are given in the Directors' report on page 20.

An analysis of the net IAS 19 actuarial loss of £2.0 million, before an attributable deferred tax credit of £0.4 million, is given in note 18 to the consolidated financial statements.

# Strategic Report

## Review of risks, uncertainties and financial performance (continued)

The currency translation difference on foreign currency net investments arises on consolidation and is primarily due to movements in Sterling compared with the Euro and the UAE Dirham. During the current year, Sterling weakened against the Euro, but strengthened against the UAE Dirham, and the combined impact on the group's foreign currency net investments was a gain of £0.5 million.

### Share buybacks

No shares were purchased for cancellation in 2020 and, to date, the company has not purchased any of its own shares for cancellation during 2021. In prior years, the company has purchased its own ordinary shares for cancellation and these purchases enhanced earnings per share and were for the benefit of all shareholders.

At the forthcoming 2021 Annual General Meeting, shareholders will be asked to vote in favour of a resolution to renew the general authority to make market purchases of up to 12.5% of the ordinary share capital in issue. Any purchases will only be made on the London Stock Exchange and they will only be bought back for cancellation provided they enhance earnings per share. If this resolution is passed, it should not be taken to imply that shares will be purchased but the Board believes that it is in the best interests of shareholders if it has this authority in order that market purchases may be made in the right circumstances if the necessary funds are available.

### Directors' duties

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

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

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

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

The following paragraphs summarise how the directors fulfil their duties:

### Risk management

We aim to provide dependable high-quality services to our business partners in the UK, Northern Europe and Middle East. We often provide business critical solutions to key businesses and are instrumental in helping our customers achieve their goals. As we expand our businesses, we face a number of challenges and risks, which the directors address on a daily basis. These risks, and how they are addressed, are summarised in the principal risks and uncertainties section of this strategic report on pages 14 to 16 and paragraph 4 of the corporate governance code on the company's website.

### Our employees

The company is committed to being a responsible employer. Our behaviour is aligned with the expectations of our employees and together we provide a first-class service to our clients, 24 hours per day, all year round. Further details of how we engage with our employees is given in the employee and other stakeholder engagement section of the directors' report on page 22.

## Business relationships

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

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

## Community and the environment

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

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

## Business conduct

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

## Shareholders

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

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

Signed on behalf of the Board:



**CD Webb**  
Director

St David's Court  
Union Street  
Wolverhampton  
WV1 3JE

4 May 2021

# 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 19.

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

## Financial management objectives and policies

Financial management objectives and policies are discussed in the strategic report on pages 9 to 19.

## Results and equity dividends

The results for the financial year are set out in the consolidated income statement on page 36.

The company paid three dividends during the year. On 19 June 2020, a final dividend for the year ended 31 December 2019 of 10.5 pence per ordinary share was paid to shareholders on the register on 29 May 2020. This was followed by the first interim dividend for 2020 of 23.7 pence per ordinary share, which was paid on 28 August 2020 to shareholders on the register on 7 August 2020, and then by the second interim dividend for 2020 of 11.9 pence per ordinary share, which was paid on 6 November 2020 to shareholders on the register on 9 October 2020. Total dividend payments made during the year amounted to £19,442,379 (2019: £10,037,497).

The directors propose a final dividend for the year ended 31 December 2020 of 11.5 pence (2019: 10.5 pence) per ordinary share. If approved at the forthcoming 2021 Annual General Meeting, this dividend, which in total amounts to £4,850,051 (2019: £4,428,308), will be paid on 18 June 2021 to shareholders on the register as at 28 May 2021.

## Directors

The directors in office at 4 May 2021 are shown on page 24.

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

On 5 March 2021, the Board appointed Mr CD Webb as Group Managing Director. Carl is an industry specialist and has been the Managing Director of the group's UK business for the past 15 years, working closely with Paul Wood during that period. In accordance with the Company's articles of association, he is required to retire at the forthcoming 2021 Annual General Meeting as he was appointed as a director by the Board. Being eligible, he will offer himself for re-election at the 2021 Annual General Meeting.

In accordance with the Company's articles of association, Mr JG Murray and Mr JP Murray also retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming 2021 Annual General Meeting.

## Directors' interests

Other than the beneficial interests disclosed below, no director in office at 31 December 2020 had any disclosable interests in share capital of the company or any subsidiary undertaking.

	Ordinary one pence shares	
	At 31 December 2020	At 31 December 2019
JG Murray	298,749	298,749
JJ Murray	231,800	231,800
JP Murray	1,160,886	1,160,886
PT Wood	7,945	7,945

There were no changes to the above shareholdings between 31 December 2020 and 4 May 2021 or the date of resignation, if earlier.

## Substantial shareholdings

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

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

## Directors' share options

None of the directors in office at 31 December 2020 held any options to subscribe for ordinary shares at either 31 December 2020 or 31 December 2019. There have been no changes in the directors' share options during the period from 31 December 2020 to 4 May 2021.

The mid-market price of the company's ordinary shares on 31 December 2020 was £6.175. The highest and lowest mid-market prices during the year ended 31 December 2020 were £6.40 and £3.99 respectively.

## Health, safety and the environment

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

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

## SECR disclosures

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

Where relevant, the disclosures are aligned with industry or sector best practice for emissions measurement and reporting.

The data reported is for Andrews Sykes Hire Limited and we have chosen to include comparable 2019 data to assist the reader to understand the one-off impact from the COVID-19 pandemic.

## GHG emissions and energy use for period 1 January 2019 to 31 December 2020

	1 January 2020 to 31 December 2020	1 January 2019 to 31 December 2019
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities tCO <sub>2</sub> e (Scope 1)	2,123.92	2,447.82
Emissions from purchase of electricity, heat, steam and cooling purchased for own use tCO <sub>2</sub> e (Scope 2, location-based)	199.60	219.35
Total gross Scope 1 & Scope 2 emissions tCO <sub>2</sub> e	2,323.52	2,667.17
Energy consumption used to calculate above emissions (kWh)	8,563,412.94	10,254,746.21
Gas (kWh)	448,431.00	434,666.00
Electricity (kWh)	856,149.00	858,180.00
Transport fuels (kWh)	7,258,832.94	8,961,900.21
Other energy sources (Scope 1 & 2)	N/A	N/A
Total gross Scope 1 & Scope 2 emissions by unit turnover/revenue (tCO <sub>2</sub> e/EM)	54.98	56.74
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	17.17	18.62
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	0.69	7.95
Total gross Scope 3 emissions tCO <sub>2</sub> e	17.86	26.57
Total gross Scope 1, Scope 2 & Scope 3 emissions tCO <sub>2</sub> e	2,341.38	2,693.74
Total gross GHG emissions per unit turnover/revenue (tCO <sub>2</sub> e/EM)	55.40	57.31
Third Party verification	Verified to ISO14064 Part 1 2018 and CEMARS	Verified to ISO14064 Part 1 2018 and CEMARS

# Directors' Report

## Energy efficiency action

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

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

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

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

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

In our business we have seen a reduction in travel during 2020 with the impact of the pandemic on minimising travel. This has been a feature of all businesses but we have seen an increase in meetings carried via on line conferences - thus mitigating the need for travel and reducing fuel consumption accordingly. We will look to maintain this change moving forward where practical to do so.

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

## Employment of disabled persons

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

## Employee and other stakeholder engagement

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

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

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

## Corporate governance

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

The company's corporate governance disclosures are included on the company's website, [www.andrews-sykes.com](http://www.andrews-sykes.com).

## Special business

Three resolutions are to be proposed at the forthcoming 2021 Annual General Meeting as special business: resolutions 7 and 8 as ordinary resolutions and resolution 9 as a special resolution. Notice of the 2021 Annual General Meeting (including the full text of each of these three resolutions) is set out in a separate document being sent to all shareholders of the company.

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

maximum nominal value of £63,261. The authority and power granted to the directors under both resolutions would expire at the 2022 Annual General Meeting (or if sooner, 15 months after the passing of the relevant resolution)

Resolution numbered 8 would, if approved at the Annual General Meeting, renew the annual authority of the directors to make market-purchases of the company's own shares of up to a maximum of 5,271,794 ordinary shares of 1p each, representing 12.5% of the current ordinary issued share capital. This authority would then enable the directors to carry out the strategy of making own market purchases to increase shareholder value as set out in the Strategic Report on page 18.

### **Purchase of own shares**

The company did not purchase any of its own ordinary shares for cancellation during the period from 1 January 2020 to 4 May 2021. Accordingly, as at 4 May 2021, there remained an outstanding general authority for the directors to purchase 5,271,794 ordinary shares that was granted at the Annual General Meeting held on 16 June 2020. The directors are seeking to renew the general authority in respect of 5,271,794 ordinary shares as set out in resolution number 8.

### **Recommendation**

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

### **Directors' and officers' liability insurance**

Directors' and officers' third-party indemnity insurance is in place for all directors and officers in office as at 31 December 2020 and subsequently.

### **Financial calendar**

The current financial year will end on 31 December 2021.

### **Post balance sheet event**

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

### **Foreign branches**

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

### **Auditor**


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

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

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

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

Signed on behalf of the Board:

  
JJ Murray  
Vice-Chairman  
4 May 2021

St David's Court  
Union Street  
Wolverhampton  
WV1 3JE

# Directors and Advisors

## Non-executive Chairmen

### JG Murray - Chairman

Age 101. Chairman of London Security plc, Nu Swift Limited and Ansul S.A. Mr Murray has a long successful history in the industrial services sector.

### JJ Murray MBA - Vice-Chairman

Age 54. Chairman of the Remuneration Committee. Executive Vice-Chairman of London Security plc, Nu Swift Limited and Ansul S.A.

## Executive director

### CD Webb

Age 54. Managing Director. Industry specialist, having managed the group's UK hire and sales business for the last 15 years. Appointed Group Managing Director on 5 March 2021.

## Non-executive directors

### AJ Kitchingman FCA

Age 56. Appointed senior independent non-executive director on 10 July 2018. Chairman of the Audit Committee and member of the Remuneration Committee. Chairman of Mpac Group plc.

### MC Leon BS

Age 57. Non-executive director of London Security plc.

### X Mignolet (HEC-Economics)

Age 56. Director of London Security plc, Ansul S.A. and Importex S.A. Member of the Audit Committee.

### JP Murray

Age 52. Non-executive director of London Security plc.

### EDOA Sebaq MBA

Age 53. Director of London Security plc and Nu Swift Limited. Member of the Remuneration Committee.

## Company Secretary

### MJ Calderbank ACA

Appointed Company Secretary on 13 October 1999. Formerly a senior manager at KPMG.

## Registered Office and Company Number

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

## Registrar

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

## Nominated Advisor

GCA Altium Limited  
Mansfield House, 1 Southampton Street  
London  
WC2R 0LR

## Stockbroker

Arden Partners plc  
125 Old Broad Street  
London  
EC2N 1AR

## Auditor

Grant Thornton UK LLP  
The Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT

## Bankers

Royal Bank of Scotland plc  
National Westminster Bank plc

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

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. As required by the 'AIM Rules For Companies' of the London Stock Exchange, they are required to prepare the group financial statements in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006, and have elected to prepare the parent 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') and the Companies Act 2006.

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 parent 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the parent company financial statements state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

## Opinion

### **Our opinion on the financial statements is unmodified**

We have audited the financial statements of Andrews Sykes Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Total Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Balance Sheet, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements 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 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

- obtaining management's base case forecasts covering the period to May 2022. We assessed how these forecasts were compiled and challenged the accuracy of management's forecasts;
- assessing the reliability of management's forecasting by comparing the accuracy of the actual financial performance to forecast information obtained in the prior period;
- evaluating and challenging the underlying assumptions incorporated into management's downside scenario;
- performing sensitivity analysis on the key inputs to determine the impact of reasonably possible movements;
- evaluating the results of the reverse stress tests performed by management; and
- assessing the adequacy of the going concern disclosures included within note 1 of the financial statements.

Based on the procedures performed, we are satisfied that the assumptions made in management's assessment of the use of the going concern assumption in the preparation of the financial statements were appropriate, and have identified no issues regarding management's assessment of the impact of Covid-19 on liquidity requirements or KPIs.


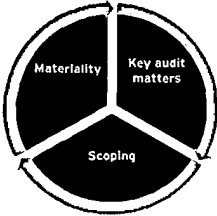
In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made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

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

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

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

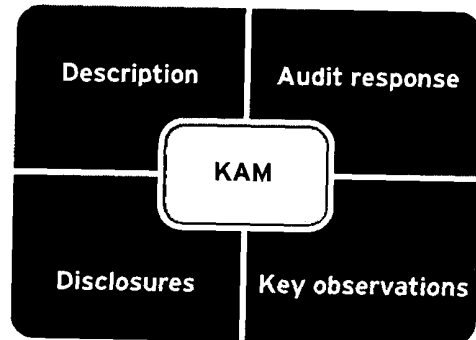
## Our approach to the audit

 <p>Grant Thornton</p> 	<h3>Overview of our audit approach</h3>
	<p>Overall materiality:</p> <p>Group: £900,000, which represents 5% of normalised profit before taxation taking into account the average profitability of the group for the last three years.</p>
	<p>Parent company: £500,000, which represents approximately 1% of the parent company's total assets.</p> <p>Key audit matters were identified as</p> <ul style="list-style-type: none"> <li>● Occurrence of hire revenue generated from continuous hire invoices raised in the final quarter of the year (New in the year, but replaces the prior year key audit matter being the occurrence of uncollected hire revenue); and</li> <li>● Accuracy of the defined benefit pension liability assumptions (Same as previous year)</li> </ul> <p>Our auditor's report for the year ended 31 December 2019 included one key audit matter that had not been reported as a key audit matter in our current year audit report. This relates to the accuracy, completeness and presentation of the application of IFRS 16. IFRS 16 was a new accounting standard in the prior year. As the transition is not relevant to the current year, it has not been included as a key audit matter in our current year audit report.</p>
	<p>We performed an audit of the financial information of the component using component materiality (full-scope audit) for certain group components in the United Kingdom and the United Arab Emirates (UAE), and an audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) for the parent company and a group component in the Netherlands. We performed analytical procedures on the financial information of other group components in Belgium, Italy, France, Luxembourg, Switzerland and the United Kingdom.</p> <p>We issued instructions to component auditors Grant Thornton UAE and Grant Thornton Netherlands in respect of their procedures on the financial information of the group components</p>

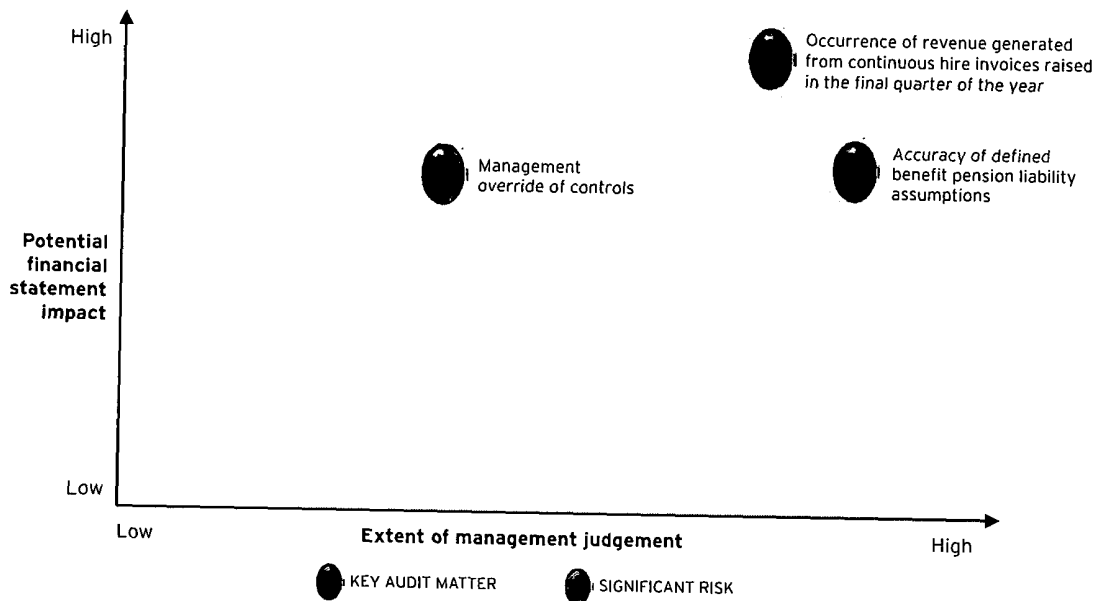
# Independent Auditor's Report to the members of Andrews Sykes Group plc

## 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) that we identified. These matters included those that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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



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## Key Audit Matter - Group

### Occurrence of revenue generated from continuous hire invoices raised in the final quarter of the year

We identified the occurrence of revenue generated from continuous hire invoices raised in the final quarter of the year as one of the most significant assessed risks of material misstatement due to fraud.

Under International Standards on Auditing (UK) 240: 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

Incomplete or inaccurate revenue recognition could have an adverse impact on the group's profitability, net asset value, earnings per share, and its level of dividend cover. We considered the risk of fraud in revenue recognition to be in respect of revenue generated from continuous hire invoices raised in the final quarter of the year as this is the revenue stream most susceptible to manipulation by management in close proximity to the year end, where there is an incentive to meet performance targets.

### Relevant disclosures in the Annual Report and Accounts 2020

Financial statements: Note 4, Revenue

## How our scope addressed the matter - Group

In responding to the key audit matter, we performed the following audit procedures:

- evaluating the design effectiveness of relevant controls by performing a walkthrough test;
- testing a sample of continuous hire revenue transactions in the final quarter of the year, confirming that the sale was made to a bona fide customer, recognised in the correct period and agreeing the occurrence of the sale to supporting documentation including invoices, signed delivery notes and customer confirmations;
- testing post year-end manual journals to revenue and receivables that may be indicative of reversing incorrect or inaccurate revenue in the period under audit; and
- testing that the group's revenue recognition policy has been correctly applied and that it is in accordance with IFRS 16 'Leases'.

### Our results

Based on our audit work, we did not identify evidence of material misstatement in the continuous hire revenue recognised in the final quarter of the year.

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

## Key Audit Matter - Group

### Accuracy of defined benefit pension liability assumptions

We identified the accuracy of the defined benefit pension liability assumptions as one of the most significant assessed risks of material misstatement due to error.

The group operates a defined benefit pension scheme that provides benefits to a number of current and former employees. At 31 December 2020 the defined benefit pension scheme's net surplus was £0.5m. The gross value of pension scheme liabilities amounted to £44.5 million.

The valuation of the pension liability assumptions in accordance with International Accounting Standard ('IAS') 19 'Employee benefits' involves significant judgement and is subject to various actuarial assumptions, including the longevity and mortality rates, the discount rate and the inflation rate. Small variations in these actuarial assumptions can lead to a materially different defined benefit pension scheme asset or liability being recognised within the group financial statements.

### Relevant disclosures in the Annual Report and Accounts 2020

Financial statements: Note 18, Retirement benefit pension schemes

## How our scope addressed the matter - Group

In responding to the key audit matter, we performed the following audit procedures:

- documenting our understanding of management's process and methodology used for valuing the defined benefit pension scheme;
- evaluating the design effectiveness of relevant controls by performing a walkthrough test;
- testing the accuracy and completeness of the data and inputs used in the year-end valuation; and
- using the work of an auditor's expert to challenge the key assumptions used, including longevity and mortality rates, discount rates and inflation rates and assess the calculation methods employed in the calculation of the pension liability. Such calculations are based on the liabilities determined at their funding valuation as at 31 December 2019, adjusted for financial and demographic assumptions impacting the liabilities to 31 December 2020.

### Our results

Based on our audit work, we did not identify any issues regarding the accuracy of the key assumptions employed in the valuation of the defined benefit pension liability as at 31 December 2020.

## Our application of materiality

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

Materiality was determined as follows:

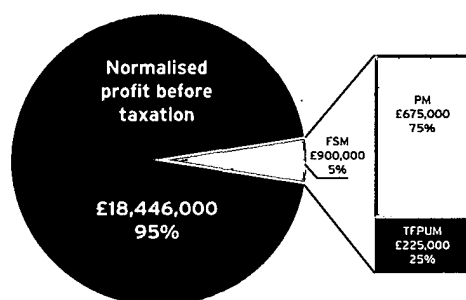
<b>Materiality measure</b>	<b>Group</b>	<b>Parent company</b>
<b>Materiality for financial statements as a whole</b>	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work	
<b>Materiality threshold</b>	£900,000, which is approximately 5% of normalised profit before taxation.	£500,000, which is approximately 1% of total assets
<b>Significant judgements made by auditor in determining the materiality</b>	<p>In determining materiality, we made the following significant judgements:</p> <p>The profit before taxation for the year ended 31 December 2020 was not reflective of the expected, normal performance of the group for the year, due to the impacts arising as a result of Covid-19. As such, we consider there to have been a highly volatile earnings trend across the last three years and therefore have determined our materiality using an average of the profit before taxation of the last three years.</p> <p>Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect the group's decreased profit before taxation in the current year.</p>	<p>In determining materiality, we considered this benchmark as the most appropriate as we consider that it reflects the Company's status as a non-trading holding Company.</p> <p>Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 to reflect the company's decreased asset base in the current year.</p>
<b>Performance materiality used to drive the extent of our testing</b>	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
<b>Performance materiality threshold</b>	£675,000 which is 75% of financial statement materiality.	£375,000 which is 75% of financial statement materiality.
<b>Significant judgements made by auditor in determining the materiality</b>	We made the significant judgement of setting performance materiality at 75% since there were no material adjustments identified in the prior year audit, and management is suitably qualified and experienced.	We made the significant judgement of setting performance materiality at 75% since there were no material adjustments identified in the prior year audit, and management is suitably qualified and experienced

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

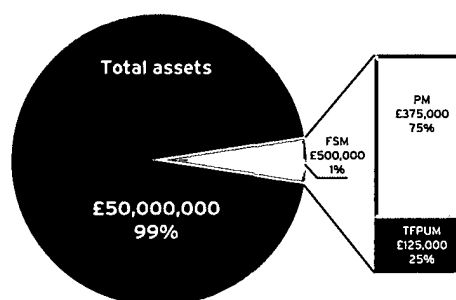
Materiality measure	Group	Parent company
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas:  Directors' remuneration  Related party transactions outside of the normal course of business	We determined a lower level of specific materiality for the following areas:  Directors' remuneration  Related party transactions outside of the normal course of business
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£45,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£25,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

## Overall materiality - Group



## Overall materiality - Parent company



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

## An overview of the scope of our audit

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

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

- The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level;
- The engagement team obtained an understanding of the effect of the group organisational structure on the scope of the audit, identifying that there is a use of management experts where required;

### Identifying significant components

- Significant components were identified through assessing their relative share of key financial metrics including revenue, profit before taxation, equipment for hire, obligations under right-of-use assets, trade receivables, depreciation, accruals and deferred income and cash. If any of the individual metrics above were >15% of the group total, then that component was classified as "individually financially significant to the group" and an audit of the financial information of the component using component materiality (full-scope audit) was performed;

- We also considered whether any components were likely to include significant risks of material misstatement to the group financial statements due to their specific nature or circumstances. No such components were identified in the current year;

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

- Full-scope audits of the financial information were performed for the components Andrews Sykes Hire Limited and Khansaheb Sykes;
- Specific-scope audit procedures were performed for the parent company Andrews Sykes Group plc and Andrews Sykes BV;
- Analytical procedures were performed for all other components;

#### Performance of our audit

- Our full-scope and specific-scope audit procedures provided coverage of 80% of the group's consolidated equipment for hire, 87% of the group's consolidated revenue and 89% of the group's consolidated profit before taxation.

Audit approach	No. of components	% coverage of equipment for hire	% coverage of revenue	% coverage of profit before taxation
Full-scope audit	2	70%	76%	79%
Specific-scope audit	2	10%	11%	10%
Analytical procedures	16	20%	13%	11%

#### Communications with component auditors

- Detailed audit instructions were issued to the auditors of the reporting components where a full-scope or specific-scope approach had been identified. The instructions highlighted the significant risks to be addressed through the audit procedures and detailed the information that we required to be reported to the group audit team. The group audit team conducted a review of the work performed by the component auditors, and communicated with all component auditors throughout the planning, fieldwork and concluding stages of the local audits.

#### Other information

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

## Responsibilities of directors for the financial statements

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We enquired of management and the audit committee, concerning the Group's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We corroborated the results of our enquires to relevant supporting documentation.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting frameworks (IFRS, Companies Act 2006, the QCA Corporate Governance Code, AIM Rules for Companies, the Listing Rules of the UK Listing Authority), and the relevant tax compliance regulations in the jurisdictions in which the company operates.
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices.

- We assessed the susceptibility of the group's financial statements to material misstatements, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - profit-affecting journal entries
  - potential management bias in determining accounting estimates, especially in relation to the calculation of the defined benefit pension liability
- Our audit procedures involved:
  - We reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements.
  - We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
  - We reviewed the minutes of meetings of those charged with governance.
  - We challenged assumptions and judgements made by management in its significant accounting estimates, in particular in relation to the accuracy of the defined benefit pension liability assumptions.
  - In addressing the risk of fraud through management override of controls, we tested and evaluated the appropriateness of journal entries and other adjustments and assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- We assessed the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the client operates;
  - understanding of the legal and regulatory requirements specific to the entity/regulated entity including:
    - the provisions of the applicable legislation
    - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
    - the applicable statutory provisions
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
  - the applicable statutory provisions.
- For components at which audit procedures were performed, we requested the component auditor to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditor.

## Use of our report

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

Rebecca Eagle  
 Senior Statutory Auditor  
 for and on behalf of Grant Thornton UK LLP  
 Statutory Auditor, Chartered Accountants  
 Birmingham  
 4 May 2021

*Grant Thornton UK LLP*

# Consolidated Income Statement

## For the 12 months ended 31 December 2020

		12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
<b>Continuing operations</b>			
Revenue	4	67,259	77,246
Cost of sales		(28,184)	(32,244)
<b>Gross profit</b>		<b>39,075</b>	45,002
Distribution costs		(12,136)	(11,996)
Administrative expenses		(12,183)	(13,708)
Other operating income	8	1,630	-
<b>Operating profit</b>		<b>16,386</b>	19,298
<b>EBITDA*</b>			
EBITDA*		26,089	28,519
Depreciation and impairment losses		(7,183)	(7,203)
Depreciation of right-of-use assets		(3,014)	(2,538)
Profit on the sale of plant and equipment		450	520
Profit on the sale of right-of-use assets		44	-
<b>Operating profit</b>		<b>16,386</b>	19,298
Finance income	6	116	146
Finance costs	7	(669)	(884)
<b>Profit before taxation</b>	8	<b>15,833</b>	18,560
Taxation	11	(2,813)	(3,541)
<b>Profit for the financial period attributable to equity holders of the parent</b>		<b>13,020</b>	15,019
There were no discontinued operations in either of the above periods.			
<b>Earnings per share from continuing and total operations</b>			
Basic (pence)	12	30.87p	35.61p
Diluted (pence)	12	30.87p	35.61p
<b>Interim and final dividends paid per equity share (pence)</b>	33	<b>46.10p</b>	23.80p
<b>Proposed final dividend per equity share (pence)</b>	33	<b>11.50p</b>	10.50p

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

# Consolidated Statement of Comprehensive Total Income

## For the 12 months ended 31 December 2020


		12 months ended 31 December 2020	12 months ended 31 December 2019
	Note	£'000	£'000
<b>Profit for the financial period</b>		<b>13,020</b>	<b>15,019</b>
<b>Other comprehensive income and (charges)</b>			
<b>Items that may be reclassified to profit and loss:</b>			
Currency translation differences on foreign operations		529	(906)
Foreign exchange difference on IFRS 16 adjustments		(3)	1
Related deferred tax	11	1	-
<b>Items that will never be reclassified to profit and loss:</b>			
Remeasurement of defined benefit assets and liabilities	18	(1,980)	559
Related deferred tax	11	376	(106)
<b>Other comprehensive charges for the period net of tax</b>		<b>(1,077)</b>	<b>(452)</b>
<b>Total comprehensive income for the period</b>		<b>11,943</b>	<b>14,567</b>

# Consolidated Balance Sheet

## As at 31 December 2020

	Note	31 December 2020		31 December 2019	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	13		22,774		24,561
Right-of-use assets	14		12,463		11,515
Prepayments	15		42		44
Deferred tax asset	17		704		254
Retirement benefit pension surplus	18		498		1,963
			<b>36,481</b>		<b>38,337</b>
<b>Current assets</b>					
Stocks	19	8,048		6,333	
Trade and other receivables	20	17,274		21,333	
Cash and cash equivalents	21	24,012		27,880	
		<b>49,334</b>		<b>55,546</b>	
<b>Current liabilities</b>					
Trade and other payables	22	(12,290)		(12,942)	
Current tax liabilities	23	(1,161)		(1,674)	
Bank loans	24	(493)		(493)	
Right-of-use lease obligations	25	(2,656)		(2,279)	
		<b>(16,600)</b>		<b>(17,388)</b>	
<b>Net current assets</b>			<b>32,734</b>		<b>38,158</b>
<b>Total assets less current liabilities</b>			<b>69,215</b>		<b>76,495</b>
<b>Non-current liabilities</b>					
Bank loans	24	(2,998)		(3,490)	
Right-of-use lease obligations	25	(10,193)		(9,482)	
			<b>(13,191)</b>		<b>(12,972)</b>
<b>Net assets</b>			<b>56,024</b>		<b>63,523</b>
<b>Equity</b>					
Called-up share capital	26		422		422
Share premium	27		13		13
Retained earnings	27		51,421		59,447
Translation reserve	27		3,922		3,395
Other reserves	27		246		246
<b>Surplus attributable to equity holders of the parent</b>					
<b>being total equity</b>			<b>56,024</b>		<b>63,523</b>

These consolidated financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the Board of directors on 4 May 2021 and were signed on its behalf by:

  
 JJ Murray  
 Vice-Chairman

# Consolidated Cash Flow Statement

## For the 12 months ended 31 December 2020

		12 months ended 31 December 2020	12 months ended 31 December 2019
	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	28	26,266	22,917
Interest paid		(592)	(609)
Net UK corporation tax paid		(2,288)	(2,227)
Overseas tax paid		(1,131)	(1,559)
<b>Net cash flow from operating activities</b>		<b>22,255</b>	<b>18,522</b>
<b>Investing activities</b>			
Sale of property, plant and equipment		619	685
Purchase of property, plant and equipment		(4,157)	(6,207)
Interest received		79	100
<b>Net cash flow from investing activities</b>		<b>(3,459)</b>	<b>(5,422)</b>
<b>Financing activities</b>			
Loan repayments		(500)	(500)
Capital repayments for right-of-use lease obligations		(2,832)	(2,296)
Equity dividends paid		(19,442)	(10,038)
<b>Net cash flow from financing activities</b>		<b>(22,774)</b>	<b>(12,834)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,978)</b>	<b>266</b>
Cash and cash equivalents at the beginning of the period		27,880	27,862
Effect of foreign exchange rate changes		110	(248)
<b>Cash and cash equivalents at the end of the period</b>	21	<b>24,012</b>	<b>27,880</b>
<b>Reconciliation of net cash flow to movement in net funds in the period</b>			
Net (decrease)/increase in cash and cash equivalents		(3,978)	266
Cash outflow from the repayment of loans and right-of-use lease obligations		3,332	2,796
Non-cash movements in respect of costs of raising loan finance		(8)	(7)
Non-cash movements in respect of termination of right-of-use lease obligations		249	-
Non-cash movements in respect of new right-of-use lease obligations		(3,943)	(2,593)
<b>Net (decrease)/increase in net funds during the period</b>		<b>(4,348)</b>	<b>462</b>
Opening net funds at the beginning of the period		12,136	23,381
Transitional adjustment for right-of-use leases at the start of the period		-	(11,699)
Effect of foreign exchange rate changes on right-of-use lease obligations		(226)	240
Effect of foreign exchange rate changes		110	(248)
<b>Closing net funds at the end of the period</b>	29	<b>7,672</b>	<b>12,136</b>

# Consolidated Statement of Changes in Equity

## For the 12 months ended 31 December 2020

	Attributable to equity holders of the parent company								Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Trans-lation reserve	Capital	UAE legal reserve	Nether-lands	Total		
					redemp-tion reserve		capital reserve			
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>At 31 December 2018</b>	422	13	54,013	4,300	158	79	9	58,994	10	59,004
<b>Profit for the financial period</b>	-	-	15,019	-	-	-	-	15,019	-	15,019
<b>Other comprehensive Income and (charges)</b>										
<b>Items that may be reclassified to profit and loss:</b>										
Currency translation differences on foreign operations	-	-	-	(906)	-	-	-	(906)	-	(906)
Foreign exchange difference on IFRS 16 adjustments	-	-	-	1	-	-	-	1	-	1
Related deferred tax	-	-	-	-	-	-	-	-	-	-
<b>Items that will never be reclassified to profit and loss:</b>										
Remeasurement of defined benefit assets and liabilities	-	-	559	-	-	-	-	559	-	559
Related deferred tax	-	-	(106)	-	-	-	-	(106)	-	(106)
<b>Total other comprehensive Income and (charges)</b>	-	-	453	(905)	-	-	-	(452)	-	(452)
<b>Transactions with owners recorded directly in equity:</b>										
Dividends paid (note 33)	-	-	(10,038)	-	-	-	-	(10,038)	-	(10,038)
Write-off of non-controlling interest	-	-	-	-	-	-	-	-	(10)	(10)
<b>Total transactions with owners</b>	-	-	(10,038)	-	-	-	-	(10,038)	(10)	(10,048)
<b>At 31 December 2019</b>	422	13	59,447	3,395	158	79	9	63,523	-	63,523
<b>Profit for the financial period</b>	-	-	13,020	-	-	-	-	13,020	-	13,020
<b>Other comprehensive Income and (charges)</b>										
<b>Items that may be reclassified to profit and loss:</b>										
Currency translation differences on foreign operations	-	-	-	529	-	-	-	529	-	529
Foreign exchange difference on IFRS 16 adjustments	-	-	-	(3)	-	-	-	(3)	-	(3)
Related deferred tax	-	-	-	1	-	-	-	1	-	1
<b>Items that will never be reclassified to profit and loss:</b>										
Remeasurement of defined benefit assets and liabilities	-	-	(1,980)	-	-	-	-	(1,980)	-	(1,980)
Related deferred tax	-	-	376	-	-	-	-	376	-	376
<b>Total other comprehensive Income and (charges)</b>	-	-	(1,604)	527	-	-	-	(1,077)	-	(1,077)
<b>Transactions with owners recorded directly in equity:</b>										
Dividends paid (note 33)	-	-	(19,442)	-	-	-	-	(19,442)	-	(19,442)
<b>Total transactions with owners</b>	-	-	(19,442)	-	-	-	-	(19,442)	-	(19,442)
<b>At 31 December 2020</b>	422	13	51,421	3,922	158	79	9	56,024	-	56,024

# Group Accounting Policies

## For the 12 months ended 31 December 2020

### 1 General information

#### Legal status and country of incorporation

Andrews Sykes Group plc, company number 00175912, was incorporated in England and Wales under the Companies Acts 1908-1917. The address of the registered office is given on page 24. The nature of the group's operations and its principal activities are set out in note 5 and in the strategic report and directors' report on pages 5 to 23.

#### Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Therefore, the group financial statements comply with the "AIM Rules for Companies".

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

- a) Properties held at the date of transition to IFRS that are stated at deemed cost;
- b) Pension scheme assets and liabilities calculated at fair value in accordance with IAS 19.

#### Going concern

The Board remains satisfied with the group's funding and liquidity position. The group has operated throughout the 2020 financial year within its financial covenants as contained in the bank agreement. We continue to make payments to our suppliers in accordance with our agreed terms and, with the exception of the May 2020 UK VAT payment that was deferred and paid in early 2021, all fiscal payments to the UK and overseas government bodies have been and will continue to be made on time. Bank loan repayments are also forecast to be made in accordance with the bank agreement. The group's UK trading entities continue to make use of the Coronavirus Job Retention Scheme but on a vastly reduced level as compared to April 2020 and the level of monthly receipts are not significant.

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 2021 and has extrapolated this forward into 2022 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 impact of COVID-19 on the group and was prepared on a cautiously realistic basis. This forecast takes into account specific factors relevant in each of our businesses. It has been assumed that the impact of the COVID-19 pandemic continues to affect trading for the remainder of 2021 but with trade returning to a more normal level in the latter part of the year. These 2021 forecasts have been reviewed and approved by the Board.

Whilst profitability and cash flow performance to the end of February 2021 has been close to expectation, in order to further assess the company's ability to continue to trade as a going concern, management have performed an exercise to assess a reasonable worst-case trading scenario and the impact of this on profit and cash. For the purposes of the cash forecast only the below assumptions have been incorporated into this forecast:

- Normal level of dividends will be maintained during the 12 months subsequent to the date of approving the accounts;
- Bank loan of £3.5 million will be paid to terms, repaid in full and no new external funding sought;
- Hire turnover and product sales reduced based on year-to-date trends and 2020 trading levels. In total turnover is reduced by over £15 million between the forecast period of March 2021 and May 2022;
- 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%;
- Coronavirus Job Retention Scheme participation ceases immediately;
- All current vacancies are filled immediately; and
- Capital expenditure is reduced by 5%.

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

- Group turnover for the 12 months ending 31 December 2021 is forecast to be comparable but above the 31 December 2020 figures. Operating profit is comparable to the profit for 2020.
- Closing net funds as at the end of May 2022 are forecast to be below the level reported at 31 December 2020.

# Group Accounting Policies

## For the 12 months ended 31 December 2020

### 1 General information (continued)

Under this reasonable worst-case scenario, the group has sufficient net funds throughout 2021 and up to the end of May 2022 to continue to operate as a going concern.

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

- The existing bank loan would be repaid to terms in full;
- 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 £55 million on an annualised basis without any liquidity concerns. For modelling purposes only, if the group were to cease dividends under these assumptions group turnover could fall to below £40 million on an annualised basis before any liquidity concerns arose. 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, taking into account the anticipated impact of the COVID-19 pandemic, the Board has a reasonable expectation that the group has adequate resources to continue to trade for the foreseeable future, even in the reasonable worst-case scenario identified by the group. Accordingly, the Board continues to adopt the going concern basis when preparing this Annual Report and Financial Statements.

#### Accounting period

The current period is for the 12 months ended 31 December 2020 and the comparative period is for the 12 months ended 31 December 2019.

#### 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 86, 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 2020

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.

## **1 General information (continued)**

### **Future adoption of International Financial Reporting Standards**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been applied early by the group. Management anticipates that the following pronouncements, where relevant to the group's operations, will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement once endorsed for use in the UK:

- Interest rate benchmark reform phase 2 (Amendments to IFRS 7, 9, 16 and IAS 39)
- Proceeds before intended use (Amendment to IAS 16)\*
- Reference to conceptual framework (Amendments to IFRS 3)\*
- Onerous contracts (Amendment to IAS 37)\*
- Annual improvements 2018-2020 cycle (Amendments to IFRS 1, 9 and 16)\*
- Classification of liabilities as current or non-current (Amendment to IAS 1)\*

\* Not yet endorsed for use in the UK.

The above standards and interpretations are not expected to 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 2020. 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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

# Group Accounting Policies

## For the 12 months ended 31 December 2020

### 2 Significant accounting policies (continued)

#### Property, plant and equipment

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

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

#### Property:

Freehold and long leasehold buildings	2%
Short leasehold buildings	Period of the lease

#### Equipment for hire:

Heating, air conditioning and other environmental control equipment	20%
Pumping equipment	10% to 33%
Accessories	33%
Motor vehicles	20% to 25%
Plant and machinery	7.5% to 33%

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

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

#### Leased assets

##### Lessor accounting

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

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

##### Lessee accounting

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

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

Prior to the adoption of IFRS 16, operating lease payments were charged as an expense in the income statement on a straight-line basis over the lease term. This accounting policy continues to be adopted for short-term leases, as defined by IFRS 16, and non-capital payments under all operating leases, for example maintenance costs on vehicles. The commitments for such leases continue to be disclosed as operating lease obligations in note 31.

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.

## **2 Significant accounting policies (continued)**

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

### **Financial instruments**

#### **Recognition criteria, classification and initial carrying value**

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

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

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

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

#### **Assets held at amortised cost**

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

# Group Accounting Policies

## For the 12 months ended 31 December 2020

### 2 Significant accounting policies (continued)

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

The group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the number of days overdue. See note 20 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 liabilities

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

#### Bank loans

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

#### Retirement benefit costs

##### Defined benefit scheme

As disclosed in note 18, the group previously operated a defined benefit pension scheme for the majority of its employees. This scheme was closed to new entrants and all existing members became deferred members on 29 December 2002.

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

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

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

## **2 Significant accounting policies (continued)**

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

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

### **Revenue recognition**

#### **Revenue**

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

The group has four categories of revenue:

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

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

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

# Group Accounting Policies

## For the 12 months ended 31 December 2020

### 2 Significant accounting policies (continued)

#### Investment and interest income

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

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

#### Operating profit

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

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

#### EBITDA

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.

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

#### Other gains and losses

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

#### Government grants

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

#### Finance costs

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

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 3 Use of critical accounting judgements and estimates

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

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

#### Pension scheme assumptions and mortality tables

As set out in note 18, 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 18 on page 65.

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

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

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

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

### 4 Revenue

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

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
<b>Continuing operations</b>		
Revenue outside the scope of IFRS 15 and recognised as lease income in accordance with IFRS 16:		
Hire	59,598	67,411
Revenue recognised at a point in time in accordance with IFRS 15:		
Sales	5,162	5,782
Maintenance	1,348	1,876
Installation and sale of units	1,151	2,177
<b>Group consolidated revenue from the sale of goods and provision of services</b>	<b>67,259</b>	<b>77,246</b>

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 5 Business and geographical segmental analysis

#### Explanation

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

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

All the group's external loans are held in the parent company, Andrews Sykes Group plc. No attempt is made in the internal management accounts to allocate the interest charge to either individual entities or activities. Similarly, the internal management accounts provided to the Board do not include a balance sheet; cash flow information is provided on a consolidated basis. Capital expenditure and working capital movements are reviewed on an entity basis.

The directors therefore consider that the group's revenue-generating operating segments that are reviewed on a regular basis by the Board (which is collectively the Chief Operating Decision Maker), and for which discrete financial information is available, are:

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

The directors consider that the long-term economic characteristics of the hire and sales operations based in the United Kingdom, The Netherlands, Belgium, Italy, France, Luxembourg and Switzerland are similar. These entities have similar products and services, operate in the same manner providing services to a similar customer base and incur similar risks and rewards. Whilst there is a level of currency fluctuation between these entities, the directors do not consider the currencies themselves (Sterling, 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. However, the operation based in the United Arab Emirates, whilst similar in many ways, faces significantly different risks due to the local environment in which it operates. The installation business operates in a different manner and regulatory environment to the rest of the group.

The reportable segments are therefore:

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

## 5 Business and geographical segmental analysis (continued)

The property holding company, Andrews Sykes Properties Limited, has been included within the Hire and sales Europe segment as it holds properties mainly for the use of Andrews Sykes Hire Limited.

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

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

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

### Business segments

<i>Income statement analysis</i>							
<i>12 months ended 31 December 2020</i>		Hire & sales	Hire & sales	Installation	Subtotal	Eliminations	Consolidated
	Europe	Middle East	and				results
Revenue	£'000	£'000	maintenance	£'000	£'000	£'000	£'000
External sales:							
Hire	51,744	7,854	-	-	59,598	-	59,598
Sales	2,716	2,446	-	-	5,162	-	5,162
Maintenance	-	-	1,348	-	1,348	-	1,348
Installations	-	-	1,151	-	1,151	-	1,151
Total external sales	54,460	10,300	2,499	-	67,259	-	67,259
Inter-segment sales	762	-	21	-	783	(783)	-
Total revenue	55,222	10,300	2,520	-	68,042	(783)	67,259
<b>Segment result</b>	<b>15,062</b>	<b>2,026</b>	<b>249</b>		<b>17,337</b>	<b>(117)</b>	<b>17,220</b>
Unallocated overheads and expenses							(834)
<b>Operating profit</b>							<b>16,386</b>
Finance income							116
Finance costs							(669)
<b>Profit before taxation</b>							<b>15,833</b>
Taxation							(2,813)
<b>Profit for the period from continuing and total operations</b>							<b>13,020</b>

<i>Income statement analysis</i>							
<i>12 months ended 31 December 2019</i>		Hire & sales	Hire & sales	Installation	Subtotal	Eliminations	Consolidated
	Europe	Middle East	and		£'000	£'000	results
Revenue	£'000	£'000	maintenance	£'000	£'000	£'000	£'000
External sales:							
Hire	56,581	10,830	-	-	67,411	-	67,411
Sales	3,382	2,400	-	-	5,782	-	5,782
Maintenance	-	-	1,876	-	1,876	-	1,876
Installations	-	-	2,177	-	2,177	-	2,177
Total external sales	59,963	13,230	4,053	-	77,246	-	77,246
Inter-segment sales	457	-	45	-	502	(502)	-
Total revenue	60,420	13,230	4,098	-	77,748	(502)	77,246
<b>Segment result</b>	<b>16,933</b>	<b>3,204</b>	<b>237</b>		<b>20,374</b>	<b>(75)</b>	<b>20,299</b>
Unallocated overheads and expenses							(1,001)
<b>Operating profit</b>							<b>19,298</b>
Finance income							146
Finance costs							(884)
<b>Profit before taxation</b>							<b>18,560</b>
Taxation							(3,541)
<b>Profit for the period from continuing and total operations</b>							<b>15,019</b>

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 5 Business and geographical segmental analysis (continued)

<i>Balance sheet information</i>						
<i>As at 31 December 2020</i>	Hire & sales	Hire & sales	Installation			Consolidated
	Europe	Middle East	and	Subtotal	Eliminations	results
	£'000	£'000	maintenance	£'000	£'000	£'000
			£'000			
Segment assets	72,256	11,026	3,699	86,981	(2,482)	84,499
Deferred tax asset						704
Retirement benefit pension surplus						498
Unallocated corporate assets						114
<b>Consolidated total assets</b>						<b>85,815</b>
Segment liabilities	(25,103)	(1,889)	(489)	(27,481)	2,482	(24,999)
Current tax liabilities						(1,161)
Bank loans						(3,491)
Unallocated corporate liabilities						(140)
<b>Consolidated total liabilities</b>						<b>(29,791)</b>

<i>Balance sheet information</i>						
<i>As at 31 December 2019</i>	Hire & sales	Hire & sales	Installation			Consolidated
	Europe	Middle East	and	Subtotal	Eliminations	results
	£'000	£'000	maintenance	£'000	£'000	£'000
			£'000			
Segment assets	78,472	12,233	3,527	94,232	(2,684)	91,548
Deferred tax asset						254
Retirement benefit pension surplus						1,963
Unallocated corporate assets						118
<b>Consolidated total assets</b>						<b>93,883</b>
Segment liabilities	(23,838)	(2,720)	(524)	(27,082)	2,684	(24,398)
Current tax liabilities						(1,674)
Bank loans						(3,983)
Unallocated corporate liabilities						(305)
<b>Consolidated total liabilities</b>						<b>(30,360)</b>

<i>Other information</i>						
<i>12 months ended 31 December 2020</i>	Hire & sales	Hire & sales	Installation			Consolidated
	Europe	Middle East	and	Subtotal	Eliminations	results
	£'000	£'000	maintenance	£'000	£'000	£'000
			£'000			
Capital additions	4,341	906	-	5,247	-	5,247
Right-of-use asset additions	3,916	27	-	3,943	-	3,943
Depreciation	5,867	1,294	22	7,183	-	7,183
Right-of-use asset depreciation	2,885	53	76	3,014	-	3,014

<i>Other information</i>						
<i>12 months ended 31 December 2019</i>	Hire & sales	Hire & sales	Installation			Consolidated
	Europe	Middle East	and	Subtotal	Eliminations	results
	£'000	£'000	maintenance	£'000	£'000	£'000
			£'000			
Capital additions	7,119	1,493	2	8,614	-	8,614
Right-of-use asset additions	2,511	20	62	2,593	-	2,593
Depreciation	5,765	1,415	22	7,202	-	7,202
Right-of-use asset depreciation	2,434	48	56	2,538	-	2,538

## 5 Business and geographical segmental analysis (continued)

### Geographical segments

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

	By origin		By destination	
	12 months ended	12 months ended	12 months ended	12 months ended
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	£'000	£'000	£'000	£'000
United Kingdom	40,882	45,711	40,414	45,011
Rest of Europe	16,077	18,305	16,450	18,818
Middle East and Africa	10,300	13,230	10,307	13,240
Rest of the World	-	-	88	177
	<b>67,259</b>	<b>77,246</b>	<b>67,259</b>	<b>77,246</b>

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

	Segment assets		Non-current assets	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	£'000	£'000	£'000	£'000
United Kingdom	52,080	60,326	22,572	23,165
Rest of Europe	21,393	19,203	10,166	9,987
Middle East and Africa	11,026	12,019	2,541	2,968
	<b>84,499</b>	<b>91,548</b>	<b>35,279</b>	<b>36,120</b>

## 6 Finance income

	12 months ended	12 months ended
	31 December 2020	31 December 2019
	£'000	£'000
Net pension scheme interest income on pension scheme surplus (note 18)	45	38
Interest receivable on bank deposit accounts	71	108
	<b>116</b>	<b>146</b>

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 7 Finance costs

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Interest charge on bank loans and overdrafts	64	88
Interest charge on right-of-use lease obligations	530	526
Inter-company foreign exchange losses	75	270
	<b>669</b>	<b>884</b>

### 8 Profit before taxation

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

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Net foreign exchange trading (gains) and losses	(252)	36
Bank charges	40	45
Depreciation of property, plant and equipment	7,183	7,203
Depreciation of right-of-use assets	3,014	2,538
Net foreign exchange losses on inter-company financing (note 7)	75	270
Profit on the sale of plant and equipment	(450)	(520)
Profit on the sale of right-of-use assets	(44)	-
Customer compensation receipts credited to revenue for lost or damaged plant and equipment	(2,624)	(2,678)
Operating lease rental payments for short-term leases:		
Property	182	424
Plant, machinery and motor vehicles	139	250
Non-capital operating lease rental payments:		
Motor vehicles	310	323
Auditor's remuneration (note 9)	190	201
Defined benefit pension scheme past service cost - GMP equalisation re transfer values (note 18)	100	-
Gross employment costs (note 10)	20,815	21,553
Other operating income - government grants related to the COVID-19 pandemic:		
Furlough employment support receipts (note 10)	(1,630)	-

## 9 Auditor's remuneration

A more detailed analysis of the auditor's remuneration on a worldwide basis is as follows:

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Fees payable to the company's auditor in respect of audit services:		
The audit of the consolidated accounts	47	38
The audit of the group's subsidiaries pursuant to legislation	143	129
<i>Total audit fees</i>	<b>190</b>	167
Fees payable to the company's auditor in respect of non-audit services:		
Tax compliance and advisory services	-	34
<i>Total non-audit fees</i>	-	34
	<b>190</b>	201

Fees payable to the auditor and associates for non-audit services to the company are not disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

## 10 Employee information

### Staff costs charged in the income statement

The average number of employees employed during the period was:

	12 months ended 31 December 2020 Number	12 months ended 31 December 2019 Number
Sales and distribution	185	192
Engineers	263	261
Managers and administration	133	139
	<b>581</b>	592

Staff costs, including directors' remuneration, amounted to:

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Wages and salaries	17,848	18,615
Redundancy and termination payments	180	34
Social security costs	2,096	2,201
Other pension costs	691	703
Gross employment costs	<b>20,815</b>	21,553
Government grants - furlough employment support	<b>(1,630)</b>	-
Employment costs net of government grants	<b>19,185</b>	21,553

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

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 10 Employee information (continued)

#### Key management compensation

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

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Short-term employee benefits	2,483	2,502
Post employment benefits - pensions	124	140
Other long-term benefits	344	345
	<b>2,951</b>	<b>2,987</b>

#### Directors' emoluments

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

Director	12 months ended 31 December 2020			12 months ended 31 December 2019		
	Emoluments	Pension scheme contributions	Total	Emoluments	Pension scheme contributions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
AJ Kitchingman	38	-	38	28	-	28
MC Leon	20	-	20	20	-	20
JJ Murray	32	-	32	29	-	29
JP Murray	20	-	20	20	-	20
PT Wood (highest paid director: deceased 27 January 2021)	413	10	423	449	10	459
	<b>523</b>	<b>10</b>	<b>533</b>	<b>546</b>	<b>10</b>	<b>556</b>

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

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

	12 months ended 31 December 2020 Number	12 months ended 31 December 2019 Number
Defined contribution	1	1
Defined benefit	1	1

The highest paid director had an accrued annual pension under the defined benefit pension scheme of £22,545 (2019: £22,342); the transfer value of the accumulated fund as at 31 December 2020 was £678,200 (2019: £580,698).

No contributions were paid during the current or preceding financial period.

## 11 Taxation

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
<b>Current tax</b>		
<i>UK corporation tax at 19% (2019: 19%)</i> based on the taxable profit for the period	2,068	2,020
Adjustments to corporation tax in respect of prior periods	(207)	(211)
	1,861	1,809
Overseas tax based on the taxable profit for the period	1,023	1,390
Adjustments to overseas tax in respect of prior periods	2	25
Total current tax charge	2,886	3,224
<b>Deferred tax</b>		
Deferred tax on the origination and reversal of temporary differences	(44)	137
Adjustments to deferred tax in respect of prior periods	(29)	180
Total deferred tax (credit)/charge (note 17)	(73)	317
<b>Total tax charge for the financial period attributable to continuing operations</b>	<b>2,813</b>	<b>3,541</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 corporation tax rate in the UK of 19% (2019: 19%) as follows:

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
<b>Profit before taxation from continuing and total operations</b>	<b>15,833</b>	<b>18,560</b>
<i>Tax at the UK effective corporation tax rate of 19% (2019: 19%)</i>	<b>3,008</b>	<b>3,526</b>
Effects of:		
Expenses not deductible for tax purposes	125	150
Effects of different tax rates of subsidiaries operating abroad	(119)	(188)
Utilisation of overseas tax losses	(4)	-
Overseas tax losses not recognised	37	59
Adjustments to tax charge in respect of previous periods	(234)	(6)
Total tax charge for the financial period	2,813	3,541

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 11 Taxation (continued)

#### Deferred tax recognised in other comprehensive income

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Deferred tax (credit)/charge on remeasurement of defined benefit liabilities and assets	(376)	106
Deferred tax (credit)/charge on IFRS 16 right-of-use foreign exchange adjustments	(1)	-
<b>Total deferred tax (credit)/charge recognised in other comprehensive income</b>	<b>(377)</b>	<b>106</b>

#### Matters affecting future tax charges

In the UK budget on 15 March 2021, the Chancellor announced that the rate of corporation tax in the UK would increase from its current level of 19% to 25% with effect from 1 April 2023. The rate will remain at 19% until that date. If this amendment is enacted by parliament and receives Royal Assent, it will increase the amount of corporation tax payable in the UK.

### 12 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.

	12 months ended 31 December 2020	
	Total earnings £'000	Number of shares
Basic earnings/weighted average number of shares	13,020	42,174,359
Basic earnings per ordinary share (pence)	30.87p	
	12 months ended 31 December 2019	
	Total earnings £'000	Number of shares
Basic earnings/weighted average number of shares	15,019	42,174,359
Basic earnings per ordinary share (pence)	35.61p	

#### 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.

## 13 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 2018	5,259	61,367	1,796	5,406	73,828
Exchange differences	(18)	(1,192)	(57)	(67)	(1,334)
Additions	14	7,783	292	525	8,614
Disposals	-	(2,831)	(204)	(110)	(3,145)
At 31 December 2019	5,255	65,127	1,827	5,754	77,963
Exchange differences	18	744	18	35	815
Additions	6	4,911	137	193	5,247
Disposals	(1)	(3,066)	(69)	(110)	(3,246)
<b>At 31 December 2020</b>	<b>5,278</b>	<b>67,716</b>	<b>1,913</b>	<b>5,872</b>	<b>80,779</b>
<b>Accumulated depreciation</b>					
At 31 December 2018	1,173	43,914	1,150	3,940	50,177
Exchange differences	(6)	(897)	(46)	(49)	(998)
Charge for the period	124	6,375	284	420	7,203
Disposals	-	(2,696)	(175)	(109)	(2,980)
At 31 December 2019	1,291	46,696	1,213	4,202	53,402
Exchange differences	7	454	14	22	497
Charge for the period	126	6,352	264	441	7,183
Disposals	(1)	(2,897)	(69)	(110)	(3,077)
<b>At 31 December 2020</b>	<b>1,423</b>	<b>50,605</b>	<b>1,422</b>	<b>4,555</b>	<b>58,005</b>
<b>Carrying value</b>					
<b>At 31 December 2020</b>	<b>3,855</b>	<b>17,111</b>	<b>491</b>	<b>1,317</b>	<b>22,774</b>
At 31 December 2019	3,964	18,431	614	1,552	24,561

The carrying value of plant and machinery includes £Nil (2019: £Nil) of assets subject to finance lease and hire purchase agreements. Depreciation amounting to £Nil was charged on these assets during the year (2019: £5,000).

The group did not have any non-cancellable contractual commitments for the acquisition of property, plant and equipment at either 31 December 2020 or 31 December 2019.

The carrying value of the group's property is as follows:

	31 December 2020 £'000	31 December 2019 £'000
Freehold land and buildings	3,603	3,661
Long leasehold buildings	44	46
Short leasehold buildings	208	257
	<b>3,855</b>	<b>3,964</b>

As disclosed in note 24, the group's bank loans are secured by fixed and floating charges over the group's assets including property, plant and equipment.

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 14 Right-of-use assets

	Property £'000	Motor vehicles £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>				
At 1 January 2019, being date of adoption of IFRS 16	8,677	2,565	457	11,699
Exchange differences	(204)	(52)	(4)	(260)
Additions	1,078	1,260	255	2,593
At 31 December 2019	9,551	3,773	708	14,032
Exchange differences	197	65	6	268
Additions	1,677	2,076	190	3,943
Disposals	(160)	(519)	(48)	(727)
<b>At 31 December 2020</b>	<b>11,265</b>	<b>5,395</b>	<b>856</b>	<b>17,516</b>
<b>Accumulated depreciation</b>				
At 1 January 2019, being date of adoption of IFRS 16	-	-	-	-
Exchange differences	(12)	(8)	(1)	(21)
Charge for the period	1,155	1,193	190	2,538
At 31 December 2019	1,143	1,185	189	2,517
Exchange differences	27	17	1	45
Charge for the period	1,315	1,484	215	3,014
Disposals	(33)	(442)	(48)	(523)
<b>At 31 December 2020</b>	<b>2,452</b>	<b>2,244</b>	<b>357</b>	<b>5,053</b>
<b>Carrying value</b>				
<b>At 31 December 2020</b>	<b>8,813</b>	<b>3,151</b>	<b>499</b>	<b>12,463</b>
At 31 December 2019	8,408	2,588	519	11,515

IFRS 16 introduced a single, on-balance-sheet leasing model for lessees. A lessee now recognises a right-of-use asset representing its right to use the underlying asset and a lease liability to make lease payments (see note 25). The group adopted IFRS 16 on 1 January 2019 using the standard's modified retrospective approach. Under this approach, the net present value of the future expected minimum capital repayments under the group's operating lease obligations were recognised on the balance sheet as a right-of-use asset and an obligation under right-of-use leases (see note 25). The assets are then depreciated over the length of the lease term. The group took advantage of the exemption available not to capitalise short-term leases with a duration of 12 months or less and therefore these leases continue to be treated as off-balance-sheet operating leases; see notes 8 and 31.

As disclosed in note 25, the right-to-use lease obligations are secured on the above assets.

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 31 and the maturity analysis of lease liabilities is in note 25.

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

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

### 15 Prepayments

	31 December 2020 £'000	31 December 2019 £'000
<b>Prepayments</b>	<b>42</b>	<b>44</b>

The above prepayments are not recoverable within 12 months.

## 16 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.

## 17 Deferred tax asset

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

	Temporary differences on lease assets and liabilities £'000	Temporary differences on property, plant and equipment £'000	Pension surplus £'000	Provisions and other short-term timing differences £'000	Total £'000
Asset/(liability) at 31 December 2018 at 19%	-	271	(258)	664	677
(Charged)/credited to income statement (note 11)	47	(116)	-	(248)	(317)
Charged to equity (note 11)	-	-	(106)	-	(106)
Effect of interest and administration expenses in excess of pension payments	-	-	(9)	9	-
Asset/(liability) at 31 December 2019 at 19%	47	155	(373)	425	254
Credited/(charged) to income statement (note 11)	26	(51)	-	98	73
Credited/(charged) to equity (note 11)	1	-	376	-	377
Effect of interest and administration expenses in excess of pension payments	-	-	(98)	98	-
<b>Asset/(liability) at 31 December 2020 at 19%</b>	<b>74</b>	<b>104</b>	<b>(95)</b>	<b>621</b>	<b>704</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 compared to being shown separately on a gross basis in the prior year financial statements.

The deferred tax balances at both 31 December 2020 and 31 December 2019 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 19% 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.

The deferred tax asset as at 31 December 2020, excluding the liability on the pension surplus, is £799,000 (2019: £627,000). Of this amount, approximately £370,000 (2019: £376,000) is expected to be recovered after more than 12 months.

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 18 Retirement benefit pension schemes

#### Defined benefit pension scheme

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

The group's UK pension arrangements include defined benefit and defined contribution 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.

As at 31 December 2020, the group had a net defined benefit pension scheme surplus, calculated in accordance with IAS 19 using the assumptions as set out below, of £498,000 (2019: £1,963,000). This asset has been recognised in these financial statements as the directors are satisfied that it is recoverable in accordance with IFRIC 14.

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

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

#### Principal risks

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

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

## 18 Retirement benefit pension schemes (continued)

The last full actuarial valuation was carried out as at 31 December 2019 (2019: 31 December 2016). A qualified independent actuary has updated the results of this valuation to calculate the surplus as disclosed below:

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

	31 December 2020	31 December 2019
Rate of increase in pensionable salaries	N/A	N/A
Rate of increase in pensions in payment	2.90%	3.00%
Rate of increase in pensions in deferment	2.30%	2.00%
Discount rate applied to scheme liabilities	1.30%	2.00%
Inflation assumption - RPI	2.90%	3.00%
Inflation assumption - CPI	2.30%	2.00%
Percentage of deferred members taking maximum tax-free lump sum on retirement	75%	75%

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics. The current mortality table used is 100% S3PA CMI\_2018 (2019: 110% S2NA CMI\_2018), heavy tables for males and middle for females, with a 1.25% per annum long-term improvement rate for both males and females (2019: 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:

	31 December 2020	31 December 2019
Male, current age 45	21.0 years	22.8 years
Female, current age 45	25.0 years	25.2 years
Male, current age 65	19.6 years	21.5 years
Female, current age 65	23.5 years	23.7 years

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.

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 18 Retirement benefit pension schemes (continued)

#### Valuations

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

	31 December 2020 £'000	31 December 2019 £'000
<b>Listed investments:</b>		
UK equities	15,673	16,126
Corporate bonds	17,959	17,559
Gilts	10,755	9,889
	<b>44,387</b>	43,574
Cash	631	421
Total fair value of plan assets	<b>45,018</b>	43,995
Present value of defined benefit obligation	<b>(44,520)</b>	(42,032)
Pension scheme surplus recognised on the balance sheet	<b>498</b>	1,963

The movement in the fair value of the scheme's assets during the period is as follows:

	31 December 2020 £'000	31 December 2019 £'000
Fair value of plan assets at the start of the period	43,995	41,036
Interest income on pension scheme assets	865	1,120
Actual return less interest income on pension scheme assets	1,626	3,925
Administration expenses charged in the income statement	(150)	(110)
Employer contributions	720	120
Benefits paid	(2,038)	(2,096)
Fair value of plan assets at the end of the period	<b>45,018</b>	43,995

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.

The movement in the present value of the defined benefit obligation during the period was as follows:

	31 December 2020 £'000	31 December 2019 £'000
Present value of defined benefit funded obligation at the beginning of the period	(42,032)	(39,680)
Interest on defined benefit obligation	(820)	(1,082)
Past service cost - GMP equalisation	(100)	-
Actuarial gain/(loss) recognised in the CSOCTI* arising from:		
Demographic assumptions	1,792	(63)
Financial assumptions	(5,812)	(3,514)
Experience adjustments	414	211
Benefits paid	2,038	2,096
Present value of defined benefit funded obligation at the end of the period	<b>(44,520)</b>	(42,032)

\* Consolidated Statement of Comprehensive Total Income.

The present value of the defined benefit obligation of £44,520,000 (2019: £42,032,000) comprised approximately 45% relating to deferred participants and 55% relating to pensioners (2019: 45% deferred participants and 55% pensioners).

The expected average duration of the DB scheme's liabilities is around 16 years (2019: 14 years).

## 18 Retirement benefit pension schemes (continued)

### Key assumptions - sensitivity analysis

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

If the average actual longevity from the age of 65 years is one year greater than that assumed, the pension scheme liabilities would increase by approximately £2.3 million (2019: £1.9 million). If the actual longevity is one year less than that assumed, the pension scheme liabilities would reduce by a similar amount.

A 0.1% increase in the discount rate applied to the scheme liabilities and a 0.1% increase in the inflation assumptions would reduce/increase the present value of the defined benefit obligation by approximately £0.7 million (2019: £0.6 million) and £0.6 million (2019: £0.5 million) respectively. A 0.1% decrease in these assumptions would increase/reduce the present value of the defined benefit obligation by a similar amount.

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

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

This methodology is unchanged from last year's disclosures.

### Amounts recognised in the income statement

	31 December 2020 £'000	31 December 2019 £'000
The amounts charged/(credited) in the income statement were:		
Administration expenses:		
Past service cost - GMP equalisation	100	-
Pension scheme administration expenses	150	110
Pension scheme costs charged within administration expenses	250	110
Interest income on pension scheme assets	(865)	(1,120)
Interest expense on pension scheme liabilities	820	1,082
Net pension scheme interest income on pension scheme surplus (note 6)	(45)	(38)
Net pension charge	205	72

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

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 18 Retirement benefit pension schemes (continued)

#### Actuarial gains and losses recognised in the consolidated statement of comprehensive total income

	31 December 2020 £'000	31 December 2019 £'000
The amounts (credited)/charged in the CSOCTI* were:		
Actual return less interest income on pension scheme assets	(1,626)	(3,925)
Experience gains and losses arising on plan obligation	(414)	(211)
Changes in demographic and financial assumptions underlying the present value of plan obligations	4,020	3,577
Net actuarial loss/(gain) recognised in the CSOCTI*	1,980	(559)
Cumulative actuarial loss recognised in the CSOCTI*	8,761	6,781

\* Consolidated Statement of Comprehensive Total Income.

On 26 October 2018, a High Court judgement in the case of Lloyds Banking Group clarified that pension benefits paid by UK defined benefit pension schemes do need to be equalised for previously unequal GMP. A charge was recognised in the income statement in 2018 as the ruling was considered to have created a new obligation, which was not previously incorporated into the calculation of the liabilities. As part of the work on the 2019 formal triennial funding valuation, further and better information is now available, which has resulted in an additional charge of £571,000, which has been included within changes to demographic and financial assumptions above.

The actual return on plan assets can therefore be summarised as follows:

	31 December 2020 £'000	31 December 2019 £'000
Interest income on pension scheme assets	865	1,120
Actuarial gain recognised in the CSOCTI* representing the difference between expected and actual return on assets	1,626	3,925
Actual surplus on plan assets	2,491	5,045

\* Consolidated Statement of Comprehensive Total Income.

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

#### Defined contribution pension scheme and auto enrolment

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

The group has adopted the requirements of auto enrolment for all eligible UK employees. Until 1 October 2017, employee and employer contributions were made at the rates of 1% each of pensionable salary, which were then increased to 3% for employees and 2% for employers. On 6 April 2019, these rates were further increased to 5% and 3% respectively and these remain current.

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 1% to 10%, the current average being 3.65% (2019: 4.6%). The current period charge in the income statement amounted to £457,000 (2019: £462,000).

#### Overseas defined contribution pension scheme arrangements

Overseas companies make their own pension arrangements, the charge for the period being £234,000 (2019: £241,000). No additional disclosure is given on the basis of materiality.

## 19 Stocks

	31 December 2020 £'000	31 December 2019 £'000
Raw material and consumables	371	371
Work in progress	2	3
Finished goods	7,675	5,959
	<b>8,048</b>	<b>6,333</b>

As disclosed in note 24, the group's bank loans are secured by fixed and floating charges over the group's assets including stocks.

The cost of stock recognised as an expense in the period was £7,609,000 (2019: £9,542,000) and, in addition, a further £1,090,000 of items held in stock at 31 December 2019 (2019: £2,407,000 items in stock at 31 December 2018) have been capitalised in the hire fleet this year. The net charge in the income statement for net realisable value provisions was £118,000 (2019: release of £109,000).

## 20 Trade and other receivables

	31 December 2020 £'000	31 December 2019 £'000
Trade debtors:		
Current debtors not considered to be overdue	7,285	9,284
Overdue impaired debtors:		
Gross	10,105	12,143
Less allowance for doubtful debts and credit losses	(2,529)	(2,549)
Net overdue trade debtors	7,576	9,594
Net trade debtors	14,861	18,878
Amounts due from related parties	30	83
Prepayments and accrued income	1,862	1,740
Other debtors	521	632
	<b>17,274</b>	<b>21,333</b>

No collateral is held in respect of overdue trade debtors.

Current trade debtors not considered to be overdue represents amounts due from customers that are not overdue in accordance with the specific credit terms agreed with those customers. The average outstanding debtor days for current trade debtors not considered to be overdue as at 31 December 2020 was 35 days (2019: 36 days). The expected loss arising on current debtors not considered to be overdue is considered to be immaterial.

The age profile of the trade debtors that are past due is as follows:

	Gross carrying amount £'000	Lifetime expected credit loss £'000	Net carrying amount £'000	Expected credit loss rate %
<b>31 December 2020</b>				
Not more than 3 months overdue	4,631	(326)	4,305	7.0%
More than 3 months and not more than 6 months overdue	1,216	(177)	1,039	14.6%
More than 6 months and not more than 12 months overdue	1,183	(342)	841	28.9%
More than 12 months overdue	3,075	(1,684)	1,391	54.8%
Overdue trade debtors	<b>10,105</b>	<b>(2,529)</b>	<b>7,576</b>	

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 20 Trade and other receivables (continued)

31 December 2019	Gross carrying amount £'000	Lifetime expected credit loss £'000	Net carrying amount £'000	Expected credit loss rate %
Not more than 3 months overdue	6,774	(292)	6,482	4.3%
More than 3 months and not more than 6 months overdue	1,649	(219)	1,430	13.3%
More than 6 months and not more than 12 months overdue	1,448	(506)	942	34.9%
More than 12 months overdue	2,272	(1,532)	740	67.4%
<b>Overdue trade debtors</b>	<b>12,143</b>	<b>(2,549)</b>	<b>9,594</b>	

The allowance for doubtful debts and credit losses is based on past default experience, external indicators and forward looking information. Debts with customers in liquidation or receivership are fully provided against until they have been written off. The movement in the provision during the period is as follows:

	31 December 2020 £'000	31 December 2019 £'000
Balance at the beginning of the period	2,549	2,642
Foreign exchange difference	(33)	(81)
Net amounts written off during the period	(477)	(547)
Income statement charge	490	535
<b>Balance at the end of the period</b>	<b>2,529</b>	<b>2,549</b>

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

Information concerning credit, liquidity and market risks together with an analysis of monetary assets held in currencies other than pounds Sterling is given in note 30.

### 21 Cash and cash equivalents

	31 December 2020 £'000	31 December 2019 £'000
Cash at bank	9,429	7,844
Deposit accounts	14,583	20,036
	<b>24,012</b>	<b>27,880</b>

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

Deposit accounts comprise instant access interest-bearing accounts and other short-term bank deposits with an original maturity of three months or less. Interest was received at an average floating rate of approximately 0.4% (2019: 0.5%).

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 30.

## 22 Trade and other payables

	31 December 2020 £'000	31 December 2019 £'000
Trade creditors	2,917	4,665
Amounts due to related parties	197	444
Other tax and social security	2,495	1,867
Accruals and deferred income	5,811	5,810
Other creditors	870	156
	<b>12,290</b>	<b>12,942</b>

Trade creditors, accruals and other creditors mainly comprise amounts outstanding from trade purchases and other normal business-related costs. The average credit period taken for trade purchases is 25 days (2019: 37 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 30.

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

## 23 Current tax liabilities

	31 December 2020 £'000	31 December 2019 £'000
UK corporation tax	1,013	1,440
Overseas tax (denominated in Euros)	148	234
	<b>1,161</b>	<b>1,674</b>

## 24 Bank loans

	31 December 2020 £'000	31 December 2019 £'000
The borrowings are repayable as follows:		
On demand or within one year	493	493
In the second year	2,998	493
In the third to fifth years inclusive	-	2,997
<b>Total</b>	<b>3,491</b>	<b>3,983</b>
Disclosed:		
Within current liabilities (on demand or within one year)	493	493
Within non-current liabilities	2,998	3,490
<b>Total</b>	<b>3,491</b>	<b>3,983</b>
Total bank loans may be further analysed as follows:		
Gross bank loans	3,500	4,000
Unamortised costs of raising loan finance	(9)	(17)
<b>Net carrying value of bank loans</b>	<b>3,491</b>	<b>3,983</b>

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

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 24 Bank loans (continued)

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

Interest is charged on the group's borrowings based on the three-month LIBOR rate plus a margin of 1.1%. The weighted average interest rate charged during the year was 1.38% (2019: 1.93%). Costs incurred raising the loan are being amortised over the loan period.

### 25 Right-of-use lease obligations

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	£'000	£'000	£'000	£'000
Amounts payable under right-of-use lease obligations:				
Within one year	3,135	2,696	2,656	2,279
In the second to fifth years inclusive	7,435	6,649	6,329	5,586
After five years	4,474	4,508	3,864	3,896
	<b>15,044</b>	<b>13,853</b>	<b>12,849</b>	<b>11,761</b>
Less future finance charges	(2,195)	(2,092)		
Present value of lease obligations	<b>12,849</b>	<b>11,761</b>		
Disclosed:				
Within current liabilities (payable within one year)			2,656	2,279
Within non-current liabilities			10,193	9,482
Total			<b>12,849</b>	<b>11,761</b>

IFRS 16 introduced a single, on-balance-sheet leasing model for lessees. A lessee now recognises a right-of-use asset representing its right to use the underlying asset (see note 14) and a lease liability to make lease payments. The group adopted IFRS 16 on 1 January 2019 using the standard's modified retrospective approach. Under this approach, the net present value of the future expected minimum capital repayments under the group's operating lease obligations were recognised on the balance sheet as a right-of-use asset (see note 14) and an obligation under right-of-use leases. The interest charge is charged to the income statement within finance costs (see note 7) and is calculated based on the incremental borrowing rate.

The group took advantage of the exemption available not to capitalise short-term leases with a duration of 12 months or less, and these leases continue to be treated as off-balance-sheet operating leases; see notes 8 and 31. In addition, any non-capital payments under operating leases, for example, maintenance costs on vehicles, have not been capitalised and continue to be disclosed as lease obligations.

The group's obligations under these leases are secured over the right-of-use assets to which they relate; see note 14.

### 26 Called-up share capital

	31 December 2020	31 December 2019
	£'000	£'000
Issued and fully paid:		
42,174,359 ordinary shares of one pence each (2019: 42,174,359 ordinary shares of one pence each)	422	422

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

The company has one class of ordinary shares, which carries no right to fixed income.

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

## 27 Share capital and reserves

	Share capital £'000	Share premium £'000	Retained earnings £'000	Translation reserve £'000	Other reserves £'000	Total £'000
At 31 December 2018	422	13	54,013	4,300	246	58,994
Total comprehensive income for the period	-	-	15,472	(905)	-	14,567
Dividends paid	-	-	(10,038)	-	-	(10,038)
At 31 December 2019	422	13	59,447	3,395	246	63,523
Total comprehensive income for the period	-	-	11,416	527	-	11,943
Dividends paid	-	-	(19,442)	-	-	(19,442)
<b>At 31 December 2020</b>	<b>422</b>	<b>13</b>	<b>51,421</b>	<b>3,922</b>	<b>246</b>	<b>56,024</b>

Rationale for the equity dividends paid in the current year is given in the Chairman's Statement on page 4.

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

	31 December 2020 £'000	31 December 2019 £'000
Other reserves comprise:		
Capital redemption reserve	158	158
UAE legal reserve	79	79
Netherlands capital reserve	9	9
	<b>246</b>	<b>246</b>

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

During the year and the previous year, the company did not purchase any ordinary shares of 1p each for cancellation and consequently there has been no movement in the capital reserve account in either year. There were no movements on any of the other reserves during either the current or preceding financial period.

## 28 Cash generated from operations

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Profit for the period attributable to equity shareholders	13,020	15,019
Adjustments for:		
Taxation charge	2,813	3,541
Finance costs	669	884
Finance income	(116)	(146)
Profit on the sale of property, plant and equipment	(450)	(520)
Profit on the sale of right-of-use assets	(44)	-
Depreciation	7,183	7,203
Depreciation of right-of-use assets	3,014	2,538
Excess of normal pension contributions compared with administration expenses	(470)	(10)
Cash generated from operations before movements in working capital	25,619	28,509
Movement in stocks	(2,690)	(3,834)
Movement in trade and other receivables	4,099	(1,818)
Movement in trade and other payables	(762)	60
Cash generated from operations	<b>26,266</b>	<b>22,917</b>

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

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

	31 December 2020 £'000	31 December 2019 £'000
Cash and cash equivalents per consolidated cash flow statement and note 21	24,012	27,880
<b>Gross funds</b>	<b>24,012</b>	<b>27,880</b>
Bank loans:		
At the beginning of the period	(3,983)	(4,476)
Loans repaid	500	500
Other non-cash changes	(8)	(7)
At the end of the period	(3,491)	(3,983)
Right-of-use lease obligations:		
At the beginning of the period	(11,761)	-
Transitional adjustment on adoption of IFRS 16	-	(11,699)
Capital repayments for right-of-use lease obligations	2,832	2,291
New right-of-use asset leases entered into during the period	(3,943)	(2,593)
Termination of right-of-use lease obligations	249	-
Effect of foreign exchange rate changes on right-of-use leases	(226)	240
At the end of the period	(12,849)	(11,761)
<b>Gross debt</b>	<b>(16,340)</b>	<b>(15,744)</b>
<b>Net funds</b>	<b>7,672</b>	<b>12,136</b>

### 30 Financial instruments

#### Capital risk management

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the group consists of net funds, which are analysed in note 29, and equity comprising issued share capital, reserves and retained earnings as disclosed in note 27. The net funds to equity percentage is:

	31 December 2020 £'000	31 December 2019 £'000
Net funds per note 29	7,672	12,136
Equity attributable to equity holders of the parent company as per note 27	56,024	63,523
Net funds to equity percentage	13.7%	19.1%

#### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and liability, are disclosed in note 2 to the financial statements.

### 30 Financial instruments (continued)

#### Categories of financial instruments

The carrying values of each category of financial instrument are as follows:

	31 December 2020 £'000	31 December 2019 £'000
<b>Financial assets</b>		
Amortised cost (including cash and cash equivalents):		
Trade debtors and amounts due by related parties	14,891	18,961
Other debtors	521	632
Cash and cash equivalents	24,012	27,880
	<b>39,424</b>	<b>47,473</b>
<b>Financial liabilities</b>		
Amortised cost:		
Trade creditors and amounts due to related parties	3,113	5,109
Accruals and other creditors	6,634	5,926
Loans	3,491	3,983
Right-of-use lease obligations	12,849	11,761
	<b>26,087</b>	<b>26,779</b>
Surplus of financial assets over financial liabilities	<b>13,337</b>	<b>20,694</b>

#### Financial risk management

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

##### Market risk

The group's activities expose it primarily to the financial risks of changes in interest rates. When appropriate, the group enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate caps that limit the group's exposure to fluctuations in LIBOR on its bank loans. However, due to the current low interest rates and the indications that these will not increase substantially in the immediate future, the directors do not consider that interest rate caps are currently cost effective. Accordingly, the group does not hold any interest rate caps or any other derivative financial instrument as at 31 December 2020 (2019: £Nil), although this position is constantly under review.

A 1% increase in the average bank loan agreement rate for the period would have increased the net bank loan interest charge by £31,000 (2019: £32,000); 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.

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 30 Financial instruments (continued)

#### Credit risk

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

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

The group's lifetime expected credit loss percentage analysed by age category of debt is disclosed in note 20.

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

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

#### Liquidity risk management

The group manages liquidity risk by maintaining adequate gross funds, which at 31 December 2020 amounted to £24,012,000 (2019: £27,880,000), by operating within its agreed banking facilities, by continuously monitoring forecast and actual cash flows, by matching the maturity profiles of monetary assets and liabilities and by monitoring and discussing its covenants with the bank.

In view of the significant levels of net funds available to the group of £7,672,000 (2019: £12,136,000), the directors believe that additional unutilised borrowing facilities are not required.

#### Liquidity and interest risk tables

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

The following liquidity and interest risk tables include non-financial liabilities relating to current tax of £1,161,000 (2019: £1,674,000). 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.

31 December 2020	Weighted average interest rate	Due within 3 months £'000	Due 3 months to 1 year £'000	Due over 1 year and less than 5 years £'000	Due after 5 years £'000	Future finance charges £'000	Total £'000
Non-interest bearing	N/A	9,563	3,888	-	-	-	13,451
Gross variable interest bank loans	1.38%	-	502	3,055	-	(57)	3,500
Right-of-use lease obligations	4.30%	858	2,277	7,435	4,474	(2,195)	12,849
<b>Total</b>		<b>10,421</b>	<b>6,667</b>	<b>10,490</b>	<b>4,474</b>	<b>(2,252)</b>	<b>29,800</b>

### 30 Financial instruments (continued)

31 December 2019	Weighted average interest rate	Due within 3 months £'000	Due 3 months to 1 year £'000	Due over 1 year and less than 5 years £'000	Due after 5 years £'000	Future finance charges £'000	Total £'000
Non-interest bearing	N/A	10,548	4,068	-	-	-	14,616
Gross variable interest bank loans	1.93%	-	503	3,648	-	(151)	4,000
Right-of-use lease obligations	4.49%	706	1,990	6,649	4,508	(2,092)	11,761
<b>Total</b>		<b>11,254</b>	<b>6,561</b>	<b>10,297</b>	<b>4,508</b>	<b>(2,243)</b>	<b>30,377</b>

### 31 Operating lease arrangements

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

	Property		Plant, machinery and equipment	
	31 December 2020 £'000	31 December 2019 £'000	31 December 2020 £'000	31 December 2019 £'000
Amounts payable under operating leases:				
Within one year	187	173	230	253
In the second to fifth years inclusive	-	-	429	304
	<b>187</b>	<b>173</b>	<b>659</b>	<b>557</b>

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

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

Leases with a duration of over 12 months have been included within right-to-use assets in accordance with IFRS 16; see note 14.

# Notes to the Consolidated Financial Statements

## For the 12 months ended 31 December 2020

### 32 Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

#### Trading transactions

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

	31 December 2020 £'000	31 December 2019 £'000
Sale of goods and services to associates within the London Security plc group	-	4
Purchase of goods and services from associates within the London Security plc group	115	117
Amount owed by the group to associates within the London Security plc group	2	2
Sales of goods and services to companies connected with Khansaheb Sykes LLC	224	89
Amounts owed to the group by companies connected with Khansaheb Sykes LLC	30	83
Purchase of goods and services from associates connected with Khansaheb Sykes LLC	559	918
Amounts owed by the group to companies connected with Khansaheb Sykes LLC	195	442

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 10 above.

### 33 Dividend payments

The directors declared and paid the following dividends during the 12 month periods ended 31 December 2020 and 31 December 2019:

	12 months ended 31 December 2020		12 months ended 31 December 2019	
	Pence per share	Total dividend paid £'000	Pence per share	Total dividend paid £'000
Final dividend for the 12 months ended 31 December 2019 paid to members on the register at 29 May 2020 on 19 June 2020	10.50p	4,428	-	-
First interim dividend declared on 23 July 2020 and paid to shareholders on the register at 7 August 2020 on 28 August 2020	23.70p	9,995	-	-
Second interim dividend declared on 29 September 2020 and paid to shareholders on the register at 9 October 2020 on 6 November 2020	11.90p	5,019	-	-
Final dividend for the 12 months ended 31 December 2018 paid to members on the register at 31 May 2019 on 21 June 2019	-	-	11.90p	5,019
Interim dividend declared on 26 September 2019 and paid to shareholders on the register at 11 October 2019 on 8 November 2019	-	-	11.90p	5,019
	<b>46.10p</b>	<b>19,442</b>	<b>23.80p</b>	<b>10,038</b>

The above dividends were charged against reserves as shown in the consolidated statement of changes in equity and in note 27 to these financial statements.

The directors recommend the payment of a final dividend of 11.5 pence (*2019: 10.90 pence*) per ordinary share. If approved at the forthcoming Annual General Meeting, this dividend, which in total amounts to £4,850,000 (*2019: £4,428,000*), will be paid on 18 June 2021 to shareholders on the register at 28 May 2021.

### 34 Ultimate parent company

As at 4 May 2021, EOI Sykes Sarl, which is incorporated in Luxembourg, held 86.25% of the share capital of Andrews Sykes Group plc and is therefore the immediate parent company. The intermediate holding company is SK Participation Sarl, a company incorporated in Luxembourg, and the ultimate holding company is the Tristar Corporation, a company incorporated in the Republic of Panama. The Tristar Corporation is held jointly, in equal proportions, by the Ariane Trust and the Eden Trust and controlled by the trustees of these trusts through a Trustees' Committee. The directors therefore consider that the trustees of the Ariane and Eden Trusts are the ultimate controlling parties of Andrews Sykes Group plc.

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

# Company Balance Sheet

## As at 31 December 2020

	Note	31 December 2020		31 December 2019	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	3		32,144		32,131
<b>Current assets</b>					
Debtors	4	26,246		34,761	
Cash at bank and in hand	5	13		18	
		26,259		34,779	
Creditors: Amounts falling due within one year	6	(8,277)		(7,943)	
<b>Net current assets</b>			17,982		26,836
<b>Total assets less current liabilities</b>			50,126		58,967
Creditors: Amounts falling due after more than one year	6		(2,998)		(3,490)
<b>Net assets</b>			47,128		55,477
<b>Capital and reserves</b>					
Called-up share capital	8		422		422
Share premium	10		13		13
Profit and loss account	10		44,324		52,673
Capital redemption reserve	10		158		158
Other reserve	10		2,211		2,211
<b>Shareholders' funds</b>	11		47,128		55,477

The profit for the financial period dealt with in the profit and loss account of the company was £11,093,000 (2019: £16,057,000).

These financial statements of Andrews Sykes Group plc, company number 00175912, were approved and authorised for issue by the Board of directors on 4 May 2021 and were signed on its behalf by:



JJ Murray  
Vice-Chairman

# Company Statement of Changes in Equity

## For the 12 months ended 31 December 2020

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Other reserves £'000	Total £'000
<b>At 31 December 2018</b>	422	13	46,654	2,369	49,458
<b>Profit for the financial period</b>	-	-	16,057	-	16,057
<b>Transactions with owners recorded directly in equity:</b>					
Dividends paid	-	-	(10,038)	-	(10,038)
<b>Total transactions with owners</b>	-	-	(10,038)	-	(10,038)
<b>At 31 December 2019</b>	422	13	52,673	2,369	55,477
<b>Profit for the financial period</b>	-	-	11,093	-	11,093
<b>Transactions with owners recorded directly in equity:</b>					
Dividends paid	-	-	(19,442)	-	(19,442)
<b>Total transactions with owners</b>	-	-	(19,442)	-	(19,442)
<b>At 31 December 2020</b>	422	13	44,324	2,369	47,128

# Notes to the Company Financial Statements

## For the 12 months ended 31 December 2020

### 1 Significant accounting policies

#### Basis of preparation

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

#### Reduced disclosure framework

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

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

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

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

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

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

#### Company profit and loss account

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

#### Principal accounting policies

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

#### Going concern

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

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

#### Investments

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

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

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

## **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 like loans from banks and group undertakings and loans to group undertakings.

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

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

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

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

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

### **Deferred tax**

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

### **Current tax**

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

### **Borrowing costs**

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

### **Related party transactions**

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

## **2 Employee information**

The company has no employees other than the directors. The directors received no remuneration in 2019 or 2020 paid directly by Andrews Sykes Group plc.

# Notes to the Company Financial Statements

## For the 12 months ended 31 December 2020

### 3 Fixed asset investments

	Subsidiary undertakings shares £'000
<b>Cost</b>	
At the beginning and end of the period	40,748
<b>Provisions</b>	
At the beginning of the period	8,617
Release for the period	(13)
At the end of the period	8,604
<b>Net book value</b>	
<b>At 31 December 2020</b>	<b>32,144</b>
At 31 December 2019	32,131

The company's subsidiary undertakings as at 31 December 2020 were as follows:

#### Directly owned by Andrews Sykes Group plc:

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

#### Indirectly owned by Andrews Sykes Group plc:

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

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

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

### 3 Fixed asset investments (continued)

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

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

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

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

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

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

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

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

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

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

### 4 Debtors

	31 December 2020 £'000	31 December 2019 £'000
<i>Amounts falling due within one year:</i>		
Amounts owed by group undertakings	24,752	33,646
Corporation tax and group relief	1,371	948
Other debtors	98	125
Deferred tax	20	38
Prepayments and accrued income	5	4
	<b>26,246</b>	<b>34,761</b>

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

	Short-term timing differences £'000
Asset at the beginning of the year at 19%	38
Profit and loss account charge	(18)
<b>Asset at the end of the period at 19%</b>	<b>20</b>

There were no provided or unprovided deferred tax assets or liabilities at the end of either period.

### 5 Cash at bank and in hand

	31 December 2020 £'000	31 December 2019 £'000
Cash at bank and in hand	13	18

# Notes to the Company Financial Statements

## For the 12 months ended 31 December 2020

### 6 Creditors

	31 December 2020 £'000	31 December 2019 £'000
<i>Amounts falling due within one year:</i>		
Bank loans and overdrafts	493	493
Amounts owed to group undertakings	7,666	7,183
Accruals and deferred income	118	267
	<b>8,277</b>	<b>7,943</b>
	31 December 2020 £'000	31 December 2019 £'000
<i>Amounts falling due after more than one year:</i>		
Bank loans repayable between one and two years	2,998	493
Bank loans repayable between two and five years	-	2,997
	<b>2,998</b>	<b>3,490</b>
Total bank loans may be further analysed as follows:		
Gross bank loans	3,500	4,000
Unamortised costs of raising loan finance	(9)	(17)
Net carrying value of bank loans	<b>3,491</b>	<b>3,983</b>

Total company bank loans and overdrafts of £3,500,000 (2019: £4,000,000) are secured by fixed and floating charges on the assets of the group and by cross guarantees between group undertakings. There are no unsecured bank loans at either period end.

Details of the bank loan facilities are given in note 24 to the consolidated financial statements.

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

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

### 7 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 30 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 2020 or 31 December 2019.

## 8 Called-up share capital

	31 December 2020 £'000	31 December 2019 £'000
<b>Issued and fully paid:</b>		
42,174,359 ordinary shares of one pence each (2019: 42,174,359 ordinary shares of one pence each)	422	422

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

The company has one class of ordinary shares, which carries no right to fixed income.

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.

## 9 Capital commitments and guarantees

There are no commitments or guarantees outstanding as at 31 December 2020 or 31 December 2019.

## 10 Reserves

	Share premium £'000	Profit and loss account £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
At the beginning of the period	13	52,673	158	2,211	55,055
Profit for the period	-	11,093	-	-	11,093
Dividends declared and paid	-	(19,442)	-	-	(19,442)
<b>At the end of the period</b>	<b>13</b>	<b>44,324</b>	<b>158</b>	<b>2,211</b>	<b>46,706</b>

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

Details of dividends declared and paid are given in note 33 to the consolidated financial statements.

## 11 Reconciliation of movements in shareholders' funds

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000
Profit for the financial period	11,093	16,057
Dividends declared and paid	(19,442)	(10,038)
<b>Net (decrease)/increase in shareholders' funds</b>	<b>(8,349)</b>	<b>6,019</b>
Shareholders' funds at the beginning of the period	55,477	49,458
<b>Shareholders' funds at the end of the period</b>	<b>47,128</b>	<b>55,477</b>

# Notes to the Company Financial Statements

## For the 12 months ended 31 December 2020

### 12 Related party transactions

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

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

	31 December 2020 £'000	31 December 2019 £'000
Purchase of goods and services from associates within the London Security plc group	71	86
Amount owed to the company by Sweepax Pumps Limited	-	27

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. 50% of the share capital of Sweepax Pumps Limited is owned by Andrews Sykes Group plc.

### 13 Ultimate parent company

As at 4 May 2021, EOI Sykes Sarl, which is incorporated in Luxembourg, held 86.25% of the share capital of Andrews Sykes Group plc and is therefore the immediate parent company. The intermediate holding company is SK Participation SARL, a company incorporated in Luxembourg, and the ultimate holding company is the Tristar Corporation, a company incorporated in the Republic of Panama. The Tristar Corporation is held jointly, in equal proportions, by the Ariane Trust and the Eden Trust and controlled by the trustees of these trusts through a Trustees' Committee. The directors therefore consider that the trustees of the Ariane and Eden Trusts are the ultimate controlling parties of Andrews Sykes Group plc.

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

# Five-Year History

	12 months ended 31 December 2020 £'000	12 months ended 31 December 2019 £'000	12 months ended 31 December 2018 £'000	12 months ended 31 December 2017 £'000	12 months ended 31 December 2016 £'000
<b>Revenue</b>	<b>67,259</b>	77,246	78,563	71,300	65,389
<b>Operating profit from continuing activities*</b>					
Trading profit before exceptional items	<b>16,386</b>	19,298	20,681	17,589	15,816
Profit on the disposal of property	-	-	-	-	-
	<b>16,386</b>	19,298	20,681	17,589	15,816
Interest charge on right-of-use leases	<b>(530)</b>	(526)	-	-	-
Inter-company foreign exchange (losses)/gains	<b>(75)</b>	(270)	336	(293)	1,567
Net interest credit/(charge) excluding inter-company foreign exchange and right-of-use lease interest	<b>52</b>	58	28	(11)	158
<b>Profit before taxation</b>	<b>15,833</b>	18,560	21,045	17,285	17,541
<b>Taxation</b>	<b>(2,813)</b>	(3,541)	(3,999)	(3,184)	(3,068)
<b>Profit for the financial period</b>	<b>13,020</b>	15,019	17,046	14,101	14,473
Dividends per share paid in the year	<b>46.10p</b>	23.80p	23.80p	23.80p	23.80p
Dividends paid during the year	<b>19,442</b>	10,038	10,048	10,058	10,058
Basic earnings per share from continuing operations	<b>30.87p</b>	35.61p	40.39p	33.37p	34.25p
Proposed ordinary final dividend per share	<b>11.50p</b>	10.50p	11.90p	11.90p	11.90p

\* Defined at the end of each reporting period.



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