



ANDREWS SYKES GROUP PLC

INTERIM
FINANCIAL
STATEMENTS
2012

CONTENTS

1	Summary of Results
2	Chairman's Statement
5	Consolidated Income Statement
6	Consolidated Balance Sheet
7	Consolidated Cash Flow Statement
8	Consolidated Statement of Comprehensive Total Income
9	Notes to the Consolidated Interim Financial Statements

SUMMARY OF RESULTS

	6 months ended 30 June 2012 (unaudited) £000	6 months ended 30 June 2011 (unaudited) £000
Revenue from continuing operations	28,570	27,717
Normalised EBITDA* from continuing operations	8,287	7,784
Normalised operating profit**	6,448	5,930
Profit for the financial period	4,936	4,116
Basic earnings per share (pence)	11.67p	9.58p
Net funds	12,642	7,920

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

** Operating profit before non-recurring items as reconciled on the consolidated income statement.

CHAIRMAN'S STATEMENT

OVERVIEW

The group's revenue for the six months ended 30 June 2012 was £28.6 million, an increase of £0.9 million (3.1%) compared with last year's figure of £27.7 million. Normalised operating profit* increased by £0.5 million (8.7%) from £5.9 million in the first half of 2011 to £6.4 million in the current period reflecting this increase in revenue.

The group continues to generate strong cash flows. As at 30 June 2012 the group has net funds of £12.6 million, an increase of £2.2 million compared with 31 December 2011 and an increase of £4.7 million compared with the position as at 30 June 2011. This clearly demonstrates the group's strong positive cash flow and is after share buyback payments of £0.8 million during the period under review.

Management has been mindful of the need to maintain the operational structure of the business and to ensure that this is not damaged by unnecessary cuts in expenditure. The relocation to our new freehold property in Peninsular Way, London, was successfully completed within our financial budgets and timescales during the first half of 2012. Consequently the group now has a much improved and enlarged operating base from which to serve its customers in London and the South East of England.

Our hire fleet continues to be well maintained and the group has invested £2.0 million on new plant and equipment and property improvements in the six months under review. This is necessary to ensure that we remain in a strong position ready to take advantage of any business opportunities whenever they arise.

OPERATIONS REVIEW

Our main hire and sales business in the UK and Northern Europe faced a number of challenges and opportunities during the first half of 2012. The beginning of the period was mild but was followed by a cold spell of weather in February and early March which stimulated the demand for our heating products. The early part of the year was exceptionally dry with drought conditions being announced for some parts of the UK but this was then followed by one of the wettest summers on record. Although there were some short spells of hot and sunny weather, these were never long or intense enough to significantly stimulate our air conditioning hire business which once again remained flat. However, the wet weather did benefit our UK pumping business which saw turnover return to a more normal level.

Despite the challenging weather conditions management was able to take advantage of the opportunities that presented themselves and this is reflected in the improved operating performance in the first half of 2012. Management continues to develop our non-weather dependent niche markets and these provided a solid contribution to the group's results for the period.

Our subsidiary in the Netherlands had a successful first half of the year with revenue increasing by over 30% compared with the same period last year. Our heating business benefited from the cold spell of weather during February and into March, which was even more intense than that experienced in the UK, and the first half of 2012 also had a full period's contribution from our fourth depot in Hoogeveen which was opened during the first half of 2011. Nevertheless, as with the UK, the performance of our air conditioning

hire business once again remained flat due to the unfavourable weather conditions.

Our Belgian subsidiary, which was opened as a low cost based operation in 2007, traded well and provided a significantly improved contribution to operating profit in the period. The business continues to develop and become more self-sufficient and further opportunities are seen as the market continues to grow.

In June last year we opened a new low cost based operation in Italy, Nolo Climat, following the business model that we successfully implemented in Belgium. Although, as expected, the company returned a trading loss in the first half of 2012, turnover increased significantly in June with the arrival of the hot summer in Italy. We continue to expect to see steady growth from this new subsidiary.

The first half year results of our UK air conditioning installation business benefited from a significant contract for the supply of equipment in connection with the Olympic Games. This contract continued until the end of the Paralympic Games earlier this month and therefore this benefit will also continue into the second half year. Excluding this contract, the business continues to perform broadly in line with last year albeit at relatively modest levels compared with the rest of the group.

Market conditions in the Middle East remained very similar to last year with improvements being experienced in the Abu Dhabi region being partially offset by a very slow construction market in Dubai. Overall the turnover of our Middle East subsidiary decreased by 16% compared with the

first half of 2012 but operating profit increased by over 50% to £0.4 million in the period under review. This reflects both improved gross margins and progress being made on the collection of old debts with the consequent impact on bad debt charge in the period.

PROFIT FOR THE FINANCIAL PERIOD AND EARNINGS PER SHARE

Profit before tax increased by £1.0 million (18.6%) from £5.7 million in the first half of 2011 to £6.7 million in the current period. This is due to (i) the above increase of £0.5 million in normalised operating profit*, (ii) the receipt of a dividend of £0.3 million from Oasis Sykes, our investment in Saudi Arabia, in respect of the 2010 results and (iii) the absence of a £0.2 million inter-company foreign exchange loss incurred last half year caused by an adverse movement in the Euro–Sterling exchange rate.

The tax charge increased by £0.3 million to £1.8 million but the group's overall effective tax rate decreased from 27.1% last year to 26.3% reflecting further reductions in the main UK corporation tax rate. A detailed tax reconciliation is given in note 4 of this interim report.

As a result of the above factors, profit for the financial period increased by £0.8 million (19.9%) from £4.1 million in the first half of 2011 to £4.9 million in the current period. Basic earnings per share increased by 21.8% from 9.58 pence to 11.67 pence reflecting both the above increase in profit and the group's ongoing share buyback programme.

CHAIRMAN'S STATEMENT

DIVIDENDS

No interim dividends have been declared in the period under review. The Board continues to adopt the policy of returning value to shareholders whenever possible and accordingly the decision regarding an interim dividend will be taken later in the year in the light of profitability and cash resources.

SHARE BUYBACK PROGRAMME

The Board continues to believe that shareholder value will be optimised by the purchase by the company, when appropriate, of its own shares.

During the six months ended 30 June 2012 a total of 426,506 ordinary shares were purchased for cancellation for a total consideration of £0.8 million. As noted above, these purchases enhanced earnings per share and were for the benefit of all shareholders.

The directors confirm that they intend to continue to actively pursue this policy and any shareholder who is considering taking advantage of the share buyback programme is invited to contact their broker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000, in order to contact the group's NOMAD – WH Ireland Limited, 24 Martin Lane, London, EC4 – who are operating the buyback programme on behalf of the company.

LOAN REPAYMENTS

In accordance with the bank agreements, the group's outstanding bank loan of £8 million falls due for repayment in April 2013 and it has accordingly been classified as a current

liability in these interim statements. As at 30 June 2012 the group had cash balances of £21.2 million and is therefore well able to finance the repayment. Nevertheless management will shortly be negotiating new bank loan facilities to supplement existing cash resources.

OUTLOOK

Trading conditions in the third quarter to date have been challenging for our main UK hire and sales business; the summer has once again not been hot enough to stimulate demand for our all important air conditioning hire business. However, the group has benefited from the one-off air conditioning contract for the Olympic and Paralympic Games which ended earlier this month and our pumping business continues to perform well. Trading conditions in the Middle East remain challenging but we are hopeful of improved results as we continue to develop and invest in that region.

Our business remains strong and cash generative. Our specialist hire divisions continue to perform well and we will continue to follow our policies of investing in both these and our traditional core products as well as developing our non-seasonal businesses.

Overall the Board is cautiously anticipating a reasonable performance for the rest of 2012.

JG Murray

Chairman

25 September 2012

* Operating profit before non-recurring items as reconciled on the consolidated income statement.

CONSOLIDATED INCOME STATEMENT

FOR THE 6 MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

	6 months ended 30 June 2012 £000	6 months ended 30 June 2011 £000	12 months ended 31 December 2011 £000
Continuing operations			
Revenue	28,570	27,717	53,838
Cost of sales	(12,930)	(12,533)	(23,873)
Gross profit	15,640	15,184	29,965
Distribution costs	(4,927)	(4,642)	(9,317)
Administrative expenses:			
Recurring	(4,265)	(4,612)	(8,766)
Non-recurring	–	–	3,113
Total	(4,265)	(4,612)	(5,653)
Operating profit	6,448	5,930	14,995
Normalised EBITDA*	8,287	7,784	15,387
Depreciation and impairment losses	(2,019)	(2,092)	(3,911)
Profit on the sale of plant and equipment	180	238	406
Normalised operating profit	6,448	5,930	11,882
Profit on the sale of property	–	–	3,113
Operating profit	6,448	5,930	14,995
Income from other participating interests	265	–	–
Finance income	853	888	1,850
Finance costs	(851)	(974)	(1,927)
Inter-company foreign exchange gains and losses	(16)	(197)	(15)
Profit before taxation	6,699	5,647	14,903
Taxation	(1,763)	(1,531)	(3,337)
Profit for the financial period	4,936	4,116	11,566

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

Earnings per share from continuing operations

Basic (pence)	11.67p	9.58p	27.05p
Diluted (pence)	11.67p	9.58p	27.05p

Dividends paid per equity share (pence)	0.00p	0.00p	6.60p
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* Earnings Before Interest, Taxation Depreciation, profit on the sale of property, plant and equipment, Amortisation and non-recurring items.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2012 (UNAUDITED)

	30 June 2012 £000	30 June 2011 £000	31 December 2011 £000
Non-current assets			
Property, plant and equipment	14,374	13,154	14,486
Lease prepayments	55	57	57
Trade investments	164	164	164
Deferred tax asset	1,107	717	760
Retirement benefit pension surplus	632	2,411	1,629
	16,332	16,503	17,096
Current assets			
Stocks	3,678	3,919	3,561
Trade and other receivables	14,878	13,640	14,775
Overseas tax (denominated in Euros)	–	–	19
Cash and cash equivalents	21,166	22,632	24,986
	39,722	40,191	43,341
Current liabilities			
Trade and other payables	(8,791)	(9,206)	(9,696)
Current tax liabilities	(1,482)	(1,642)	(1,689)
Overseas tax (denominated in Euros)	(88)	(47)	–
Bank loans	(8,000)	(6,000)	(6,000)
Obligations under finance leases	(129)	(203)	(203)
Provisions	(13)	(13)	(13)
Derivative financial instruments	(11)	–	–
	(18,514)	(17,111)	(17,601)
Net current assets	21,208	23,080	25,740
Total assets less current liabilities	37,540	39,583	42,836
Non-current liabilities			
Bank loans	–	(8,000)	(8,000)
Obligations under finance leases	(384)	(475)	(395)
Provisions	(28)	(41)	(34)
Derivative financial instruments	–	(34)	(23)
	(412)	(8,550)	(8,452)
Net assets	37,128	31,033	34,384
Equity			
Called up share capital	423	427	427
Share premium	13	13	13
Retained earnings	34,060	27,082	31,035
Translation reserve	2,377	3,260	2,658
Other reserves	245	241	241
Surplus attributable to equity holders of the parent	37,118	31,023	34,374
Minority interest	10	10	10
Total equity	37,128	31,033	34,384

CONSOLIDATED CASH FLOW STATEMENT

FOR THE 6 MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

	6 months ended 30 June 2012 £000	6 months ended 30 June 2011 £000	12 months ended 31 December 2011 £000
Cash flows from operating activities			
Cash generated from operations	6,604	8,783	15,766
Interest paid	(170)	(218)	(385)
Net UK corporation tax paid	(1,378)	(1,886)	(3,191)
Net withholding tax paid	(76)	–	–
Overseas tax paid	(380)	(313)	(584)
Net cash inflow from operating activities	4,600	6,366	11,606
Investing activities			
Dividends received from participating interests (trade investments)	265	–	–
Sale of plant and equipment	252	330	4,221
Purchase of property, plant and equipment	(1,902)	(2,977)	(6,582)
Interest received	90	201	311
Net cash outflow from investing activities	(1,295)	(2,446)	(2,050)
Financing activities			
Loan repayments	(6,000)	(6,000)	(6,000)
Finance lease capital repayments	(84)	(78)	(158)
Equity dividends paid	–	–	(2,818)
Purchase of own shares	(826)	(1,113)	(1,121)
Issue of new shares	–	13	13
Net cash outflow from financing activities	(6,910)	(7,178)	(10,084)
Net decrease in cash and cash equivalents	(3,605)	(3,258)	(528)
Cash and cash equivalents at beginning of period	24,986	25,709	25,709
Effect of foreign exchange rate changes	(215)	181	(195)
Cash and cash equivalents at end of period	21,166	22,632	24,986
Reconciliation of net cash flow to movement in net funds in the period			
Net decrease in cash and cash equivalents	(3,605)	(3,258)	(528)
Cash outflow from the decrease in debt	6,084	6,078	6,158
Non-cash movements in the fair value of derivative instruments	13	14	25
Movements in net funds during the period	2,492	2,834	5,655
Opening net funds at the beginning of period	10,365	4,905	4,905
Effect of foreign exchange rate changes	(215)	181	(195)
Closing net funds at end of period	12,642	7,920	10,365

CONSOLIDATED STATEMENT OF COMPREHENSIVE TOTAL INCOME (CSOCTI)

FOR THE 6 MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

	6 months ended 30 June 2012 £000	6 months ended 30 June 2011 £000	12 months ended 31 December 2011 £000
Profit for the financial period	4,936	4,116	11,566
Other comprehensive income			
Currency translation differences on foreign currency net investments	(281)	417	(184)
Defined benefit plan actuarial gains and losses	(1,464)	359	(559)
Deferred tax on other comprehensive income	368	(73)	184
Other comprehensive (charges)/income for the period net of tax	(1,377)	703	(559)
Total comprehensive income for the period	3,559	4,819	11,007

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

1 GENERAL INFORMATION

BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union and with the Companies Act 2006.

The information for the 12 months ended 31 December 2011 does not constitute the group's statutory accounts for 2011 as defined in Section 434 of the Companies Act 2006. Statutory accounts for 2011 have been delivered to the Registrar of Companies. The Auditor's report on those accounts was unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006. These interim financial statements, which were approved by the Board of Directors on 25 September 2012, have not been audited or reviewed by the auditor.

The interim financial statement has been prepared using the historical cost basis of accounting except for:

- i) properties held at the date of transition to IFRS which are stated at deemed cost;
- ii) assets held for sale which are stated at the lower of fair value less anticipated disposal costs and carrying value; and
- iii) derivative financial instruments (including embedded derivatives) which are valued at fair value.

FUNCTIONAL AND PRESENTATIONAL CURRENCY

The financial statements are presented in pounds Sterling because that is the functional currency of the primary economic environment in which the group operates.

2 ACCOUNTING POLICIES

These interim financial statements have been prepared on a consistent basis and in accordance with the accounting policies set out in the group's Annual Report and Financial Statements 2011.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

3 REVENUE

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

	6 months ended 30 June 2012 £000	6 months ended 30 June 2011 £000	12 months ended 31 December 2011 £000
Continuing operations			
Hire	21,469	21,699	42,213
Sales	4,789	3,909	7,457
Installations	2,312	2,109	4,168
Group consolidated revenue from the sale of goods and provision of services	28,570	27,717	53,838

4 TAXATION

	6 months ended 30 June 2012 £000	6 months ended 30 June 2011 £000	12 months ended 31 December 2011 £000
Current tax			
UK corporation tax	1,172	1,348	2,694
Adjustments in respect of prior periods	–	–	(32)
	1,172	1,348	2,662
Overseas tax	444	290	536
Adjustments to overseas tax in respect of prior periods	49	–	(6)
Withholding tax	76	–	–
Total current tax charge	1,741	1,638	3,192
Deferred tax			
Deferred tax on the origination and reversal of temporary differences	22	(107)	161
Adjustments in respect of prior periods	–	–	(16)
Total deferred tax charge/(credit)	22	(107)	145
Total tax charge for the financial period attributable to continuing operations	1,763	1,531	3,337

4 TAXATION (CONTINUED)

The tax charge for the financial period can be reconciled to the profit before tax per the income statement multiplied by the standard effective annualised corporation tax rate in the UK of 24.5% (*June 2011 and December 2011: 26.5%*) as follows:

	6 months ended 30 June 2012 £000	6 months ended 30 June 2011 £000	12 months ended 31 December 2011 £000
Profit before taxation from continuing and total operations	6,699	5,647	14,903
Tax at the UK effective annualised corporation tax rate of 24.5% (<i>June 2011 and December 2011: 26.5%</i>)	1,641	1,496	3,949
Effects of:			
Expenses not deductible for tax purposes	58	65	123
Capital gain sheltered by capital losses and indexation allowance	–	–	(636)
Movement in overseas trading losses	35	(15)	46
Effect of different tax rates of subsidiaries operating abroad	(78)	(65)	(186)
Withholding tax	76	–	–
Non-taxable income from other participating interests	(65)	–	–
Effect of change in rate of corporation tax	47	50	95
Adjustments to tax charge in respect of previous periods	49	–	(54)
Total tax charge for the financial period	1,763	1,531	3,337

The total effective tax charge for the financial period represents the best estimate of the weighted average annual effective tax rate expected for the full financial year applying tax rates that have been substantively enacted by the balance sheet date. Accordingly, UK corporation tax has been provided at 24.5%; the reduction to 24% for the tax year ending 31 March 2013 having been substantially enacted on 26 March 2012; and UK deferred tax has been provided at 24% being the rate substantially enacted at the balance sheet date at which the timing differences are expected to reverse.

In accordance with IAS 12 no account has been taken in these interim financial statements of the 2012 Finance Act that was substantively enacted on 3 July 2012 as this was after the balance sheet date. This Act provided for the further reduction in the rate of UK corporation tax from 24% to 23% for the tax year commencing 1 April 2013. It is estimated that if the rate change from 24% to 23% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset recognised at that date by approximately £46,000 and it will reduce the group's future corporation tax charge accordingly.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

5 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 earnings as set out below. There are no discontinued operations in any period.

	6 months ended 30 June 2012	
	Continuing earnings £000	Number of shares
Basic earnings/weighted average number of shares	4,936	42,297,624
Basic earnings per ordinary share (pence)	11.67p	

	6 months ended 30 June 2011	
	Continuing earnings £000	Number of shares
Basic earnings/weighted average number of shares	4,116	42,962,764
Basic earnings per ordinary share (pence)	9.58p	

	12 months ended 31 December 2011	
	Continuing earnings £000	Number of shares
Basic earnings/weighted average number of shares	11,566	42,754,198
Basic earnings per ordinary share (pence)	27.05p	

5 EARNINGS PER SHARE (CONTINUED)

DILUTED EARNINGS PER SHARE

The calculation of the diluted earnings per ordinary share for the 12 months ended 31 December 2011 is based on the profits and shares as set out in the table below. There were no dilutive instruments outstanding as at 30 June 2012 or 30 June 2011 and there were no discontinued operations in any period.

	12 months ended 31 December 2011	
	Continuing earnings £000	Number of shares
Basic earnings/weighted average number of shares	11,566	42,754,198
Weighted average number of shares under option		3,802
Number of shares that would have been issued at fair value to satisfy the above options		(1,771)
Earnings/diluted weighted average number of shares	11,566	42,756,229
Diluted earnings per ordinary share (pence)	27.05p	

6 DIVIDEND PAYMENTS

The directors have not declared any interim dividends in respect of either the period under review or the 6 month period ended 30 June 2011. On 8 November 2011 the directors declared an interim dividend of 6.6 pence per ordinary share and the total amount of £2,818,000 was paid to shareholders on the register as at 18 November 2011 on 1 December 2011.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

7 RETIREMENT BENEFIT OBLIGATIONS – DEFINED BENEFIT PENSION SCHEME

The group closed the UK group defined benefit pension scheme to future accrual as at 29 December 2002. The assets of the defined benefit pension scheme continue to be held in a separate trustee administered fund.

As at 30 June 2012 the group had a net defined benefit pension scheme surplus, calculated in accordance with IAS 19 using the assumptions as set out below, of £632,000 (*30 June 2011: £2,411,000; 31 December 2011: £1,629,000*). The asset has been recognised in the financial statements as the directors are satisfied that it is recoverable in accordance with IFRIC 14.

Following the triennial recalculation of the funding deficit as at 31 December 2010, and taking into account the significant market movements since that date, a revised schedule of contributions and recovery plan has been agreed with the pension scheme trustees. Based on this schedule of contributions, which is effective from 1 January 2011, the best estimate of the employer contributions to be paid during the year commencing 1 January 2012 is £840,000.

ASSUMPTIONS USED TO CALCULATE THE SCHEME SURPLUS

The last full actuarial valuation was carried out as at 31 December 2010. A qualified independent actuary has updated the results of this valuation to calculate the position 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:

	30 June 2012 %	30 June 2011 %	31 December 2011 %
Rate of increase in:			
Pensionable salaries	n/a	n/a	n/a
Pensions in payment	2.80	3.40	2.90
Discount rate applied to scheme liabilities	4.40	5.50	4.80
Inflation assumption:			
RPI	2.80	3.60	3.00
CPI for the first six years	1.80	2.40	2.00
CPI after the first six years	1.80	2.40	2.00

7 RETIREMENT BENEFIT OBLIGATIONS – DEFINED BENEFIT PENSION SCHEME (CONTINUED)

From 1 January 2011, the government amended the basis for statutory increases to deferred pensions and pensions in payment. Such increases are now based on inflation measured by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). Having reviewed the scheme rules and considered the impact of the change on this pension scheme, the directors consider that future increases to (i) all deferred pensions and (ii) Guaranteed Minimum Pensions accrued between 6 April 1988 and 5 April 1997 and currently in payment will be based on CPI rather than RPI. Accordingly, this assumption has been adopted as at 31 December 2010 and subsequent periods. It continues to be assumed that all other pension increases will be linked to RPI.

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics. The mortality table used at 30 June 2012 is 110% SINA CMI2011 (*30 June 2011: PA92YOBMC+2; 31 December 2011: 110% SINA CMI2010*).

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

	30 June 2012	30 June 2011	31 December 2011
Male, current age 45	22.6 years	21.4 years	22.8 years
Female, current age 45	23.9 years	24.1 years	23.9 years

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:

	30 June 2012 £000	30 June 2011 £000	31 December 2011 £000
Total fair value of plan assets	32,200	31,149	31,447
Present value of defined benefit funded obligation calculated in accordance with stated assumptions	(31,568)	(28,738)	(29,818)
Surplus in the scheme calculated in accordance with stated assumptions recognised in the balance sheet	632	2,411	1,629

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

7 RETIREMENT BENEFIT OBLIGATIONS – DEFINED BENEFIT PENSION SCHEME (CONTINUED)

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

	30 June 2012 £000	30 June 2011 £000	31 December 2011 £000
Fair value of plan assets at the start of the period	31,447	30,733	30,733
Expected return on plan assets	746	774	1,628
Actuarial gains recognised in the CSOCTI	265	157	104
Employer contributions – normal	420	60	120
Benefits paid	(678)	(575)	(1,138)
Fair value of plan assets at the end of the period	32,200	31,149	31,447

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

	30 June 2012 £000	30 June 2011 £000	31 December 2011 £000
Opening present value of defined benefit funded obligation calculated in accordance with stated assumptions	(29,818)	(28,743)	(28,743)
Interest on defined benefit obligation	(699)	(772)	(1,550)
Actuarial (loss)/gain recognised in the CSOCTI calculated in accordance with stated assumptions	(1,729)	202	(663)
Benefits paid	678	575	1,138
Closing present value of defined benefit funded obligation calculated in accordance with stated assumptions	(31,568)	(28,738)	(29,818)

7 RETIREMENT BENEFIT OBLIGATIONS – DEFINED BENEFIT PENSION SCHEME (CONTINUED)

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

The amounts credited/(charged) in the income statement were:

	30 June 2012 £000	30 June 2011 £000	31 December 2011 £000
Expected return on pension scheme assets credited within finance income	746	774	1,628
Interest on pension scheme liabilities charged within finance costs	(699)	(772)	(1,550)
Net pension interest credit	47	2	78

ACTUARIAL GAINS AND LOSSES RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE TOTAL INCOME (CSOCTI)

The amounts credited/(charged) in the CSOCTI were:

	30 June 2012 £000	30 June 2011 £000	31 December 2011 £000
Actual return less expected return on scheme assets	265	157	104
Experience gains and losses arising on plan obligation	(437)	(65)	(260)
Changes in demographic and financial assumptions underlying the present value of plan obligations	(1,292)	267	(403)
Actuarial (loss)/gain calculated in accordance with stated assumptions recognised in the CSOCTI	(1,464)	359	(559)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

8 CALLED UP SHARE CAPITAL

	30 June 2012 £000	30 June 2011 £000	31 December 2011 £000
Issued and fully paid:			
42,262,082 ordinary shares of one pence each (30 June 2011: 42,699,588; 31 December 2011: 42,688,588 ordinary shares of one pence each)	423	427	427

During the period the company bought back 426,506 shares for cancellation for a total consideration of £814,934 (June 2011: 431,216 shares for a total consideration of £925,748; December 2011: 442,216 shares for a total consideration of £944,791). The company did not issue any shares in the period (June 2011 and December 2011: 15,000 to satisfy the exercise of share options as set out below).

During the six months ended 30 June 2011 and 12 months ended 31 December 2011 15,000 share options were exercised at a price of 89.5 pence per share. Accordingly, 15,000 one pence ordinary shares were issued to satisfy these options at a premium of 88.5 pence per share. No share options were granted, forfeited or expired during either the current or comparative financial periods. There were no share options outstanding at any period end.

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

9 CASH GENERATED FROM OPERATIONS

	30 June 2012 £000	30 June 2011 £000	31 December 2011 £000
Profit for the period attributable to equity shareholders	4,936	4,116	11,566
Adjustments for:			
Taxation charge	1,763	1,531	3,337
Finance costs	851	974	1,927
Finance income	(853)	(888)	(1,850)
Inter-company foreign exchange gains and losses	16	197	15
Income from other participating interests	(265)	–	–
Profit on the sale of property, plant and equipment	(180)	(238)	(3,519)
Depreciation	2,019	2,092	3,911
Excess of normal pension contributions compared with service cost	(420)	(60)	(120)
Cash generated from operations before movements in working capital	7,867	7,724	15,267
Increase in stocks	(301)	(377)	(229)
(Increase)/decrease in trade and other receivables	(96)	2,148	999
Decrease in trade and other payables	(860)	(705)	(258)
Decrease in provisions	(6)	(7)	(13)
Cash generated from operations	6,604	8,783	15,766

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2012 (UNAUDITED)

10 ANALYSIS OF NET FUNDS

	30 June 2012 £000	30 June 2011 £000	31 December 2011 £000
Cash and cash equivalents per cash flow statement	21,166	22,632	24,986
Bank loans	(8,000)	(14,000)	(14,000)
Obligations under finance leases	(513)	(678)	(598)
Derivative financial instruments	(11)	(34)	(23)
Gross debt	(8,524)	(14,712)	(14,621)
Net funds	12,642	7,920	10,365

11 DISTRIBUTION OF INTERIM FINANCIAL STATEMENTS

Following a change in regulations in 2008, the company is no longer required to circulate this half year report to shareholders. This enables us to reduce costs associated with printing and mailing and to minimise the impact of these activities on the environment. A copy of the interim financial statements is available on the company's website, www.andrews-sykes.com.



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