

# Interim Report 2006



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### Overview and financial highlights

I am pleased to report an increase of 60% in the basic earnings per share from continuing operations due to improved trading performance throughout the first half of 2006.

The financial highlights of this period compared with the first half of 2005 are as follows:

- Basic earnings per share from continuing operations increased by 2.8 pence (60%) to 7.46 pence.
- Turnover from continuing operations increased by £4.5m (20%) to £27.6m.
- EBITDA (as reconciled on the face of the profit and loss account) derived from continuing operations increased by £1.6m (29%) to £7.1m.
- Operating profit increased by £1.4m (35%) to £5.4m.
- Net cash inflow from operating activities increased by £1.0m (24%) to £5.3m.

The Group's businesses performed well and overall were in line with our expectations. The hire of heating and portable air conditioning equipment benefited from the colder winter and warm early summer respectively.

Our continuing endeavours to improve our processes and strategies have considerably enhanced our business performance during the period and will have a positive impact on growth going forward. This, together with the measures introduced to stimulate demand for our product in previous periods, has improved revenues compared with 2005.

### Prospects

Our performance continued well into the second half and I am optimistic for the result for the full year. I remain confident that the Group is well prepared for future trading and ready to take advantage of market opportunities as they arise.

**JG Murray**

*Chairman*

27 September 2006

	26 weeks to 1 July 2006	26 weeks to 2 July 2005		52 weeks to 31 December 2005			
	Total activities	Continuing activities	Discontinued activities	Total	Continuing activities	Discontinued activities	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Turnover</b>	<b>27,609</b>	23,077	3,681	26,758	50,673	4,415	55,088
Cost of sales	(13,441)	(11,597)	(2,064)	(13,661)	(23,675)	(2,414)	(26,089)
<b>Gross profit</b>	<b>14,168</b>	11,480	1,617	13,097	26,998	2,001	28,999
Distribution costs	(4,433)	(3,800)	(599)	(4,399)	(8,038)	(699)	(8,737)
Administrative expenses	(4,372)	(4,007)	(729)	(4,736)	(7,898)	(960)	(8,858)
<b>Operating profit</b>	<b>5,363</b>	3,673	289	3,962	11,062	342	11,404
<b>EBITDA *</b>	<b>7,090</b>	5,506	552	6,058	14,747	615	15,362
Depreciation and asset disposals	(1,720)	(1,826)	(263)	(2,089)	(3,671)	(273)	(3,944)
<b>Operating profit before goodwill amortisation</b>	<b>5,370</b>	3,680	289	3,969	11,076	342	11,418
Goodwill amortisation	(7)	(7)	–	(7)	(14)	–	(14)
<b>Operating profit</b>	<b>5,363</b>	3,673	289	3,962	11,062	342	11,404
Exceptional profit on the disposal of a business – discontinued	–			6,797			6,404
<b>Profit on ordinary activities before interest and taxation</b>	<b>5,363</b>			10,759			17,808
Net interest payable	(598)			(211)			(738)
<b>Profit on ordinary activities before taxation</b>	<b>4,765</b>			10,548			17,070
Tax on profit on ordinary activities	(1,440)			(868)			(2,943)
<b>Profit on ordinary activities after taxation being profit for the financial period</b>	<b>3,325</b>			9,680			14,127
<b>Earnings per share from continuing operations:</b>							
Basic (pence)	<b>7.46p</b>			4.66p			15.24p
Diluted (pence)	<b>7.46p</b>			4.65p			15.24p
<b>Earnings per share from total operating results:</b>							
Basic (pence)	<b>7.46p</b>			16.70p			28.16p
Diluted (pence)	<b>7.46p</b>			16.69p			28.16p
<b>Dividends paid per equity share (pence.)</b>	<b>–</b>			14.0p			14.0p

All results for the current period derive from continuing operations. There were no material acquisitions in any period.

\* Earnings Before Interest, Taxation, Depreciation and Amortisation.

	1 July 2006 £'000	2 July 2005 £'000	31 December 2005 £'000
<b>Fixed assets</b>			
Intangible assets: Goodwill	24	38	31
Tangible assets	12,741	11,940	12,011
Investments	164	164	164
	<b>12,929</b>	<b>12,142</b>	<b>12,206</b>
<b>Current assets</b>			
Stocks	4,475	4,801	4,532
Debtors	15,886	14,002	13,929
Cash at bank and in hand	11,435	12,308	10,342
	<b>31,796</b>	<b>31,111</b>	<b>28,803</b>
<b>Creditors falling due within one year</b>			
Loans and overdrafts	(5,000)	(2,000)	(5,000)
Other creditors	(8,560)	(7,738)	(8,627)
Corporation and overseas tax	(2,133)	(1,267)	(1,060)
	<b>(15,693)</b>	<b>(11,005)</b>	<b>(14,687)</b>
<b>Net current assets</b>	<b>16,103</b>	<b>20,106</b>	<b>14,116</b>
<b>Total assets less current liabilities</b>	<b>29,032</b>	<b>32,248</b>	<b>26,322</b>
<b>Creditors falling due after more than one year</b>			
Loans	(25,000)	(9,000)	(25,000)
<b>Provisions for liabilities</b>	<b>(495)</b>	<b>(339)</b>	<b>(469)</b>
<b>Net assets excluding pension liability</b>	<b>3,537</b>	<b>22,909</b>	<b>853</b>
Pension liability	(3,902)	(6,050)	(4,434)
<b>Net (liabilities)/assets including pension liability</b>	<b>(365)</b>	<b>16,859</b>	<b>(3,581)</b>
<b>Capital and reserves</b>			
Called-up share capital	446	11,598	446
Share premium account	–	10,678	–
Revaluation reserve	738	743	741
Other reserves	217	7,395	222
Profit and loss account	(1,776)	(13,559)	(4,994)
ESOP reserve	–	(6)	(6)
<b>(Deficit)/surplus attributable to equity shareholders</b>	<b>(375)</b>	<b>16,849</b>	<b>(3,591)</b>
Minority interests	10	10	10
<b>Total capital employed</b>	<b>(365)</b>	<b>16,859</b>	<b>(3,581)</b>

	26 weeks to 1 July 2006	26 weeks to 2 July 2005	52 weeks to 31 December 2005
	£000	£000	£000
<b>Net cash inflow from operating activities as reconciled in note 4</b>	<b>5,292</b>	<b>4,258</b>	<b>10,196</b>
<b>Returns on investments and servicing of finance</b>			
Interest received	164	245	484
Interest paid	(877)	(353)	(946)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(713)</b>	<b>(108)</b>	<b>(462)</b>
<b>Cash outflow for taxation</b>	<b>(788)</b>	<b>(642)</b>	<b>(1,984)</b>
<b>Capital expenditure</b>			
Purchase of tangible fixed assets	(2,804)	(1,856)	(4,056)
Sale of tangible fixed assets	342	395	608
<b>Net cash outflow for capital expenditure</b>	<b>(2,462)</b>	<b>(1,461)</b>	<b>(3,448)</b>
<b>Acquisitions and disposals</b>			
Cash received on the disposal of subsidiary undertakings	–	9,614	10,204
Disposal costs paid less consideration received on prior year disposals	(138)	–	–
Net cash balances disposed of with subsidiary	–	(439)	(214)
<b>Net cash (outflow)/inflow for acquisitions and disposals</b>	<b>(138)</b>	<b>9,175</b>	<b>9,990</b>
<b>Equity dividends paid</b>	<b>–</b>	<b>(8,119)</b>	<b>(8,119)</b>
<b>Cash inflow before the use of liquid resources and financing</b>	<b>1,191</b>	<b>3,103</b>	<b>6,173</b>
<b>Management of liquid resources</b>			
Movement in bank deposits	–	(87)	477
<b>Financing</b>			
Sale of shares held in ESOP	4	9	9
New loans drawn down	–	–	30,000
Loan repayments	–	–	(11,000)
Purchase of own shares	(16)	–	(24,168)
<b>Net cash (outflow)/inflow from financing</b>	<b>(12)</b>	<b>9</b>	<b>(5,159)</b>
<b>Increase in cash in the period</b>	<b>1,179</b>	<b>3,025</b>	<b>1,491</b>
<b>Analysis of net (debt)/funds</b>			
Bank current and deposit accounts and cash in hand	11,435	12,308	10,342
Total loans and overdrafts	(30,000)	(11,000)	(30,000)
<b>Net (debt)/funds as reconciled in note 5</b>	<b>(18,565)</b>	<b>1,308</b>	<b>(19,658)</b>

**Consolidated statement of total recognised gains and losses**

	26 weeks to 1 July 2006 £'000	26 weeks to 2 July 2005 £'000	52 weeks to 31 December 2005 £'000
Profit for the financial period	3,325	9,680	14,127
Currency translation differences on foreign currency net investments	(97)	(88)	48
Actual return less expected return on pension scheme assets	–	419	2,702
Experience gains and losses arising on the pension scheme liabilities	–	(38)	(4)
Changes in assumptions underlying the present value of the scheme liabilities	–	–	(3,538)
UK deferred tax attributable to the pension scheme asset and liability adjustments	–	(114)	252
<b>Total recognised gains and losses relating to the period</b>	<b>3,228</b>	<b>9,859</b>	<b>13,587</b>

**Reconciliation of movement in Group shareholders' funds**

	26 weeks to 1 July 2006 £'000	26 weeks to 2 July 2005 £'000	52 weeks to 31 December 2005 £'000
Profit for the financial period	3,325	9,680	14,127
Dividends paid	–	(8,119)	(8,119)
Consideration for the purchase of own shares	(16)	–	(24,168)
Sale of own shares by the ESOP trust	4	9	9
Currency translation differences on foreign currency net investments	(97)	(88)	48
Actual return less expected return on pension scheme assets	–	419	2,702
Experience gains and losses arising on the pension scheme liabilities	–	(38)	(4)
Changes in assumptions underlying the present value of the scheme liabilities	–	–	(3,538)
UK deferred tax attributable to the pension scheme asset and liability adjustments	–	(114)	252
<b>Net increase/(decrease) in shareholders' funds</b>	<b>3,216</b>	<b>1,749</b>	<b>(18,691)</b>
Shareholders' (deficit)/funds at the beginning of the period	(3,591)	15,100	15,100
<b>Shareholders' (deficit)/funds at the end of the period</b>	<b>(375)</b>	<b>16,849</b>	<b>(3,591)</b>

## 1. Basis of preparation

The interim report for the 26 weeks ended 1 July 2006 was approved by the Board on 27 September 2006. The financial information contained in this interim report does not constitute statutory accounts for the Group for the relevant periods. The interim report is neither audited nor reviewed. The results for the 52 weeks ended 31 December 2005 have been extracted from the audited financial statements that have been filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The interim statement has been prepared on a consistent basis and in accordance with the accounting policies set out in the Group's 2005 Annual Report and Financial Statements.

## 2. Segmental analysis

The Group's turnover may be analysed between the following principal activities:

Activity:	26 weeks to 1 July 2006 £'000	26 weeks to 2 July 2005 £'000	52 weeks to 31 December 2005 £'000
Hire	19,151	17,169	36,389
Sales	4,539	5,331	9,509
Installation	3,919	4,258	9,190
<b>Total</b>	<b>27,609</b>	<b>26,758</b>	<b>55,088</b>

The geographical analysis of the Group's turnover was as follows:

By origination:	26 weeks to 1 July 2006 £'000	26 weeks to 2 July 2005 £'000	52 weeks to 31 December 2005 £'000
United Kingdom	22,487	23,574	48,041
Rest of Europe	3,131	1,529	3,674
Middle East and Africa	1,991	1,655	3,373
	<b>27,609</b>	<b>26,758</b>	<b>55,088</b>
By destination:	26 weeks to 1 July 2006 £'000	26 weeks to 2 July 2005 £'000	52 weeks to 31 December 2005 £'000
United Kingdom	22,137	23,190	47,612
Rest of Europe	3,180	1,561	3,737
Middle East and Africa	2,027	1,665	3,478
Rest of World	265	342	261
	<b>27,609</b>	<b>26,758</b>	<b>55,088</b>

## 2. Segmental analysis (continued)

The analysis of profit before interest and tax and net (liabilities)/assets by geographical origin was as follows:

	Profit before interest and tax			Net (liabilities)/assets including pension liability		
	26 weeks to 1 July 2006 £'000	26 weeks to 2 July 2005 £'000	52 weeks to 31 December 2005 £'000	As at 1 July 2006 £'000	As at 2 July 2005 £'000	As at 31 December 2005 £'000
United Kingdom	4,006	10,146	16,141	20,174	20,262	17,642
Rest of Europe	1,129	387	1,155	2,051	813	1,785
Middle East and Africa	228	226	512	2,010	1,793	2,144
	<b>5,363</b>	<b>10,759</b>	<b>17,808</b>	<b>24,235</b>	<b>22,868</b>	<b>21,571</b>
Net (debt)/cash				<b>(18,565)</b>	1,308	(19,658)
Taxation				<b>(2,133)</b>	(1,267)	(1,060)
Pension liability				<b>(3,902)</b>	(6,050)	(4,434)
				<b>(365)</b>	16,859	(3,581)

## 3. Earnings per share

The basic figures have been calculated by reference to the weighted average number of ordinary shares in issue, excluding those in the ESOP reserve, during the period of 44,562,701 (26 weeks ended 2 July 2005: 57,976,672).

The calculation of the diluted earnings per ordinary share is based on the profits as set out in the table below and on 44,565,526 (26 weeks ended 2 July 2005: 57,992,597) ordinary shares. The share options have a dilutive effect for the period calculated as follows:

	26 weeks to 1 July 2006			26 weeks to 2 July 2005		
	Continuing earnings £'000	Total earnings £'000	No. of shares	Continuing earnings £'000	Total earnings £'000	No. of shares
Basic earnings/weighted average number of shares	3,325	3,325	44,562,701	2,699	9,680	57,976,672
Weighted average number of shares under option			16,194			30,000
Number of shares that would have been issued at fair value			(13,369)			(14,075)
Earnings/diluted weighted average number of shares	3,325	3,325	44,565,526	2,699	9,680	57,992,597
Diluted earnings per ordinary share (pence)	<b>7.46p</b>	<b>7.46p</b>		4.65p	16.69p	

**4. Reconciliation of operating profit to net cash inflow from operating activities**

	26 weeks to 1 July 2006 £'000	26 weeks to 2 July 2005 £'000	52 weeks to 31 December 2005 £'000
Operating profit	5,363	3,962	11,404
Goodwill amortisation	7	7	14
Depreciation	1,963	2,286	4,280
Profit on sale of fixed assets	(243)	(197)	(336)
Decrease in stocks	57	141	37
(Increase)/decrease in debtors	(1,252)	20	(591)
Decrease in creditors and provisions	(603)	(1,961)	(4,612)
Net cash inflow from operating activities	5,292	4,258	10,196

**5. Analysis of net debt**

	As at 1 July 2006 £'000	Cash flow £'000	Other non cash movements £'000	As at 31 December 2005 £'000
Cash at bank and in hand	11,435	1,179	(86)	10,342
Debt due in one year	(5,000)	–	–	(5,000)
Debt due after one year	(25,000)	–	–	(25,000)
Gross debt	(30,000)	–	–	(30,000)
Net debt	(18,565)	1,179	(86)	(19,658)

**6. Distribution of interim statement**

A copy of this statement will be posted to all shareholders and is available from the Company's registered office at Premier House, Darlington Street, Wolverhampton, WV1 4JJ.



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