



# Andrews Sykes Group plc

## Interim Financial Statements 2014

# A Thriving Business in a Dynamic Sector

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# Summary of Results

	<b>6 months ended 30 June 2014 (unaudited) £'000</b>	6 months ended 30 June 2013 (unaudited) £'000
Revenue from continuing operations	<b>26,759</b>	29,774
EBITDA* from continuing operations	<b>6,495</b>	8,383
Operating profit	<b>4,349</b>	6,427
Profit for the financial period	<b>3,206</b>	5,208
Basic earnings per share (pence)	<b>7.59p</b>	12.32p
Interim dividends declared per equity share (pence)	<b>11.90p</b>	8.90p
Prior year final dividend declared per equity share (pence)	<b>11.90p</b>	-
Net funds	<b>15,291</b>	20,674

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

# Chairman's Statement

## Overview

During the first half of 2014, the group faced a number of challenges which had a detrimental impact on our trading performance for the period. Overall, the group's revenue for the six months ended 30 June 2014 was £26.8 million, a decrease of £3 million compared with the same period last year. As a consequence operating profit fell by £2.1 million from £6.4 million in the first half of 2013 to £4.3 million for the six months ended 30 June 2014.

Despite the above disappointing news, the group continues to be profitable and cash generative. Cash generated from operations was £4.2 million (2013: £7.6 million) and although net funds were reduced by £3.8 million from £19.1 million as at 31 December 2013 to £15.3 million as at 30 June 2014 this was after paying the 2013 final dividend of 11.90 pence per share, or £5 million in total, during the period.

Management continue to safeguard the operational structure of the business. Cash spent on new plant and equipment, primarily hire fleet assets, amounted to £1.3 million and a further £0.4 million from stock was also added to the hire fleet. We have continued our policy of pursuing organic growth within our market sectors and start-up costs of the new businesses discussed in the 2013 Strategic Report continue to be expensed as incurred. A new depot in Paris has been opened in the second half of 2014 and continuing investment in both our existing core businesses and the ongoing development of new operations and income streams will ensure that we remain in a strong position and will safeguard profitability into the future.

## Operations review

Our main hire and sales business segment in the UK and Europe faced a number of challenges as well as opportunities during the first half of 2014. In the UK the wet weather during the period stimulated the demand for our pump hire business which returned a strong operating performance. Non-weather dependent contracts continue to be sought with some new contracts being won in the period. Demand for our air conditioning products started earlier than last year with a spell of warm weather in the early summer. Unfortunately all of these positive factors were more than offset by the decline in the heating business which was severely affected by the unseasonably mild winter conditions.

The main factor affecting the segment's result for this period was the poor performance of our trading in the Netherlands. As with the UK, the Netherlands had an unseasonably mild winter with a consequential impact on the heating business. The effect was made worse by a decline in the construction sector in the Netherlands, particularly the housing market, which is one of our principal trading sectors. The performances of our Belgian and Italian operations were also affected by the mild weather, albeit to a lesser extent.

Our newly established businesses in France, Switzerland and Luxembourg continue to trade in line with our expectations.

Andrews Air Conditioning & Refrigeration, our UK air conditioning installation business, produced an operating profit that was £0.1 million below the level achieved last year. The UK installation market is becoming very price competitive which is not sustainable in the long term. We continue to offer a first class

service at a fair price which we believe to be the best long term strategy.

Khansaheb Sykes, our long established business based in the UAE, had a slow start to the year. A number of contracts were delayed but June saw some improvements in both Dubai and Abu Dhabi in our traditional dewatering, sewage and general pump hire activities. The climate rental division that was started in 2012 continues to make a positive contribution but had mixed fortunes in the period. Overall, the operating profit of Khansaheb Sykes was £0.4 million lower than the same period last year.

## Profit for the financial period and Earnings per Share

Profit before tax was £4.1 million (2013: £6.7 million) reflecting both the above £2.1 million decrease in operating profit and an increase in net finance costs of £0.5 million compared with the same period in 2013. Net finance costs increased primarily due to an inter company foreign exchange loss of £0.3 million, compared with a gain of £0.2 million in 2013, due to a strengthening of Sterling compared with both the Euro and other currencies.

The tax charge reduced by £0.6 million from £1.5 million last half year to £0.9 million for the six months ended 30 June 2014. The group's effective tax rate increased slightly from 22.0% last half year to 22.7% this period mainly due to a reduction in profits earned in low tax regions overseas and unrelieved overseas losses. A reconciliation of the theoretical corporation tax charge based on the accounts profit multiplied by the UK annualised corporation tax rate of 21.5% and the actual tax charge is given in note 4 of these interim accounts.

Profit after tax was £3.2 million (2013: £5.2 million). There were no share buy backs in either period so this fall in profits had a direct impact on earnings per share which fell from 12.32 pence for the first half of 2013 to 7.59 pence for the period under review.

## Dividends

The directors did not declare or pay any interim dividends during the six months ended 30 June 2014.

The final dividend of 11.90 pence per ordinary share for the year ended 31 December 2013 was approved by members at the AGM held on 17 June 2014. Accordingly on 19 June 2014 the company made a total dividend payment of £5,029,000 which was paid to shareholders on the register as at 30 May 2014.

The board continues to adopt the policy of returning value to shareholders whenever possible. Despite the downturn in trading, the group remains profitable, cash generative and financially strong. Accordingly the board has decided to declare an interim dividend for 2014 of 11.90 pence per share which in total amounts to £5,029,000. This will be paid on 2 December 2014 to shareholders on the register as at 7 November 2014. The shares will go ex dividend on 6 November 2014.

# Chairman's Statement

## Outlook

Trading in the third quarter to date has been disappointing. Although in both the UK and Northern Europe warmer weather arrived earlier than last year, it was not sustained and did not reach the temperature peaks of 2013. Whilst both June and July were warm, August was disappointingly cool and wet thereby affecting the performance of our air conditioning hire business and this is continuing to have an impact into September.

Activity in the Middle East was, as expected, quiet in July due to Ramadan but the anticipated upturn in the last five months of the year has so far failed to materialise.

The weather for the final quarter of 2014 is currently an unknown factor and may significantly affect the outcome for the year. The board remains cautiously optimistic that the group will return a satisfactory performance for the remainder of 2014.

**JG Murray**

Chairman

25 September 2014

# Consolidated Income Statement

## For the six months ended 30 June 2014 (unaudited)

	<b>6 months ended 30 June 2014 £'000</b>	6 months ended 30 June 2013 £'000	12 months ended 31 December 2013 £'000
<b>Continuing operations</b>			
<b>Revenue</b>	<b>26,759</b>	29,774	61,072
Cost of sales	<b>(12,116)</b>	(13,324)	(25,318)
<b>Gross profit</b>	<b>14,643</b>	16,450	35,754
Distribution costs	<b>(5,061)</b>	(5,256)	(10,994)
Administrative expenses	<b>(5,233)</b>	(4,767)	(10,077)
<b>Operating profit</b>	<b>4,349</b>	6,427	14,683

<b>EBITDA*</b>	<b>6,495</b>	8,383	18,592
Depreciation and impairment losses	<b>(2,301)</b>	(2,201)	(4,459)
Profit on the sale of plant and equipment	<b>155</b>	245	550
<b>Operating profit</b>	<b>4,349</b>	6,427	14,683
Income from trade investments	-	-	194
Finance income**	<b>178</b>	178	373
Finance costs**	<b>(93)</b>	(131)	(193)
Inter company foreign exchange gains and losses	<b>(286)</b>	206	(93)
<b>Profit before taxation</b>	<b>4,148</b>	6,680	14,964
Taxation	<b>(942)</b>	(1,472)	(3,446)
<b>Profit for the financial period</b>	<b>3,206</b>	5,208	11,518

There were no discontinued operations in either of the above periods

### Earnings per share from continuing operations

Basic and diluted (pence)	<b>7.59p</b>	12.32p	27.25p
<b>Interim dividends declared per equity share (pence)</b>	<b>11.90p</b>	8.90p	17.80p
<b>Prior year final dividend declared per equity share (pence)</b>	<b>11.90p</b>	-	-

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

\*\* Restated to include pension scheme interest received and paid on a net basis in accordance with IAS 19 (R).

# Consolidated Balance Sheet

## As at 30 June 2014 (unaudited)

	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
<b>Non-current assets</b>			
Property, plant and equipment	15,524	15,923	16,432
Lease prepayments	52	54	53
Trade investments	164	164	164
Deferred tax asset	627	383	618
Retirement benefit pension surplus	1,681	2,906	1,204
	<b>18,048</b>	19,430	18,471
<b>Current assets</b>			
Stocks	4,592	4,280	3,231
Trade and other receivables	14,772	14,283	14,631
Overseas tax (denominated in Euros)	547	-	280
Cash and cash equivalents	22,559	29,067	27,417
	<b>42,470</b>	47,630	45,559
<b>Current liabilities</b>			
Trade and other payables	(10,355)	(9,923)	(10,271)
Ordinary dividend	-	(3,761)	-
Current tax liabilities	(1,308)	(1,429)	(1,599)
Overseas tax (denominated in Euros)	-	(75)	-
Bank loans	(980)	(980)	(980)
Obligations under finance leases	(114)	(169)	(114)
Provisions	(13)	(13)	(13)
	<b>(12,770)</b>	(16,350)	(12,977)
<b>Net current assets</b>	<b>29,700</b>	31,280	32,582
<b>Total assets less current liabilities</b>	<b>47,748</b>	50,710	51,053
<b>Non-current liabilities</b>			
Bank loans	(5,965)	(6,945)	(6,955)
Obligations under finance leases	(209)	(299)	(255)
Provisions	(2)	(15)	(8)
	<b>(6,176)</b>	(7,259)	(7,218)
<b>Net assets</b>	<b>41,572</b>	43,451	43,835
<b>Equity</b>			
Called-up share capital	423	423	423
Share premium	13	13	13
Retained earnings	38,828	39,763	40,684
Translation reserve	2,053	2,997	2,460
Other reserves	245	245	245
<b>Surplus attributable to equity holders of the parent</b>	<b>41,562</b>	43,441	43,825
Minority interest	10	10	10
<b>Total equity</b>	<b>41,572</b>	43,451	43,835



# Consolidated Cash Flow Statement

## For the six months ended 30 June 2014 (unaudited)

	<b>6 months ended 30 June 2014 £'000</b>	6 months ended 30 June 2013 £'000	12 months ended 31 December 2013 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	4,205	7,560	17,689
Interest paid	(86)	(194)	(243)
Net UK corporation tax paid	(1,220)	(1,101)	(2,340)
Withholding tax paid	-	-	(39)
Overseas tax paid	(291)	(284)	(851)
<b>Net cash flow from operating activities</b>	<b>2,608</b>	5,981	14,216
<b>Investing activities</b>			
Dividends received from trade investments	-	-	194
Sale of property, plant and equipment	252	431	706
Purchase of property, plant and equipment	(1,256)	(2,096)	(4,392)
Interest received	126	111	281
<b>Net cash outflow from investing activities</b>	<b>(878)</b>	(1,554)	(3,211)
<b>Financing activities</b>			
Loan repayments	(1,000)	(8,000)	(8,000)
New loans raised	-	8,000	8,000
Finance lease capital repayments	(46)	(102)	(97)
Equity dividends paid	(5,029)	-	(7,523)
<b>Net cash outflow from financing activities</b>	<b>(6,075)</b>	(102)	(7,620)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,345)</b>	4,325	3,385
Cash and cash equivalents at the beginning of the period	27,417	24,108	24,108
Effect of foreign exchange rate changes	(513)	634	(76)
<b>Cash and cash equivalents at end of the period</b>	<b>22,559</b>	29,067	27,417
<b>Reconciliation of net cash flow to movement in net funds in the period</b>			
Net (decrease)/increase in cash and cash equivalents	(4,345)	4,325	3,385
Net cash outflow from the decrease in debt	1,046	102	97
Non-cash movement re new finance leases	-	(104)	-
Non-cash movements in respect of costs of raising loan finance	(10)	75	65
<b>(Decrease)/increase in net funds during the period</b>	<b>(3,309)</b>	4,398	3,547
Opening net funds at the beginning of the period	19,113	15,642	15,642
Effect of foreign exchange rate changes	(513)	634	(76)
<b>Closing net funds at the end of the period</b>	<b>15,291</b>	20,674	19,113

# Consolidated Statement of Comprehensive Total Income (CSOCTI)

## For the six months ended 30 June 2014 (unaudited)

	<b>6 months ended 30 June 2014 £000</b>	6 months ended 30 June 2013 £000	12 months ended 31 December 2013 £000
<b>Profit for the financial period</b>	<b>3,206</b>	5,208	11,518
<b>Other comprehensive (charges)/income:</b>			
<b>Items that may be reclassified to profit and loss:</b>			
Currency translation differences on foreign currency net investments	<b>(406)</b>	674	137
<b>Items that will never be reclassified to profit and loss:</b>			
Remeasurement of defined benefit liabilities and assets	<b>(41)</b>	638	(1,524)
Related deferred tax	<b>8</b>	(147)	388
<b>Other comprehensive (charges)/income for the period net of tax</b>	<b>(439)</b>	1,165	(999)
<b>Total comprehensive income for the period</b>	<b>2,767</b>	6,373	10,519

# Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (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 2013 does not constitute the group's statutory accounts for 2013 as defined in Section 434 of the Companies Act 2006. Statutory accounts for 2013 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 2014, 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

With the exception of the disclosure of pension scheme interest on a net basis in accordance with IAS 19 (revised), 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 2013.

# Notes to the Consolidated Interim Financial Statements

## For the six months ended 30 June 2014 (unaudited)

### 3 Revenue

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

	<b>6 months ended 30 June 2014 £'000</b>	6 months ended 30 June 2013 £'000	12 months ended 31 December 2013 £'000
<b>Continuing operations</b>			
Hire	<b>21,501</b>	24,379	50,175
Sales	<b>3,232</b>	3,451	7,035
Installations	<b>2,026</b>	1,944	3,862
<b>Group consolidated revenue from the sale of goods and provision of services</b>	<b>26,759</b>	29,774	61,072

### 4 Taxation

	<b>6 months ended 30 June 2014 £'000</b>	6 months ended 30 June 2013 £'000	12 months ended 31 December 2013 £'000
<b>Current tax</b>			
UK corporation tax at 21.5% (30 June 2013 and 31 December 2013: 23.25%)	<b>929</b>	1,048	2,567
Adjustments in respect of prior periods	-	-	(109)
	<b>929</b>	1,048	2,458
Overseas tax	<b>14</b>	344	592
Adjustments to overseas tax in respect of prior periods	-	-	(22)
Withholding tax	-	-	39
Total current tax charge	<b>943</b>	1,392	3,067
<b>Deferred tax</b>			
Deferred tax on the origination and reversal of temporary differences	<b>(1)</b>	80	329
Adjustments in respect of prior periods	-	-	50
Total deferred tax charge	<b>(1)</b>	80	379
<b>Total tax charge for the financial period attributable to continuing operations</b>	<b>942</b>	1,472	3,446

## 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 effective standard annualised corporation tax rate in the UK of 21.5% (30 June 2013 and 31 December 2013: 23.25%) as follows:

	<b>6 months ended 30 June 2014 £'000</b>	6 months ended 30 June 2013 £'000	12 months ended 31 December 2013 £'000
Profit before taxation from continuing and total operations	<b>4,148</b>	6,680	14,964
Tax at the UK effective annualised corporation tax rate of 21.5% (30 June 2013 and 31 December 2013: 23.25%)	<b>892</b>	1,553	3,479
Effects of:			
Expenses not deductible for tax purposes	<b>53</b>	61	119
Movement in overseas trading losses	<b>106</b>	51	146
Effect of different tax rates of subsidiaries operating abroad	<b>(109)</b>	(193)	(339)
Withholding tax	-	-	39
Non-taxable income from other participating interests	-	-	(45)
Effect of change in rate of corporation tax	-	-	128
Adjustments to tax charge in respect of previous periods	-	-	(81)
<b>Total tax charge for the financial period</b>	<b>942</b>	1,472	3,446

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 21.5%; the reduction to 21% for the tax year ending 31 March 2015 having been substantially enacted on 2 July 2013. UK deferred tax has been provided at 20% being the rate substantially enacted at the balance sheet date at which the timing differences are expected to reverse.

# Notes to the Consolidated Interim Financial Statements

## For the six months ended 30 June 2014 (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 2014	
	Continuing earnings £'000	Number of Shares
Basic earnings/weighted average number of shares	<b>3,206</b>	<b>42,262,082</b>
Basic earnings per ordinary share (pence)	<b>7.59p</b>	

	6 months ended 30 June 2013	
	Continuing earnings £'000	Number of shares
Basic earnings/weighted average number of shares	5,208	42,262,082
Basic earnings per ordinary share (pence)	12.32p	

	12 months ended 31 December 2013	
	Continuing earnings £'000	Number of shares
Basic earnings/weighted average number of shares	11,518	42,262,082
Basic earnings per ordinary share (pence)	27.25p	

#### Diluted earnings per share

There were no dilutive instruments outstanding at 30 June 2014 or either of the comparative periods and, therefore, there is no difference in the basic and diluted earnings per share for any of these periods. There were no discontinued operations in any period.

## 6 Dividend payments

The directors did not declare or pay any interim dividends during the 6 months ended 30 June 2014. The following final dividend for the year ended 31 December 2013 was approved by members at the AGM held on 17 June 2014 and was paid to members of the register on 30 May 2014 on 19 June 2014:

	<b>Paid in the 6 months ended 30 June 2014</b>	<b>Total dividend paid £'000</b>
	<b>Pence per share</b>	
Final dividend for the year ended 31 December 2013 paid to members on the register on 30 May 2014 on 19 June 2014	<b>11.90p</b>	<b>5,029</b>

The above dividend was charged against reserves during the 6 months ended 30 June 2014.

On 25 September 2014 the directors declared an interim dividend of 11.90 pence per ordinary share which in total amounts to £5,029,000. This will be paid on 2 December 2014 to shareholders on the register on 7 November 2014 and will be charged against reserves in the second half of 2014.

The directors declared the following interim dividend during the 6 months ended 30 June 2013:

	<b>6 months ended 30 June 2013</b>	<b>Total dividend declared £'000</b>
	<b>Pence per share</b>	
Interim dividend declared on 18 June 2013 and paid to shareholders on the register as at 28 June 2013 on 24 July 2013	<b>8.90p</b>	<b>3,761</b>

The above interim dividend was charged against reserves during the 6 months ended 30 June 2013 and included on the balance sheet as a current liability as at 30 June 2013. The amount was paid on 24 July 2013.

# Notes to the Consolidated Interim Financial Statements

## For the six months ended 30 June 2014 (unaudited)

### 6 Dividend payments (continued)

The directors declared and paid the following interim dividends during the 12 month period ended 31 December 2013:

	12 months ended 31 December 2013	Total dividend paid £'000
	Pence per share	
Interim dividend declared on 18 June 2013 and paid to shareholders on the register as at 28 June 2013 on 24 July 2013	8.90p	3,761
Interim dividend declared on 28 October 2013 and paid to shareholders on the register as at 8 November 2013 on 3 December 2013	8.90p	3,762
	<u>17.80p</u>	<u>7,523</u>

The above interim dividends were charged against reserves during the 12 months ended 31 December 2013.

### 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 2014 the group had a net defined benefit pension scheme surplus, calculated in accordance with IAS 19 (revised) using the assumptions as set out below, of £1,681,000 (30 June 2013: £2,906,000; 31 December 2013: £1,204,000). 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 2013 a revised schedule of contributions and recovery plan has been agreed with the pension scheme trustees in June 2014. Based on this schedule of contributions, which is effective from 1 January 2014, the best estimate of the employer contributions to be paid during the year commencing 1 January 2014 is £905,000. Thereafter, the group does not expect to make any further contributions to the pension scheme, other than a contribution towards expenses that has been capped at £120,000 per annum, until the next funding valuation as at 31 December 2016 is agreed with the pension scheme trustees.



## 7 Retirement benefit obligations – Defined benefit pension scheme (continued)

### Assumptions used to calculate the scheme surplus

A qualified independent actuary has updated the results of the December 2010 full actuarial 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:

	<b>30 June 2014</b>	30 June 2013	31 December 2013
Rate of increase in pensionable salaries	<b>N/A</b>	N/A	N/A
Rate of increase in pensions in payment	<b>3.30%</b>	3.20%	3.40%
Discount rate applied to scheme liabilities	<b>4.20%</b>	4.60%	4.40%
Inflation assumption – RPI	<b>3.40%</b>	3.30%	3.50%
Inflation assumption – CPI for the first six years	<b>2.40%</b>	2.30%	2.50%
Inflation assumption – CPI after the first six years	<b>2.40%</b>	2.30%	2.50%

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 was adopted as at 31 December 2010 and for all subsequent periods.

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics. The mortality table used at 30 June 2014 is 110% SINA CMI2013 (30 June 2013: 110% SINA CMI2012; 31 December 2013: 110% SINA CMI2013).

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

	<b>30 June 2014</b>	30 June 2013	31 December 2013
Male, current age 45	<b>22.7 years</b>	22.7 years	22.7 years
Female, current age 45	<b>24.0 years</b>	24.0 years	24.0 years

# Notes to the Consolidated Interim Financial Statements

## For the six months ended 30 June 2014 (unaudited)

### 7 Retirement benefit obligations – Defined benefit pension scheme (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:

	<b>30 June 2014 £'000</b>	30 June 2013 £'000	31 December 2013 £'000
Total fair value of plan assets	<b>36,786</b>	34,946	35,707
Present value of defined benefit funded obligation calculated in accordance with stated assumptions	<b>(35,105)</b>	(32,040)	(34,503)
Surplus in the scheme calculated in accordance with stated assumptions recognised in the balance sheet	<b>1,681</b>	2,906	1,204

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

	<b>30 June 2014 £'000</b>	30 June 2013 £'000	31 December 2013 £'000
Fair value of plan assets at the start of the period	<b>35,707</b>	34,195	34,195
Expected return on pension scheme assets	<b>775</b>	726	1,455
Actual return less expected return on pension scheme assets	<b>545</b>	244	908
Employer contributions – normal	<b>540</b>	480	960
Benefits paid	<b>(727)</b>	(634)	(1,672)
Administration expenses charged in the income statement	<b>(54)</b>	(65)	(139)
Fair value of plan assets at the end of the period	<b>36,786</b>	34,946	35,707

## 7 Retirement benefit obligations – Defined benefit pension scheme (continued)

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

	<b>30 June 2014 £'000</b>	30 June 2013 £'000	31 December 2013 £'000
Present value of defined benefit funded obligation at the beginning of the period	<b>(34,503)</b>	(32,386)	(32,386)
Interest on defined benefit obligation	<b>(743)</b>	(682)	(1,357)
Actuarial (loss)/gain recognised in the CSOCTI calculated in accordance with stated assumptions	<b>(586)</b>	394	(2,432)
Benefits paid	<b>727</b>	634	1,672
Closing present value of defined benefit funded obligation calculated in accordance with stated assumptions	<b>(35,105)</b>	(32,040)	(34,503)

### Amounts recognised in the income statement

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

	<b>30 June 2014 £'000</b>	30 June 2013 £'000	31 December 2013 £'000
Expected return on pension scheme assets	<b>775</b>	726	1,455
Interest on pension scheme liabilities	<b>(743)</b>	(682)	(1,357)
Net pension interest credit included within finance income	<b>32</b>	44	98
Scheme administration expenses	<b>(54)</b>	(65)	(139)
Net pension charge in the income statement	<b>(22)</b>	(21)	(41)

# Notes to the Consolidated Interim Financial Statements

## For the six months ended 30 June 2014 (unaudited)

### 7 Retirement benefit obligations – Defined benefit pension scheme (continued)

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

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

	<b>30 June 2014 £'000</b>	30 June 2013 £'000	31 December 2013 £'000
Actual return less expected return on pension scheme assets	<b>545</b>	244	908
Experience gains and losses arising on plan obligation	<b>(3)</b>	(6)	(72)
Changes in demographic and financial assumptions underlying the present value of plan obligations	<b>(583)</b>	400	(2,360)
Actuarial (loss)/gain calculated in accordance with stated assumptions recognised in the CSOCTI	<b>(41)</b>	638	(1,524)

### 8 Called up share capital

	<b>30 June 2014 £'000</b>	30 June 2013 £'000	31 December 2013 £'000
Issued and fully paid:			
42,262,082 ordinary shares of one pence each (30 June 2013 and 31 December 2013: 42,262,082 ordinary shares of one pence each)	<b>423</b>	423	423

The company did not buy back any shares for cancellation during the six months ended 30 June 2014 or either of the comparative periods. The company did not issue any shares in the period or either of the comparative periods. No share options were granted, forfeited or expired during any of the periods and 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

	<b>6 months ended 30 June 2014 £'000</b>	6 months ended 30 June 2013 £'000	12 months ended 31 December 2013 £'000
Profit for the period attributable to equity shareholders	<b>3,206</b>	5,208	11,518
Adjustments for:			
Taxation charge	<b>942</b>	1,472	3,446
Finance costs*	<b>93</b>	131	193
Finance income*	<b>(178)</b>	(178)	(373)
Inter-company foreign exchange gains and losses	<b>286</b>	(206)	93
Income from trade investments	<b>-</b>	-	(194)
Profit on the sale of property, plant and equipment	<b>(155)</b>	(245)	(550)
Depreciation	<b>2,301</b>	2,201	4,459
Excess of normal pension contributions compared with service cost and administration expenses	<b>(486)</b>	(415)	(821)
Cash generated from operations before movements in working capital	<b>6,009</b>	7,968	17,771
Movement in stocks	<b>(1,764)</b>	(1,419)	(1,059)
Movement in trade and other receivables	<b>(122)</b>	988	613
Movement in trade and other payables	<b>88</b>	29	377
Movement in provisions	<b>(6)</b>	(6)	(13)
<b>Cash generated from operations</b>	<b>4,205</b>	7,560	17,689

\* Restated to include pension scheme interest received and paid on a net basis in accordance with IAS 19 (R).

# Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2014 (unaudited)

## 10 Analysis of net funds

	<b>30 June 2014 £'000</b>	30 June 2013 £'000	31 December 2013 £'000
Cash and cash equivalents per cash flow statement	<b>22,559</b>	29,067	27,417
Bank loans	<b>(6,945)</b>	(7,925)	(7,935)
Obligations under finance leases	<b>(323)</b>	(468)	(369)
Gross debt	<b>(7,268)</b>	(8,393)	(8,304)
Net funds	<b>15,291</b>	20,674	19,113

## 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](http://www.andrews-sykes.com).





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