



ANDREWS SYKES GROUP PLC

INTERIM
FINANCIAL
STATEMENTS
2011



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SUMMARY OF RESULTS

	6 months ended 30 June 2011 (unaudited) £'000	6 months ended 30 June 2010 (unaudited) £'000
Revenue from continuing operations	27,717	27,573
Normalised EBITDA* from continuing operations	7,784	8,851
Normalised operating profit†	5,930	6,816
Profit for the financial period	4,116	5,225
Basic earnings per share (pence)	9.58p	11.83p
Net funds	7,920	2,762

* 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 2011 was £27.7 million which was almost the same as last year's figure of £27.6 million. The group's normalised operating profit* fell by £0.9 million from £6.8 million in the first half of 2010 to £5.9 million in the current period.

The group continues to generate strong cash flows. As at 30 June 2011 the group has net funds of £7.9 million, an increase of £3.0 million compared with 31 December 2010 and an increase of £5.2 million compared with the position as at 30 June 2010. This clearly demonstrates the group's strong positive cash flow and is after share buyback payments of £1.1 million.

Management have 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. Our hire fleet continues to be well maintained and the group has spent £3.0 million on new plant and equipment 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 has been adversely affected by the mild weather at the end of 2010/11 winter which resulted in an early end to the heating season. Whilst May and June saw some dry and warm weather it was never hot enough to significantly stimulate our air conditioning business which remained flat.

During the period we opened our fourth Dutch depot in the North East of the country. This has strengthened our market leading position in the Netherlands and will provide a platform for future expansion in the area.

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 we opened a new low cost based operation in Italy following the business model that we successfully implemented in Belgium. Although at a very early stage, management are confident that this will provide good opportunities for the years ahead.

Overall, our UK installation business performed in line with last year albeit at relatively modest levels compared with the rest of the group.

Our business in the Middle East continues to suffer from the economic downturn in the region although we have recently seen some improvements in trading, particularly in Abu Dhabi. Debt collection remains a concern and it has once again been necessary to increase the level of bad debt provision to ensure that adequate reserves are held at the end of the period. This area remains a priority for management and we are currently making more improvements in this area.

PROFIT FOR THE FINANCIAL PERIOD AND EARNINGS PER SHARE

The above £0.9 million decrease in operating profit together with an adverse movement in the euro-sterling exchange rate, which resulted in an intercompany foreign exchange loss of £0.2 million compared with a profit of £0.4 million last period, were the main reasons for the decrease in the profit for the financial period which, after tax, fell by £1.1 million from £5.2 million in the first half of 2010 to £4.1 million in the current period. Basic earnings per share fell by 19% to a still creditable 9.83 pence for the six month period.

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 2011 a total of 431,216 ordinary shares were purchased for cancellation for a total consideration of £0.9 million. Total cash outflow for share buybacks was £1.1 million as this includes the payment of £0.2 million in respect of share purchases made at the end of last year. 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 Brewin Dolphin Limited who are operating the buyback programme on behalf of the company.

OUTLOOK

Trading conditions in the third quarter to date have been challenging for our main UK hire and sales business. The summer has not been hot enough to stimulate demand for our all important air conditioning business. Trading conditions in the Middle East remain challenging and will continue to do so for the remainder of 2011.

Nevertheless 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 2011.

JG Murray

Chairman

27 September 2011

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

CONSOLIDATED INCOME STATEMENT

FOR THE 6 MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

	6 months ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000	12 months ended 31 December 2010 £'000
Continuing operations			
Revenue	27,717	27,573	55,951
Cost of Sales	(12,533)	(11,883)	(24,015)
Gross Profit	15,184	15,690	31,936
Distribution Costs	(4,642)	(4,518)	(9,219)
Administrative expenses – Recurring	(4,612)	(4,356)	(8,775)
– Non-recurring	–	164	164
– Total	(4,612)	(4,192)	(8,611)
Operating Profit	5,930	6,980	14,106
Normalised EBITDA*	7,784	8,851	17,721
Depreciation and impairment losses	(2,092)	(2,281)	(4,239)
Profit on the sale of plant and equipment	238	246	460
Normalised operating profit	5,930	6,816	13,942
Profit on the sale of property	–	164	164
Operating profit	5,930	6,980	14,106
Income from other participating interests	–	–	400
Finance income	888	843	1,844
Finance costs	(974)	(1,103)	(2,144)
Intercompany foreign exchange gains and losses	(197)	395	168
Profit before taxation	5,647	7,115	14,374
Taxation	(1,531)	(1,890)	(3,812)
Profit for the financial period	4,116	5,225	10,562

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

Earnings per share from continuing operations

Basic (pence)	9.58p	11.83p	24.19p
Diluted (pence)	9.58p	11.83p	24.18p
Dividends paid per equity share (pence)	0.00p	0.00p	11.10p

* 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 2011 (UNAUDITED)

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
Non-current assets			
Property, plant and equipment	13,154	12,543	11,817
Lease prepayments	57	58	58
Trade investments	164	164	164
Deferred tax asset	717	1,238	721
Retirement benefit pension surplus	2,411	–	1,990
	16,503	14,003	14,750
Current assets			
Stocks	3,919	4,117	4,032
Trade and other receivables	13,640	13,723	15,917
Cash and cash equivalents	22,632	23,716	25,709
	40,191	41,556	45,658
Current liabilities			
Trade and other payables	(9,206)	(7,521)	(10,143)
Current tax liabilities	(1,689)	(1,980)	(2,274)
Bank loans	(6,000)	(6,000)	(6,000)
Obligations under finance leases	(203)	(261)	(203)
Provisions	(13)	(13)	(13)
Derivative financial instruments	–	–	(7)
	(17,111)	(15,775)	(18,640)
Net current assets	23,080	25,781	27,018
Total assets less current liabilities	39,583	39,784	41,768
Non-current liabilities			
Bank loans	(8,000)	(14,000)	(14,000)
Obligations under finance leases	(475)	(628)	(553)
Provisions	(41)	(53)	(47)
Derivative financial instruments	(34)	(65)	(41)
	(8,550)	(14,746)	(14,641)
Net assets	31,033	25,038	27,127
Equity			
Called-up share capital	427	434	431
Share premium	13	–	–
Retained earnings	27,082	21,988	23,607
Translation reserve	3,260	2,585	2,842
Other reserves	241	234	237
Surplus attributable to equity holders of the parent	31,023	25,241	27,117
Minority interest	10	10	10
Total equity	31,033	25,251	27,127

CONSOLIDATED CASH FLOW STATEMENT

FOR THE 6 MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

	6 months ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000	12 months ended 31 December 2010 £'000
Cash flows from operating activities			
Cash generated from operations	8,783	8,856	17,763
Interest paid	(218)	(292)	(503)
Net UK corporation tax paid	(1,886)	(843)	(2,113)
Net withholding tax paid	–	–	(119)
Overseas tax paid	(313)	(862)	(1,165)
Net cash inflow from operating activities	6,366	6,859	13,863
Investing activities			
Dividends received from participating interests (trade investments)	–	–	400
Movements in ring fenced bank deposit accounts	–	9,000	9,000
Sale of assets held for sale	–	390	390
Sale of plant and equipment	330	344	643
Purchase of property, plant and equipment	(2,977)	(1,014)	(1,745)
Interest received	201	73	168
Net cash (outflow)/inflow from investing activities	(2,446)	8,793	8,856
Financing activities			
Loan repayments	(6,000)	(9,000)	(9,000)
Finance lease capital repayments	(78)	(130)	(263)
Equity dividends paid	–	–	(4,800)
Purchase of own shares	(1,113)	(1,053)	(1,184)
Issue of new shares	13	–	–
Net cash outflow from financing activities	(7,178)	(10,183)	(15,247)
Net (decrease)/increase in cash and cash equivalents	(3,258)	5,469	7,472
Cash and cash equivalents at beginning of period	25,709	18,150	18,150
Effect of foreign exchange rate changes	181	97	87
Cash and cash equivalents at end of period	22,632	23,716	25,709

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

Net (decrease)/increase in cash and cash equivalents	(3,258)	5,469	7,472
Cash outflow from decrease in debt	6,078	9,130	9,263
Movements in ring fenced bank deposit accounts	–	(9,000)	(9,000)
Non-cash movements re finance leases	–	(116)	(116)
Non-cash movements in the fair value of derivative instruments	14	(10)	7
Movement in net funds during the period	2,834	5,473	7,626
Opening net funds/(debt) at the beginning of period	4,905	(2,808)	(2,808)
Effect of foreign exchange rate changes	181	97	87
Closing net funds at the end of period	7,920	2,762	4,905

CONSOLIDATED STATEMENT OF COMPREHENSIVE TOTAL INCOME (CSOCTI)

FOR THE 6 MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

	6 months ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000	12 months ended 31 December 2010 £'000
Profit for the financial period	4,116	5,225	10,562
Other comprehensive income:			
Currency translation differences on foreign currency net investments	417	(306)	(99)
Defined benefit plan actuarial gains and losses	359	(14)	1,964
Deferred tax on other comprehensive income	(73)	4	(530)
Other comprehensive income for the period net of tax	703	(316)	1,335
Total comprehensive income for the period	4,819	4,909	11,897

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2011 (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 2010 does not constitute the group's statutory accounts for 2010 as defined in Section 434 of the Companies Act 2006. Statutory accounts for 2010 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 27 September 2011, 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 2010.

3 REVENUE

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

	6 months ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000	12 months ended 31 December 2010 £'000
Continuing operations			
Hire	21,699	22,566	45,155
Sales	3,909	3,048	6,654
Installations	2,109	1,959	4,142
Group consolidated revenue from the sale of goods and provision of services	27,717	27,573	55,951

4 TAXATION

	6 months ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000	12 months ended 31 December 2010 £'000
Current tax			
UK corporation tax	1,348	1,691	3,261
Adjustments in respect of prior periods	–	2	(49)
	1,348	1,693	3,212
Overseas tax	290	320	671
Adjustments to overseas tax in respect of prior periods	–	68	19
Withholding tax	–	–	119
Total current tax charge	1,638	2,081	4,021
Deferred tax			
Deferred tax on the origination and reversal of temporary differences	(107)	(191)	(213)
Adjustments in respect of prior periods	–	–	4
Total deferred tax credit	(107)	(191)	(209)
Total tax charge for the financial period attributable to continuing operations	1,531	1,890	3,812

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

4 TAXATION (CONTINUED)

The tax charge for the financial period can be reconciled to the profit before tax per the consolidated income statement multiplied by the standard effective annualised corporation tax rate in the UK of 26.5% (*June 2010 and December 2010: 28%*) as follows:

	6 months ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000	12 months ended 31 December 2010 £'000
Profit before taxation from continuing and total operations	5,647	7,115	14,374
Tax at the UK effective annualised corporation tax rate of 26.5% (<i>June 2010 and December 2010: 28%</i>)	1,496	1,992	4,025
Effects of:			
Expenses not deductible for tax purposes	65	44	130
Capital gain sheltered by capital losses and indexation allowance	–	(25)	(115)
Utilisation of trading losses brought forward	(15)	–	–
Effects of different tax rates of subsidiaries operating abroad	(65)	(191)	(256)
Withholding tax	–	–	119
Non-taxable income from other participating interests	–	–	(112)
Effect of change in rate of corporation tax	50	–	47
Adjustments to tax charge in respect of previous periods	–	70	(26)
Total tax charge for the financial period	1,531	1,890	3,812

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 26.5%, the reduction to 26% for the tax year ending 31 March 2012 having been substantially enacted on 29 March 2011; and UK deferred tax has been provided at 26% 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 2011 Finance Act that was substantively enacted on 5 July 2011 as this was after the balance sheet date. This Act provided for the further reduction in the rate of UK corporation tax from 26% to 25% for the tax year commencing 1 April 2012. It is estimated that if the rate change from 26% to 25% 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 £28,000 and it will reduce the group's future corporation tax charge accordingly.

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 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	
	6 months ended 30 June 2010	
	Continuing earnings £'000	Number of shares
Basic earnings/weighted average number of shares	5,225	44,156,707
Basic earnings per ordinary share (pence)	11.83p	
	12 months ended 31 December 2010	
	Continuing earnings £'000	Number of shares
Basic earnings/weighted average number of shares	10,562	43,670,777
Basic earnings per ordinary share (pence)	24.19p	

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

5 EARNINGS PER SHARE (CONTINUED)

DILUTED EARNINGS PER SHARE

The calculation of the diluted earnings per ordinary share in the previous periods is based on the profits and shares as set out in the tables below. There are no dilutive instruments outstanding as at 30 June 2011 and there are no discontinued operations in any period.

	6 months ended 30 June 2010	
	Continuing earnings £'000	Number of shares
Basic earnings/weighted average number of shares	5,225	44,156,707
Weighted average number of shares under option		15,000
Number of shares that would have been issued at fair value to satisfy the above options		(12,853)
Earnings/diluted weighted average number of shares	5,225	44,158,854
Diluted earnings per ordinary share (pence)	11.83p	

	12 months ended 31 December 2010	
	Continuing earnings £'000	Number of shares
Basic earnings/weighted average number of shares	10,562	43,670,777
Weighted average number of shares under option		15,000
Number of shares that would have been issued at fair value to satisfy the above options		(11,952)
Earnings/diluted weighted average number of shares	10,562	43,673,825
Diluted earnings per ordinary share (pence)	24.18p	

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 2010. On 9 November 2010 the directors declared an interim dividend of 11.1 pence per ordinary share and the total amount of £4,800,000 was paid to shareholders on the register as at 19 November 2010 on 10 December 2010.

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 2011 the group had a net defined benefit pension scheme surplus, calculated in accordance with IAS 19 using the assumptions as set out below, of £2,411,000 (*June 2010: £22,000; December 2010: £1,990,000*). The asset has been recognised in the financial statements as at 30 June 2011 and 31 December 2010 as the directors are satisfied that it is recoverable in accordance with IFRIC 14. The asset was not recognised as at 30 June 2010 on the grounds of materiality.

The pension scheme trustees are currently carrying out a full actuarial funding valuation, the results of which have not yet been finalised and agreed with the company. The trustees normally have until 31 March 2012 to complete this process. In the meantime the group continues to make contributions in accordance with the previously agreed schedule of contributions of £10,000 per month to cover expenses of the scheme.

ASSUMPTIONS USED TO CALCULATE THE SCHEME SURPLUS

The last full actuarial valuation was carried out as at 31 December 2007. 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 2011	30 June 2010	31 December 2010
Rate of increase in pensionable salaries	N/A	N/A	N/A
Rate of increase in pensions in payment	3.40%	3.05%	3.30%
Discount rate applied to scheme liabilities	5.50%	5.35%	5.50%
Inflation assumption – RPI	3.60%	3.15%	3.50%
Inflation assumption – CPI for the first 6 years	2.40%	N/A	2.50%
Inflation assumption – CPI after the first 6 years	2.40%	N/A	3.00%

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; in prior periods it was assumed that such pension increases would be linked to RPI. It has been assumed in all periods that all other pension increases will be linked to RPI.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

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

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics. The current mortality table used is PA92YOBMC+2 at all the above ends.

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 2011	30 June 2010	31 December 2010
Male, current age 45	21.4 years	21.3 years	21.3 years
Female, current age 45	24.1 years	24.1 years	24.1 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 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
Total fair value of plan assets	31,149	28,926	30,733
Present value of defined benefit funded obligation calculated in accordance with stated assumptions	(28,738)	(28,904)	(28,743)
Surplus in the scheme calculated in accordance with stated assumptions	2,411	22	1,990
Net pension asset not recognised	-	(22)	-
Pension asset recognised in the balance sheet	2,411	-	1,990

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

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
Fair value of plan assets at the start of the period	30,733	28,936	28,936
Expected return on plan assets	774	770	1,546
Actuarial gains/(losses) recognised in the CSOCTI	157	(221)	1,309
Employer contributions - normal	60	60	120
Benefits paid	(575)	(619)	(1,178)
Fair value of plan assets at the end of the period	31,149	28,926	30,733

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:

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
Opening present value of defined benefit funded obligation calculated in accordance with stated assumptions	(28,743)	(28,862)	(28,862)
Interest on defined benefit obligation	(772)	(816)	(1,640)
Actuarial gain/(loss) recognised in the CSOCTI calculated in accordance with stated assumptions	202	155	581
Benefits paid	575	619	1,178
Closing present value of defined benefit funded obligation calculated in accordance with stated assumptions	(28,738)	(28,904)	(28,743)
Net pension asset not recognised	–	(22)	–
Present value of defined benefit funded obligation at the end of the period	(28,738)	(28,926)	(28,743)

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

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

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
Expected return on pension scheme assets credited within finance income	774	770	1,546
Interest on pension scheme liabilities charged within finance costs	(772)	(816)	(1,640)
Net pension interest credit/(charge)	2	(46)	(94)
Settlements and curtailments	–	–	–
Net pension credit/(charge) in the income statement	2	(46)	(94)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2011 (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:

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
Actual return less expected return on scheme assets	157	(221)	1,309
Experience gains and losses arising on plan obligation	(65)	772	498
Changes in demographic and financial assumptions underlying the present value of plan obligations	267	(617)	83
Actuarial gain/(loss) calculated in accordance with stated assumptions	359	(66)	1,890
Pension asset not recognised	–	(22)	–
Reverse provision re non-recognition of pension scheme asset	–	74	74
Actuarial gain/(loss) recognised in the CSOCTI	359	(14)	1,964
Cumulative actuarial loss recognised in the CSOCTI	(2,127)	(4,464)	(2,486)

8 CALLED-UP SHARE CAPITAL

30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
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Issued and fully paid:

42,699,588 ordinary shares of one pence each
(June 2010: 43,358,435; December 2010: 43,115,804
ordinary shares of one pence each)

427	434	431
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During the period the company bought back 431,216 shares for cancellation for a total consideration of £925,748 (June 2010: 909,930 shares for a total consideration of £1,052,976; December 2010: 1,152,561 shares for a total consideration of £1,371,354). The company issued 15,000 shares (June 2010 and December 2010: Nil) to satisfy the exercise of share options as set out below.

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

At 30 June 2011 cash options to subscribe for ordinary shares under the executive share option scheme were held as follows:

Date of Grant	Date normally exercisable	Subscription price per share	Number of one pence ordinary shares		
			30 June 2011	30 June 2010	31 December 2010
November 2001	November 2004 to October 2011	89.5 pence	–	15,000	15,000

During the period 15,000 share options were exercised at a price of 89.5 pence per share (June 2010 and December 2010: Nil options). 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 previous financial periods.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

9 CASH GENERATED FROM OPERATIONS

	6 months ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000	12 months ended 31 December 2010 £'000
Profit for the period attributable to equity shareholders	4,116	5,225	10,562
Adjustments for:			
Taxation charge	1,531	1,890	3,812
Finance costs	974	1,103	2,144
Finance income	(888)	(843)	(1,844)
Intercompany foreign exchange gains and losses	197	(395)	(168)
Income from other participating interests	-	-	(400)
Profit on the sale of property, plant and equipment	(238)	(410)	(624)
Depreciation	2,092	2,281	4,239
Excess of normal pension contributions compared with service cost	(60)	(60)	(120)
Cash generated from operations before movements in working capital	7,724	8,791	17,601
(Increase)/decrease in stocks	(377)	374	126
Decrease/(increase) in trade and other receivables	2,148	(428)	(2,468)
(Decrease)/increase in trade and other payables	(705)	126	2,517
Decrease in provisions	(7)	(7)	(13)
Cash generated from operations	8,783	8,856	17,763

10 ANALYSIS OF NET FUNDS

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
Cash and cash equivalents per cash flow statement	22,632	23,716	25,709
Bank loans	(14,000)	(20,000)	(20,000)
Obligations under finance leases	(678)	(889)	(756)
Derivative financial instruments	(34)	(65)	(48)
Gross debt	(14,712)	(20,954)	(20,804)
Net funds	7,920	2,762	4,905

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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