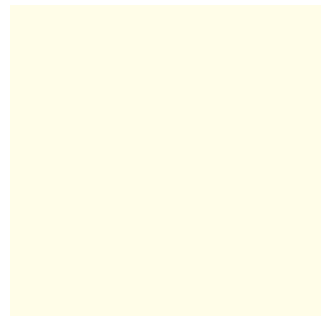
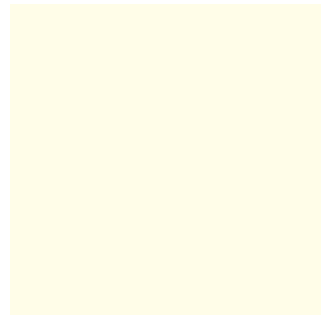




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Interim Report and Accounts 2007



Mouchel Parkman is a professional support services group. We help clients in the public sector and regulated industry to provide better everyday services to customers and communities. Our rare combination of professional, commercial and technical expertise enables them to improve their strategy, services, people and asset management.

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2007 highlights

	2007	2006	
Revenue	£206.4m	£175.1m	up 18%
Operating margins ¹	6.9%	6.9%	
Profit before tax and amortisation ¹	£14.3m	£12.2m	up 17%
Profit before tax	£13.6m	£11.6m	up 17%
Adjusted earnings per share ²	9.3p	7.9p	up 18%
Basic earnings per share	8.9p	7.6p	up 17%
Dividend per share	1.55p	1.35p	up 15%

¹ Operating margins and profit before tax and amortisation are before amortisation of intangible assets arising from business combinations of £0.7 million (2006: £0.6 million).

² Adjusted earnings per share is calculated after adding back shares held by the employee share trusts to the weighted average number of shares and adding back amortisation of intangible assets arising from business combinations (net of taxation) to earnings.

- Excellent tendering performance maintained with contract win rate again at top end of target range of 33% to 40% of contracts tendered by value;
- Further contract tendering success through AccordMP joint venture with new highway maintenance commissions secured with TfL and London Borough of Hillingdon;
- Preferred bidder negotiations with Oldham Metropolitan Borough Council successfully concluded;
- Continuing excellent visibility of future earnings with contract wins increasing forward order book to new record level of £1.35 billion;
- Bidding pipeline of near-term opportunities and potential contract extensions also sustained at all time high of £1.2 billion; and
- Existing positions in highways, water and management consultancy strengthened through acquisition of Traffic Support Limited, Ewan Group plc and Hornagold & Hills.

Our continuing strong financial position puts us in a good position to further develop the Group, as we pursue large bundled service contracts.

Trading results

The six months ended 31 January 2007 was another period of significant growth in revenue and profits. Revenue increased by 18% compared with the same period last year. Excluding the acquisition of Traffic Support Limited (TSL), Ewan Group plc (Ewan) and Hornagold & Hills, which were acquired in November 2006, revenue increased by 13%.

Profit before tax and amortisation rose by 17% from £12.2 million to £14.3 million. At the same time, operating margins were maintained at 6.9%, notwithstanding the costs associated with the extensive bidding activity during the period. Profit before tax was £13.6 million (2006: £11.6 million). We remain on track to meet our medium-term target of delivering operating margins of 8% on a full year basis.

Segmental performance

Highways

During the period, revenue increased from £82.4 million to £94.3 million. Operating margins improved from 6.9% to 7.1%, even after allowing for the additional bidding activity in AccordMP.

The highlight of the year to date has been the acquisition of TSL, which we bought in November 2006 for a total consideration of £26.3 million (including £4.8 million for surplus cash acquired with the business). TSL is a leading player in the provision and support of technology and related services associated with the parking, traffic management and enforcement markets.

The acquisition of TSL lies at the heart of our strategy and is consistent with the focus on easing congestion and getting better use out of the country's existing highways infrastructure, rather than building new roads. The acquisition is an extremely exciting development for Mouchel Parkman. It adds a new dimension to the Group's already successful highways technology business and will enable us to address the rapidly expanding marketplace arising from the national decriminalisation of parking and moving traffic enforcement, as well as potential markets in congestion charging and other civil enforcement activities.

Since the acquisition, the business has commenced new parking enforcement contracts in Edinburgh and in Hammersmith & Fulham and has also secured similar commissions in Salford and North Tyneside. Longer term, we also see the potential for further outsourcing opportunities around the back office support associated with parking management and enforcement activities.

The other major area of progress during the period has been the further contract tendering successes by AccordMP, our 50:50 joint venture with Accord plc. In December 2006, Transport for London (TfL) awarded us a six year (extendable to 10) highways maintenance contract for South London, commencing in April 2007. More recently, we have secured a five year highways works and project services contract for the London Borough of Hillingdon, which is due to commence in June 2007.

The contract wins with TfL and Hillingdon are in addition to our successes last year with Accord in South West England, for the Highways Agency, and in London, for the London Borough of Harrow, both of which have benefited us in the current period. The Highways Agency Area 1 contract commenced in September 2006 and runs to April 2010 (extendable to April 2013). The commission in Harrow started in July 2006 and has a duration of five years (extendable to seven). The two latest wins mean that we have now secured four out of the first six contracts which we have tendered through the joint venture.

Elsewhere, we won on re-bid a four year (extendable to eight) transportation and highways maintenance commission for the London Borough of Ealing, commencing in April 2007 and extended our existing highways contracts on the M25 and in Essex by one year (to September 2008) and five years (to May 2012) respectively.

We also benefited from the full period effect of the Highways Agency 'TechMASTERS' commission to monitor, maintain and develop the Highways Agency's traffic technology and maintenance services. The contract, which started in January 2006, runs for three years (extendable to five). Strategically, the appointment is very important for us, given the current focus on getting better use out of the existing road network through the increased use of technology and communications. This objective also lies behind the Active Traffic Management (ATM) pilot scheme on the M42 around Birmingham, which became fully operational in September 2006.

Looking forward, as part of the FLOW consortium, we are also now tendering the M25 DBFO contract to widen and operate the M25 for 30 years from 2009. The consortium, which comprises Vinci (including its UK subsidiary Ringway), Laing, Carillion, Costain, Jacobs Babbie and the French motorway operator ASF, includes all of the parties currently involved in the maintenance management of the M25 network and Dartford river crossings. We are also currently positioning ourselves, through TSL, for the London congestion charging re-bid and other downstream urban congestion charging schemes.

Government Services

Revenue for the six months increased from £36.4 million to £44.8 million and operating margins rose from 7.9% to 8.1%.

The highlight of the period was the acquisition of Hornagold & Hills in November 2006 for £11.4 million. Hornagold & Hills provides project and programme management services in the building and construction sector, together with consultancy services relating to management and organisational change. This is an important acquisition for us, as it brings a new set of client relationships enabling the Group to extend its management consultancy offering and address new markets in both the public and private sectors. It fits well with the Group's existing management consultancy activities and putting the two businesses together gives us the critical mass we need to be an even bigger force in the marketplace.

The other major development in the period has been the successful conclusion of the preferred bidder negotiations with Oldham Metropolitan Borough Council for its strategic partnership contract. The contract was tendered in joint venture with the local government support services provider HBS. It is envisaged that the joint venture will help the Council to deliver its highways, property, customer, exchequer and information and communication technology services. The commission, which was originally intended to last for 10 years, will now run for 12 years with the option of a three year extension.

We also benefited from the full period effect of the 15 year bundled services contract with Rochdale Metropolitan Borough Council. The commission, which like Oldham is in partnership with the Council itself, started on 1 April 2006 and covers highways and engineering, property services and a range of customer and business support services. The latter are provided by our subcontractor, Agilisys, who is providing similar support on the contract in Oldham.

The commissions in both Rochdale and Oldham are targeted at boosting the local economies and supporting the Councils' regeneration activities. Both contracts represent a significant step for the Group strategically, as it truly positions us alongside the larger players in the local authority marketplace and reinforces our credentials as a genuine provider of horizontally integrated professional services to local authority clients.

In the property market, we have won a seven year contract (extendable to 10) with Cambridgeshire County Council which commenced in January 2007. We also secured a five year contract (extendable to seven) with the London Borough of Islington, which started in April 2007. Both of these contracts are for the provision of property maintenance management services. In our similar existing contract with Hertfordshire County Council, we have agreed an extension of four years with effect from March 2008. These have reinforced our position as the leading player in this market.

We are a partner in one of only two groups bidding for the Building Schools for the Future (BSF) contract in Hackney, where we are working in joint venture with Babcock Infrastructure Services. We continue to work 'client side' in an advisory capacity for a number of local authorities in relation to BSF and have also been able to extend our involvement in the City Academy programme following the acquisition of Hornagold & Hills.

Looking forward, we have just secured a commission to provide property services support to IBM, following their appointment as preferred bidder on the Somerset County Council 10 year bundled services opportunity, which is due to start in August 2007. The significance of this contract is that it is one of the first to play to the Government's shared services agenda, with the County combining with district councils, the police and local health authorities to provide services to the community.

Regulated Industry

Revenue for the period increased from £56.3 million to £67.2 million. At the same time, operating margins reduced slightly from 6.2% to 5.9%.

In water, the first half of the year was a period of excellent progress and included the acquisition of Ewan in November 2006 for £11.0 million. Ewan broadens Mouchel Parkman's client base, complements the Group's existing offering in water and significantly enhances our prospects for the next regulatory review period. As a result, we now work with all the UK water companies and are a key player with Scottish Water. In November 2006, we successfully renewed our leakage and network modelling commission with Scottish Water for two years (extendable to four).

We are in a period of considerable change in the water industry with greater focus on water conservation, due to climate change, and a number of recent changes in water company ownership. We are mid-way through the AMP4 regulatory cycle and in AMP5 we are likely to see a greater focus on innovation, as water companies strive to improve asset utilisation and efficiency. We believe that the combined strength of our existing water business and Ewan will place us in a better position to exploit forthcoming opportunities and changes in the marketplace.

In rail, progress has been relatively slower although we have now secured, in the Colchester to Clacton area, a second 'Type A' contract to provide ancillary civil engineering services in support of Network Rail's resignalling programme. This is in addition to a similar contract secured last year in the Leamington area. Elsewhere with Network Rail, our structures and property inspection teams have continued to enjoy buoyant workload, particularly as a result of station upgrade works.

We also continue to work on the London Underground. In particular, we are currently in the third year of an eight year commission to support Thales in its signal upgrading work on the Jubilee and Northern lines and we are currently providing civil engineering and programme management services to CBS (previously Viacom), as part of its commission to renew and upgrade the advertising infrastructure across the whole of London Underground.

Looking to the future, although progress has been slow, we still believe that rail is an area of opportunity for us, given the significant sums being spent by both Network Rail and London Underground on renewing infrastructure assets.

Forward order book

At 31 January 2007, the Group's forward order book stood at a record £1.35 billion, which compared with £1.2 billion at 31 July 2006 and £1.1 billion at the corresponding point last year. This gives us excellent visibility of our future earnings and reflects our success in tendering for new contracts and securing extensions to existing commissions during the period, where we again achieved a contract win rate at the top end of our target range of 33% to 40% of contracts tendered by value.

The bidding pipeline of near-term opportunities and potential contract extensions was also sustained at an all time high of £1.2 billion, compared with £1.0 billion at both 31 July and 31 January 2006. The pipeline last reached £1.2 billion in January 2005, when we were bidding the large bundled services contracts in Rochdale and Oldham.

There are currently a number of potential opportunities which are not yet in the pipeline, including the next tranche of Highways Agency Super Agency contracts, where we will soon be entering the shortlisting phase and which we will be addressing through the AccordMP joint venture.

Cash flow and working capital

Cash generated from operations was £6.0 million for the six months ended 31 January 2007, compared with £13.0 million for the corresponding period last year. At 31 January 2007, net borrowings totalled £15.1 million compared with net cash and cash equivalents of £33.4 million at 31 July 2006 and £22.1 million at 31 January 2006. The movement since the last year end was largely attributable to the funds used in the acquisition of TSL, Ewan and Hornagold & Hills.

Cash conversion for the period was reduced, compared to previous periods, with 44% of the Group's operating profits being converted into operating cash flow versus 114% for the first six months last year. The reduction was largely attributable to a decrease in creditor days and the investment in working capital associated with recent major contract wins. The overall investment in unbilled revenue and trade receivables, however, is largely unchanged compared to 31 July 2006 at approximately two and a half months' revenues.

We are currently in the process of putting in place additional banking facilities to fund further growth in the business.

Taxation

The tax charge for the six months ended 31 January 2007 reflects the estimated tax rate for the full year of 29%. The difference between the effective rate of tax and the statutory rate of 30% reflects the benefit of additional reliefs, partly offset by the normal level of disallowable expenditure.

Pensions

The Group operates two main defined benefit pension schemes (the Mouchel Parkman Superannuation Fund and the Mouchel Parkman Staff Pension Scheme) and accounts for them under IAS 19 Employee Benefits. The IAS 19 charge for the six months was £3.6 million, compared with £4.1 million in the same period last year.

At 31 January 2007, the deficit under IAS 19 was £51.9 million before tax, compared to £47.8 million at 31 July 2006 and £67.7 million at 31 January 2006. The reduction in the deficit over the last year has arisen mainly as a result of increasing bond yields and has been recognised in full in the statement of recognised income and expense.

From a funding point of view, the last actuarial valuations of both main schemes were undertaken as at 31 March 2004, at which point there was an aggregate deficit in the two schemes of £25.9 million. New actuarial valuations are being prepared as at 31 March 2007, at which point we anticipate that there will have been some increase in the combined deficit, primarily due to an improvement in life expectancy levels.

The Group has previously taken measures to contain the pension liability and ongoing cost. This has included, where possible, closure of the schemes to new entrants, increases in employer and employee contributions and some changes in the benefits provided.

The Company is currently in discussion with the trustees of both schemes regarding future funding targets and will soon be consulting further with the trustees and members of the schemes around what further remedial measures need to be taken to improve the funding position of the two schemes and reduce the future cost to the Company.

Earnings per share

Adjusted earnings per share increased 18% from 7.9p to 9.3p. Adjusted earnings per share is calculated after adding back shares held by the employee share trusts to the weighted average number of shares and adding back amortisation of intangible assets arising from business combinations (net of taxation) to earnings.

Basic earnings per share increased 17% from 7.6p to 8.9p.

Dividends

It is proposed that an interim dividend of 1.55p (2006: 1.35p) per ordinary share will be paid on 8 June 2007 to shareholders on the register as at 11 May 2007. Consistent with previous practice, it is envisaged that the interim dividend will continue to represent roughly one third of the expected total annual dividend.

Outlook

We have reported another very strong set of results and have strengthened the foundations for our continuing growth through the acquisitions we have made and the contracts we have extended or secured during the first six months of the year.

The vertical and horizontal integration of our markets, which we have signalled previously, has continued and we have made excellent progress to date in addressing this development through the wins with our partners in highways and in the local authority bundled services market.

We have a strong management team which we have been able to strengthen as a result of our recent acquisitions and we are well positioned to continue to grow both organically and by acquisition. We remain relatively lowly geared and are about to put in place additional facilities to fund further growth.

We remain enthusiastic about our prospects. The progress we have made over the last six months and the opportunities currently available to us mean we continue to remain confident about our prospects for the full year and beyond.



Richard Cuthbert
Chief Executive



Kevin Young
Group Finance Director

Consolidated income statement (unaudited) for the six months ended 31 January 2007

	Notes	Before amortisation of IFRS 3 intangible assets' 6 months to 31/01/2007 £000	Amortisation of IFRS 3 intangible assets' 6 months to 31/01/2007 £000	Total 6 months to 31/01/2007 £000	Before amortisation of IFRS 3 intangible assets' 6 months to 31/01/2006 £000	Amortisation of IFRS 3 intangible assets' 6 months to 31/01/2006 £000	Total 6 months to 31/01/2006 £000
Continuing operations:							
Revenue	2	206,351	–	206,351	175,087	–	175,087
Cost of sales		(168,149)	–	(168,149)	(142,523)	–	(142,523)
Gross profit		38,202	–	38,202	32,564	–	32,564
Administrative expenses		(23,974)	(739)	(24,713)	(20,542)	(645)	(21,187)
Operating profit	2	14,228	(739)	13,489	12,022	(645)	11,377
Interest receivable		423	–	423	275	–	275
Finance costs		(357)	–	(357)	(63)	–	(63)
Profit before tax		14,294	(739)	13,555	12,234	(645)	11,589
Taxation	3	(4,155)	222	(3,933)	(3,786)	193	(3,593)
Profit for the period (attributable to equity shareholders of the Parent)		10,139	(517)	9,622	8,448	(452)	7,996
<hr/>							
Basic earnings per share	5			8.9p			7.6p
Diluted earnings per share	5			8.9p			7.5p
Dividend proposed per share	4			1.55p			1.35p
Dividend paid per share	4			2.70p			2.20p

¹ IFRS 3 intangible assets are those that arise from business combinations.

	Notes	Before amortisation of IFRS 3 intangible assets ¹ 12 months to 31/07/2006 ² £000	Amortisation of IFRS 3 intangible assets ¹ 12 months to 31/07/2006 ² £000	Total 12 months to 31/07/2006 ² £000
Continuing operations:				
Revenue	2	374,020	–	374,020
Cost of sales		(304,750)	–	(304,750)
Gross profit		69,270	–	69,270
Administrative expenses		(42,496)	(919)	(43,415)
Operating profit	2	26,774	(919)	25,855
Interest receivable		701	–	701
Finance costs		(109)	–	(109)
Profit before tax		27,366	(919)	26,447
Taxation	3	(8,190)	276	(7,914)
Profit for the period (attributable to equity shareholders of the Parent)		19,176	(643)	18,533
<hr/>				
Basic earnings per share	5			17.4p
Diluted earnings per share	5			17.3p
Dividend proposed per share	4			2.70p
Dividend paid per share	4			3.55p

¹ IFRS 3 intangible assets are those that arise from business combinations.

² The figures given for the year ended 31 July 2006 are extracted from the audited 2006 Annual Report for the Group.

Consolidated balance sheet (unaudited)

as at 31 January 2007

	Notes	As at 31/01/2007 £000	As at 31/01/2006 £000	As at 31/07/2006 ¹ £000
ASSETS				
Non-current assets				
Goodwill		47,058	22,439	22,569
Other intangible assets		33,682	9,507	10,229
Property, plant and equipment		16,623	12,564	14,030
Deferred tax assets		17,616	21,697	17,112
		114,979	66,207	63,940
Current assets				
Unbilled revenue		41,564	30,960	45,993
Trade and other receivables		73,847	56,041	55,270
Cash and cash equivalents	7	11,927	22,090	33,366
		127,338	109,091	134,629
LIABILITIES				
Current liabilities				
Bank overdrafts and borrowings	7	(27,016)	–	–
Trade and other payables		(71,787)	(57,289)	(72,727)
Current tax liabilities		(3,875)	(2,070)	(4,510)
Retirement benefit obligations	8	(487)	(214)	(500)
		(103,165)	(59,573)	(77,737)
Net current assets		24,173	49,518	56,892
Non-current liabilities				
Trade and other payables		(2,098)	(411)	(417)
Deferred tax liabilities		(8,630)	(3,231)	(3,150)
Retirement benefit obligations	8	(51,870)	(67,730)	(47,791)
		(62,598)	(71,372)	(51,358)
Net assets		76,554	44,353	69,474
EQUITY				
Share capital		274	271	271
Share premium		26,390	25,195	25,466
Other reserves		13,043	12,084	11,738
Retained earnings		36,847	6,803	31,999
Total equity	10	76,554	44,353	69,474

¹ The figures given for the year ended 31 July 2006 are extracted from the audited 2006 Annual Report for the Group.

Consolidated cash flow statement (unaudited) for the six months ended 31 January 2007

	Notes	6 months to 31/01/2007 £000	6 months to 31/01/2006 £000	12 months to 31/07/2006 ¹ £000
Cash flows from operating activities				
Cash generated from operations	6	5,963	13,017	34,894
Taxation paid		(3,918)	(2,527)	(5,141)
Net cash from operating activities		2,045	10,490	29,753
Cash flows from investing activities				
Acquisitions of subsidiaries (net of cash acquired)		(31,233)	(2,065)	(4,950)
Payment to acquire unincorporated business		(11,543)	–	–
Proceeds from sale of property, plant and equipment		11	40	10
Purchase of property, plant and equipment		(4,078)	(3,755)	(6,596)
Purchase of intangible assets – software		(1,542)	(397)	(1,775)
Interest received		423	275	701
Finance costs paid		(357)	(63)	(109)
Net cash used in investing activities		(48,319)	(5,965)	(12,719)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		927	816	1,087
Sale of own shares by employee share trusts		3	673	579
Dividends paid to shareholders		(2,912)	(2,301)	(3,761)
Finance lease principal payments		(24)	(7)	–
Net cash used in financing activities		(2,006)	(819)	(2,095)
Effects of exchange rate changes		(175)	(16)	27
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(48,455)	3,690	14,966
Cash, cash equivalents and bank overdrafts at 1 August		33,366	18,400	18,400
Cash, cash equivalents and bank overdrafts at 31 January and 31 July	7	(15,089)	22,090	33,366

¹ The figures given for the year ended 31 July 2006 are extracted from the audited 2006 Annual Report for the Group.

Consolidated statement of recognised income and expense (unaudited) for the six months ended 31 January 2007

	Notes	6 months to 31/01/2007 £000	6 months to 31/01/2006 £000	12 months to 31/07/2006 ¹ £000
Profit for the period		9,622	7,996	18,533
Differences on exchange		(175)	37	27
Profit on sale of own shares held in employee share trusts		11	97	265
Tax relief on shares issued to employees		494	1,093	448
Deferred tax on movement in pension scheme valuations		1,220	5,119	(1,313)
Actuarial (loss)/gain on pension scheme valuations	8	(3,797)	(15,464)	5,255
Net (losses)/gains not recognised in income statement		(2,247)	(9,118)	4,682
Total recognised income/(expense) for the period		7,375	(1,122)	23,215

¹ The figures given for the year ended 31 July 2006 are extracted from the audited 2006 Annual Report for the Group.

Notes to the interim financial statements (unaudited) for the six months ended 31 January 2007

1 Basis of preparation

These interim consolidated financial statements, which are abridged and unaudited for the six months ended 31 January 2007, have been prepared in accordance with the Listing Rules of the Financial Services Authority. They have also been prepared in accordance with the accounting policies the Group expects to adopt in its 2007 Annual Report and unless stated are consistent with those adopted in the consolidated financial statements for the year ended 31 July 2006. These accounting policies are based on the EU-adopted International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations that the Group expects to be applicable at that time. The IFRS and IFRIC interpretations that will be applicable at 31 July 2007, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

This interim report is not audited and does not constitute statutory financial statements as defined in section 240 of the Companies Act 1985. Comparative figures for the year ended 31 July 2006 have been extracted from the Group Report and Accounts, on which the auditors gave an unqualified opinion and did not include a statement under section 237(2) or (3) of the Companies Act 1985. The Group Report and Accounts for the year ended 31 July 2006 have been filed with the Registrar of Companies.

These consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative instruments at fair value through the income statement.

The Group has elected not to adopt IAS 34, Interim Financial Statements and therefore this interim financial information is not in compliance with this standard.

2 Segmental analysis

Primary segment information – business segments

Analysis of results by business segment is as follows:

6 months to 31 January 2007

	Highways £000	Government Services £000	Regulated Industry £000	Group £000
Total revenue	106,419	46,234	73,684	226,337
Inter-segment revenue	(12,120)	(1,411)	(6,455)	(19,986)
Total external revenue	94,299	44,823	67,229	206,351
Operating profit	6,386	3,580	3,523	13,489
Analysed as:				
Underlying operating profit ¹	6,653	3,638	3,937	14,228
Amortisation of intangible assets arising from business combinations	(267)	(58)	(414)	(739)
Interest receivable				423
Finance costs				(357)
Profit before tax				13,555
Taxation				(3,933)
Profit for the period				9,622

¹ Underlying operating profit is before amortisation of intangible assets arising from business combinations of £739,000 (31 January 2006: £645,000; 31 July 2006: £919,000).

Notes to the interim financial statements (unaudited) *continued*
for the six months ended 31 January 2007

2 Segmental analysis *continued*

Primary segment information – business segments *continued*

6 months to 31 January 2006

	Highways £000	Government Services £000	Regulated Industry £000	Group £000
Total revenue	94,277	38,331	60,144	192,752
Inter-segment revenue	(11,872)	(1,939)	(3,854)	(17,665)
Total external revenue	82,405	36,392	56,290	175,087
Operating profit	5,646	2,874	2,857	11,377
Analysed as:				
Underlying operating profit	5,646	2,874	3,502	12,022
Amortisation of intangible assets arising from business combinations	–	–	(645)	(645)
Interest receivable				275
Finance costs				(63)
Profit before tax				11,589
Taxation				(3,593)
Profit for the period				7,996

12 months to 31 July 2006

	Highways £000	Government Services £000	Regulated Industry £000	Group £000
Total revenue	197,347	85,729	128,897	411,973
Inter-segment revenue	(24,894)	(4,232)	(8,827)	(37,953)
Total external revenue	172,453	81,497	120,070	374,020
Operating profit	11,876	6,546	7,433	25,855
Analysed as:				
Underlying operating profit	11,876	6,546	8,352	26,774
Amortisation of intangible assets arising from business combinations	–	–	(919)	(919)
Interest receivable				701
Finance costs				(109)
Profit before tax				26,447
Taxation				(7,914)
Profit for the year				18,533

Secondary segment information – geographical segments

The table below represents revenue by geographical origin (the analysis by geographical destination is not materially different to that by origin). The analysis in the table below is based on the location of the customer, which is not materially different from the location where the order was received.

Analysis of revenue by geographical segment is as follows:

	6 months to 31/01/2007 £000	6 months to 31/01/2006 £000	12 months to 31/07/2006 £000
United Kingdom	199,867	170,688	365,197
Non United Kingdom	6,484	4,399	8,823
Total external revenue	206,351	175,087	374,020

3 Taxation

The tax charge for the six months ended 31 January 2007 reflects the estimated tax rate for the full year of 29.0% (2006: 29.9%).

4 Dividends

Amounts recognised as distributions to ordinary shareholders in the period:

	6 months to 31/01/2007 £000	6 months to 31/01/2006 £000	12 months to 31/07/2006 £000
Final paid in respect of the previous year 2.7p (31 July 2005 2.2p)	2,941	2,345	2,345
Interim paid in respect of the financial year ended 31 July 2006 1.35p	–	–	1,444
Less: dividend on own shares	(13)	(14)	(30)
Less: dividend waived by employee share ownership trusts	(44)	(44)	(27)
Total dividends paid	2,884	2,287	3,732

In addition, the Directors are proposing an interim dividend for the financial year ending 31 July 2007 of 1.55p (2006: 1.35p) per share which will absorb an estimated £1,700,000 (2006: £1,450,000) of the shareholders' funds. It will be paid on 8 June 2007 to shareholders who are on the register of members on 11 May 2007.

5 Earnings per share

	6 months to 31/01/2007	Restated ¹ 6 months to 31/01/2006	12 months to 31/07/2006
Basic earnings per share	8.9p	7.6p	17.4p
Diluted earnings per share	8.9p	7.5p	17.3p
Adjusted earnings per share	9.3p	7.9p	17.8p

	6 months to 31/01/2007 £000	Restated ¹ 6 months to 31/01/2006 £000	12 months to 31/07/2006 £000
Profit for the period	9,622	7,996	18,533
Earnings for basic and diluted earnings per share	9,622	7,996	18,533
Adjustments:			
Amortisation of intangible assets arising from business combinations (net of taxation)	517	452	643
Earnings for adjusted earnings per share	10,139	8,448	19,176

	31/01/2007 Number 000's	31/01/2006 Number 000's	31/07/2006 Number 000's
Weighted average number of ordinary shares	107,781	105,286	106,515
Dilutive share options	398	26	193
Dilutive Save As You Earn schemes	320	626	481
Diluted weighted average number of ordinary shares	108,499	105,938	107,189
Weighted average number of ordinary shares	107,781	105,286	106,515
Average number of shares held by the employee share trusts	2,115	2,527	2,326
Share options (shares held in the employee share trusts) matured in respect of Executive share option schemes	(663)	(628)	(810)
Adjusted weighted average number of ordinary shares	109,233	107,185	108,031

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive share options in issue and shares under Save As You Earn Schemes. The share price used to calculate diluted earnings per share is based on a weighted average price of 389.43p (31 January 2006: 277.19p; 31 July 2006: 306.98p).

Adjusted earnings per share is calculated after adding back shares held by the employee share trusts to the weighted average number of shares and adding back amortisation of intangible assets arising from business combinations (net of taxation) to earnings. The Directors use this additional measure as an indicator of the underlying trends in the business.

¹ The January 2006 earnings per share figures have been restated to exclude amortisation of software from the add back to adjusted earnings.

6 Cash generated from operations

	6 months to 31/01/2007 £000	6 months to 31/01/2006 £000	12 months to 31/07/2006 £000
Profit for the period	9,622	7,996	18,533
Adjustments for:			
Income tax expense	3,933	3,593	7,914
Depreciation	1,901	1,385	3,111
Profit on disposal of property, plant and equipment	(11)	(4)	(1)
Amortisation of intangible assets	1,273	924	1,567
Interest receivable	(423)	(275)	(701)
Finance costs	357	63	109
Other non-cash movements	583	1,145	2,000
Changes in working capital:			
(Increase)/decrease in trade and other receivables including unbilled revenue	(5,455)	9,662	(4,755)
(Decrease)/increase in trade and other payables	(5,817)	(11,472)	7,117
Cash generated from operations	5,963	13,017	34,894

7 Cash and cash equivalents

	6 months to 31/01/2007 £000	6 months to 31/01/2006 £000	12 months to 31/07/2006 £000
Cash at bank and in hand	11,927	22,090	33,366
Cash and cash equivalents	11,927	22,090	33,366

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	6 months to 31/01/2007 £000	6 months to 31/01/2006 £000	12 months to 31/07/2006 £000
Cash and cash equivalents	11,927	22,090	33,366
Bank overdrafts and borrowings	(27,016)	–	–
Cash, cash equivalents and bank overdrafts	(15,089)	22,090	33,366

8 Retirement benefit obligations

The Group operates several occupational pension schemes for its employees. These schemes are a combination of defined benefit, defined contribution and third party defined benefit schemes. The Mouchel Parkman Superannuation Fund and the Mouchel Parkman Staff Pension Scheme are both funded defined benefit schemes, the Legal and General GPP scheme, Parkman DC Scheme and the Parkman Ireland Pension Scheme (DC section) are the defined contribution schemes and the Group is a member of the Merseyside pension fund, a third party defined benefit scheme.

a Defined benefit pension schemes – third party schemes

2020 Liverpool and 2020 Knowsley employees are members of the Merseyside Pension Fund, a pre-funded defined benefit scheme. In the Group accounts this scheme is accounted for as a defined contribution scheme. Cash contributions are recognised as pension costs and no asset or liability is shown on the balance sheet.

b Defined benefit pension schemes – Group schemes

For the two principal defined benefit schemes, the future liabilities for benefits are provided for by the accumulation of assets held externally to the Group in separate, trustee administered funds. The cost of these schemes is determined in accordance with the advice of independent, professionally qualified actuaries on the basis of formal actuarial valuations using the projected unit credit method. In line with normal business practice these valuations are undertaken on a triennial basis.

Both schemes are closed to new entrants except for employees transferring to the Group under the Transfer of Undertakings (Protection of Employment) Regulations (1981) as amended, where the Group is required to provide benefits which are broadly comparable to those provided under the Local Government Pension Scheme or another defined benefit scheme provided by the transferring employer. Given the membership of the two schemes, under the projected unit credit method, the current service cost would be expected to increase as the members of the scheme approach retirement. The date of the most recent full actuarial valuations of the two schemes was March 2004. These valuations were updated at 31 January 2007 by the scheme actuary, using the assumptions shown in the table below. The next full actuarial valuations will be as at 31 March 2007 and are currently being prepared.

	6 months to 31/01/2007 %	6 months to 31/01/2006 %	12 months to 31/07/2006 %
Discount rate	5.2	4.6	5.2
Expected rate of increase in pensionable salaries	4.8	3.8	4.8
Expected rate of increase in pensions in payment	2.8	2.8	2.8
Expected rate of price inflation	2.8	2.8	2.8

	6 months to 31/01/2007 Years	Restated 6 months to 31/01/2006 Years	Restated 12 months to 31/07/2006 Years
Life expectancy at age 65:			
Current pensioners: male	85.6	84.1	84.1
female	88.5	87.0	87.0
Future pensioners: male	87.1	85.4	85.4
female	90.1	88.4	88.4

The sensitivity associated with these assumptions is as follows:

	Change	Effect on deficit £000
Discount rate	-/+ 0.1%	+/- 5,000
Expected rate of price inflation	-/+ 0.1%	-/+ 4,000
Life expectancy	-/+ 1 year	-/+ 5,000

Notes to the interim financial statements (unaudited) *continued*
for the six months ended 31 January 2007

8 Retirement benefit obligations *continued*

b Defined benefit pension schemes – Group schemes *continued*

The expected return for the scheme assets in the forthcoming year is as follows:

	%
Equities	8.7
Bonds, gilts and cash	5.2
Property	7.7

The amounts recognised in the balance sheet are as follows:

	6 months to 31/01/2007 £000	6 months to 31/01/2006 £000	12 months to 31/07/2006 £000
Equities	121,885	109,946	108,439
Bonds and gilts	36,236	34,448	36,132
Cash	1,647	193	1,543
Property	4,941	6,024	6,942
Unpaid contributions	(487)	(214)	(500)
Fair value of plan assets	164,222	150,397	152,556
Present value of obligations	(216,579)	(218,341)	(200,847)
Liability in the balance sheet	(52,357)	(67,944)	(48,291)
Current liability	(487)	(214)	(500)
Non-current liability	(51,870)	(67,730)	(47,791)
Total liability in the balance sheet as above	(52,357)	(67,944)	(48,291)

Movements in the present value of the defined benefit obligation are as follows:

	6 months to 31/01/2007 £000	6 months to 31/01/2006 £000	12 months to 31/07/2006 £000
Retirement benefit obligations at the beginning of the period	(48,291)	(51,531)	(51,531)
Service cost	(3,867)	(4,158)	(8,358)
Net interest income	219	34	64
Company contributions	3,366	2,970	6,359
Movement in unpaid contributions at the period end	13	205	(80)
Actuarial (loss)/gain	(3,797)	(15,464)	5,255
Retirement benefit obligation at the end of the period	(52,357)	(67,944)	(48,291)

The amounts recognised in the income statement are as follows:

	6 months to 31/01/2007 £000	6 months to 31/01/2006 £000	12 months to 31/07/2006 £000
Current service cost	3,867	4,158	8,358
Interest cost	5,281	4,879	9,763
Expected return on plan assets	(5,500)	(4,913)	(9,827)
Total recognised in the income statement	3,648	4,124	8,294

Of the amount recognised in the income statement, £425,000 (31 January 2006: £374,000; 31 July 2006: £585,000) has been included in administrative expenses and £3,442,000 (31 January 2006: £3,784,000; 31 July 2006: £7,773,000) has been included in cost of sales. Interest income of £5,500,000 (31 January 2006: £4,913,000; 31 July 2006: £9,827,000) and interest cost of £5,281,000 (31 January 2006: £4,879,000; 31 July 2006: £9,763,000) have been included in interest receivable.

8 Retirement benefit obligations *continued*

b Defined benefit pension schemes – Group schemes *continued*

Actuarial gains and losses recognised in the statement of recognised income and expense are as follows:

	6 months to 31/01/2007 £000	6 months to 31/01/2006 £000	12 months to 31/07/2006 £000
Actual return less expected return on pension scheme assets	3,592	6,598	1,607
Experience gains and losses arising on the scheme liabilities	450	(310)	854
Effect of changes in assumptions on the present value of scheme liabilities	(7,839)	(21,752)	2,794
Deferred tax on scheme deficit	1,224	5,164	(1,444)
Deferred tax on current service cost	(4)	(45)	131
Total recognised in the statement of recognised income and expense	(2,577)	(10,345)	3,942

9 Acquisitions

a Traffic Support Limited

On 16 November 2006 the Group acquired 100% of the issued share capital of Traffic Support Limited. This company was later renamed Traffic Support Mouchel Parkman Limited.

b Ewan Group plc

On 16 November 2006 the Group acquired 100% of the issued share capital of Ewan Group plc. This company was later renamed Mouchel Parkman Ewan Limited.

c Hornagold and Hills (private partnership)

On 16 November 2006 the Group acquired 100% of the business and assets of Hornagold and Hills; a management consultancy practice.

	Carrying values pre-acquisition £000	Provisional fair value adjustments £000	Provisional fair value £000
Net assets acquired:			
Other intangible assets	–	23,300	23,300
Investments	25	(25)	–
Property, plant and equipment	1,169	(419)	750
Trade receivables	8,690	(511)	8,179
Cash and cash equivalents	5,602	–	5,602
Trade payables	(6,706)	(577)	(7,283)
Deferred tax liability	–	(5,685)	(5,685)
			24,863
Goodwill			24,502
Consideration			49,365
			£000
Satisfied by:			
Cash			47,200
Acquisition costs			688
Shares			1,477
Consideration			49,365

The outflow of cash and cash equivalents upon acquisition is calculated as follows:

	£000
Cash consideration	47,888
Cash acquired	(5,602)
Net cash outflow	42,286

10 Consolidated statement of changes in equity

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 August 2006	271	25,466	11,738	31,999	69,474
Profit for the period	–	–	–	9,622	9,622
Dividends	–	–	–	(2,884)	(2,884)
Proceeds from shares issued	3	924	1,477	–	2,404
Exchange adjustments	–	–	(175)	–	(175)
Sale of own shares by employee share trusts	–	–	3	–	3
Profit on sale of own shares held in employee share trusts	–	–	–	11	11
Tax relief on shares issued to employees	–	–	–	494	494
Actuarial loss on pension scheme valuations	–	–	–	(3,797)	(3,797)
Deferred tax on pension scheme valuations	–	–	–	1,220	1,220
Increase in unrealised profit on shares held in employee share trusts	–	–	–	(9)	(9)
Share based payments	–	–	–	191	191
Balance at 31 January 2007	274	26,390	13,043	36,847	76,554

Independent review report to Mouchel Parkman plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 January 2007 which comprises the consolidated interim balance sheet as at 31 January 2007 and the related consolidated interim statements of income, cash flows and recognised income and expenditure for the six months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed. This interim report has been prepared in accordance with the basis set out in Note 1.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 January 2007.

PricewaterhouseCoopers LLP

Chartered Accountants
London
17 April 2007

Notes

- (a) The maintenance and integrity of the Mouchel Parkman plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

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