

## Mouchel Group plc

31 March 2009

## Mouchel Group plc

### Interim Results

For the six months ended 31 January 2009

Mouchel Group plc: consulting and business services group – announcement of unaudited results for the six months ended 31 January 2009

#### Financial highlights

- Revenue growth of 19%, increasing revenues to £365.6 million, including organic revenue growth of 11%;
- Underlying operating profit<sup>1</sup> up 36% to £24.7 million. Underlying operating margins<sup>1</sup> up from 5.9% to 6.8%;
- Adjusted earnings per share<sup>2</sup> up 24% to 13.9p;
- Continuing good visibility of future earnings with forward order book of £2.0 billion and bidding pipeline of £1.9 billion;
- Successful renegotiation of banking facilities totalling £190 million for the next three years.

	2009	2008
Revenue	£365.6m	£308.1m
Underlying operating profit <sup>1</sup>	£24.7m	£18.2m
Underlying operating margins <sup>1</sup>	6.8%	5.9%
Profit before tax and exceptional items <sup>1</sup>	£21.0m	£16.8m
Profit before tax	£16.3m	£9.3m
Adjusted earnings per share <sup>2</sup>	13.9p	11.2p
Basic earnings per share	11.0p	6.4p
Dividend per share <sup>3</sup>	2.25p	1.85p

<sup>1</sup> Underlying operating margins, underlying operating profit and profit before tax and exceptional items are before amortisation of intangible assets arising from business combinations of £4,015,000 (31 January 2008: £2,894,000; 31 July 2008: £5,651,000) and other exceptional items, detailed in note 3, of £671,000 (31 January 2008: £4,580,000; 31 July 2008: £6,799,000).

<sup>2</sup> Adjusted earnings per share is calculated after adding back shares held by the employee share trusts to the weighted average number of shares and adjusting earnings for exceptional items (net of taxation).

<sup>3</sup> Proposed dividend in respect of profit for the half year.

## **Mouchel Group plc**

### **Business highlights**

- Benefiting from Government's 'Fiscal Stimulus' initiative in highways, particularly in maintenance management and hard shoulder running activities;
- Making good progress in extending and expanding major local authority partnership contracts, especially in Lincoln, Oldham and Middlesbrough;
- Evidence of success of HBS and Hedra acquisitions, particularly in pursuing new outsourcing contracts and undertaking service transformation activities for existing clients;
- Sudden slowdown in demand for infrastructure development in Dubai has impacted overseas profit and working capital levels;
- Contract win rate for major deals has been below our target range, although the forward order book and bidding pipeline remain strong;
- New Chairman appointed with effect from 1 May 2009;
- Named by the Sunday Times as one of the '20 Best Big Companies to Work For' in the UK for the second year running.

Richard Cuthbert, Chief Executive, commented:

'We have seen another period of strong performance. Our business model continues to be focused on the UK public sector and on the provision of essential services and the maintenance of vital infrastructure. This is proving to be particularly resilient in the current environment and we have again increased revenues and improved margins. We continue to face challenges in the Middle East and in Rail and we are currently taking the necessary steps to ensure that we have the right cost base going forward in order to meet our aspirations for future growth. However, both our contract order book and bidding pipeline remain strong and we have recently renewed and extended our banking facilities, as a result of which we remain confident about our long term prospects.'

## **Mouchel Group plc**

A presentation will be given to analysts at 9.00 am today, Tuesday 31 March 2009, at the offices of RBS Hoare Govett, 250 Bishopsgate, London EC2M 4AA. For further information please contact:

### **Mouchel Group plc**

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### **BUSINESS REVIEW**

#### **Introduction**

Mouchel has enjoyed another period of good progress. We have again reported a strong increase in revenue and profit and have improved our operating margins, moving us closer to our Corporate Plan targets.

We are seeing evidence that the HBS and Hedra acquisitions have been a success. We are benefiting increasingly from the combined capability of the two businesses, particularly in pursuing new outsourcing deals and assignments which help transform services for existing clients. As a result, we have been successful in broadening the relationships and in our involvement in the major local authority partnerships in Lincoln, Oldham and Middlesbrough.

Our contract win rate has been lower than in previous periods but this has been partly offset by more day to day consulting opportunities, particularly with our existing clients, following the recent acquisitions. We are also finding that we are beginning to benefit from the Government's 'Fiscal Stimulus' initiative which will boost demand in highways traffic management and activity levels in our various highways maintenance management commissions.

We have previously reported on the challenges facing us in the UK rail sector and in the Middle East and these continue, particularly in the United Arab Emirates (UAE) where, along with all other suppliers in the region, we experienced a sudden slowdown in the demand for infrastructure development, particularly in Dubai which, in turn, has impacted the timing of the collection of receivables.

Overall, general economic conditions remain challenging, but our continuing focus on the UK public sector and on the provision of essential services and the management of vital infrastructure means that demand for our services remains generally buoyant. As a result, we are still well placed to weather the current recession.

We continue to enjoy an exceptionally strong order book and bidding pipeline both of which stood at around £2.0 billion at 31 January 2009. We continue to see significant opportunities in all three of our businesses – Government Services, Regulated Industries and Highways.

The combination of our continued financial strength, particularly following renewal of our banking facilities, the ongoing focus on ensuring that we have the right cost base going forward and the visibility of our future earnings leave us well positioned for future growth.

## **Mouchel Group plc**

### **Trading results**

Revenue increased by 19% to £365.6 million, compared with the first six months of 2007/08, partly driven by the acquisition of Hedra in March 2008. Excluding the impact of the acquisition, revenue increased by 11% versus the first half of 2007/08, maintaining the double digit organic growth of recent years.

Profit before tax and exceptional items rose 25% from £16.8 million to £21.0 million. At the same time, underlying operating margins increased from 5.9% to 6.8%. This reflected the improvement in profitability in Government Services following the integration of HBS and Hedra. Regulated Industries benefited from strong demand in the Gulf. Highways margins were boosted by the strong start in Highways Agency (HA) Area 3.

There was some benefit to the Group's intercompany funding position, of less than £1 million, due to the weakening of the Sterling exchange rate over the last six months, but this was broadly offset by the additional costs incurred to date from the ongoing process of making sure that we have the right cost base going forward. By the end of the financial year, we plan to have identified and secured annual savings of approaching £10 million in order to meet our growth aspirations for future periods.

The results for the six months were also adversely affected by the reduction in the pension interest credit relative to earlier periods (see note 11). We anticipate a similar impact in the second half and we will also bear the additional costs associated with renewal of the Group's banking facilities, although these are not expected to be that significant this year.

Profit before tax after exceptional items was £16.3 million, compared with £9.3 million for the first half last year. This included amortisation of intangible assets arising from business combinations of £4.0 million (31 January 2008: £2.9 million).

Profit for the first six months of last year was impacted by one-off costs totalling £4.6 million associated with the integration and transition of the HBS business following its acquisition in August 2007. Other exceptional costs in the first half of the current year relate to the sale of the Group's former head office in Surrey which was completed following the period end. The profit on disposal and other costs associated with the disposal and related relocation will be accounted for in the second half.

### **Segmental performance**

#### *Government Services*

Revenue for the period increased by 24% from £119.4 million to £148.6 million, largely reflecting the full period impact of the Hedra acquisition which was completed on 5 March 2008, part way through the second half of the last financial year.

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Operating profit and margins increased from £6.2 million and 5.2% to £8.8 million and 5.9% respectively due to the initial contribution from the Hedra acquisition as well as the targeted improvement in profitability of the old HBS business following its acquisition on 6 August 2007 at the start of the last financial year.

The combination of the skills acquired as a result of the HBS and Hedra acquisitions is proving increasingly powerful, particularly in pursuit of new outsourcing deals and commissions to help transform services for existing clients. The resulting transformation and change management capability is being used to especially good effect in developing and growing the relationships with our existing local government clients. This has already resulted in appointments to support major cost reduction and transformation programmes in our partnerships with Lincolnshire, Middlesbrough and Oldham councils and we are looking at providing similar support to the council in Rochdale.

We have recently secured a further four year extension to our strategic partnership contract with Lincolnshire County Council. This brings the total extension to five years which takes the contract to 2015. We are working actively on securing another similar extension in Middlesbrough to commence when the existing contract finishes in 2011, potentially extending the commission to 2016. We are not short of opportunity in this area and, in addition to bidding a number of bundled service opportunities and outsourcing contracts, we are also assisting several local authorities with their 'soft market testing' of potential outsourced opportunities.

Although we are seeing some evidence of reduced demand for consulting services, our Management Consulting business within Government Services, which now includes Hedra, has secured several new commissions with other government and related clients. These include ongoing project management support on the National Healthy Schools programme, procurement advisory work for the National Police Improvement Agency, review of operational and service improvement opportunities for Thames Water and organisational mapping and design for the UK Skills Funding Agency. Overseas, we are working on the specification of knowledge management requirements for the Abu Dhabi government and are providing advice on setting up an electricity regulator in the UAE.

During the period, the Management Consulting business has also continued in its major long-term role supporting Computer Sciences Corporation through the provision of change and transformation consulting services around the NHS 'Connecting for Health' programme.

On 1 December 2008, we announced that we had reached financial close on the Hackney BSF contract where, with our partner Babcock, we had been preferred bidder for some months and had already successfully commenced work under 'advanced works orders'. This was also a contributory factor in the increase in revenue compared with the previous year. We are a key player in BSF client-side advisory work, and will continue to monitor opportunities in this area for management, property, ICT and education

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consultancy. We still remain cautious about taking a prime role in this market in view of the lengthy and costly procurement model.

### *Regulated Industries*

Revenue for the six months increased by 15% from £85.7 million to £98.5 million and operating margins improved from 5.3% to 7.0%. A reduction in revenue and profit from the Rail business was more than offset by the increased activity from our operations in the Gulf prior to the economic difficulties in the UAE towards the end of the last calendar year and the sudden slowdown in activity in the region, particularly in Dubai.

Overall, the market place for our services in this part of the business remains largely buoyant. Notwithstanding the current economic conditions, the indications are still that in our Water business there will be an increase in expenditure under AMP5 relative to earlier regulatory periods.

We have already commenced significant bidding activity under AMP5. During the period, we won and successfully commenced the leakage detection contract for all eight zones in Thames Water's North East and North West areas. Under the commission, we are undertaking leakage detection and associated activities across North London, covering two of Thames Water's four area networks. The contract started in September 2008 and runs to 2010, with the possibility of a further five years.

At the same time, we are bidding to renew our existing contracts or secure new commissions elsewhere, with Thames and with other major water companies, including Scottish Water, Severn Trent, South East, Southern, South West, United Utilities, Wessex and Yorkshire Water.

The Group's fortunes in Rail have been more mixed. We have continued to work extensively with London Underground, where we are still supporting CBS Outdoor with completing the roll out of its digital advertising media programme. Work has also continued during the period under the framework set up to develop schemes to reduce the temperature on London Underground's station platforms and on its trains.

With Network Rail, we have benefited during the period from the award last year of the professional services framework and property help desk contracts. We are in the closing stages of the Colchester to Clacton resignalling support contract for Network Rail. As reported previously, progress has been difficult and this has impacted both the profitability and working capital requirements for this part of the business.

Completion of the Colchester to Clacton contract will mark our withdrawal from the signalling implementation market where we have experienced an unacceptable balance between risk and reward. This will enable us to focus on a smaller but more profitable rail business, although even this is dependent on the outcome of the current re-tender of our structural examinations and inspections contracts.

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Prior to the recent economic difficulties in the Gulf and elsewhere, we had significantly grown our International business in the Middle East. This included a four-year commission to design and supervise the infrastructure, marine and landscaping works for the Dubai Waterfront development, the world's largest waterfront development, comprising 440km<sup>2</sup> of water and land developments. As a result of the funding pressures in the Middle East, particularly in Dubai, we have seen a marked slowdown during the period in both activity levels and the timing of the collection of receivables.

### *Highways*

Revenue for the period increased 15% from £103.0 million to £118.5 million, principally as a result of the HA maintenance management contract in Area 3 (Southern England) which we secured towards the end of the last financial year. At the same time, operating margins for the period improved from 7.3% to 7.6%.

Our strategy in Highways has been to progressively reposition the business away from the design of new infrastructure, initially towards the maintenance of existing assets and, more recently, towards traffic management and the related use of technology to ease congestion and get better use out of the existing road space.

There are excellent prospects for us in this area with no evidence of any reduction in expenditure on these activities by the HA. Much of the HA's spend will be on the 'Managed Motorways' programme which includes Active Traffic Management (ATM) or hard shoulder running activities. It is also likely that funds earmarked under the Government's 'Fiscal Stimulus' initiative will be directed towards this area.

We are particularly well positioned given our pioneering role in the introduction of ATM on the M42. We have been appointed project manager and designer for the first two phases of the ATM roll out elsewhere in the Birmingham area and are currently employed by the HA to develop the early stages of hard shoulder running schemes on parts of the M6, M62, M60 and M4.

Elsewhere, in the local government area, we successfully started our first parking management contract which we secured in Hillingdon last year, following the earlier acquisition of the Traffic Support software business, further reinforcing our credentials in the traffic management area.

Mobilisation and commencement of the Area 3 commission has been highly successful with the contract starting on 1 September 2008 and running for five years (extendable to seven). Area 3 is the second largest vertically integrated maintenance management contract in the country, covering 1,200 km of trunk roads and motorways (including parts of the M3, A3, A303, M4, M27 and A34) in Hampshire, Berkshire, Surrey, Oxfordshire, Buckinghamshire, Wiltshire and Dorset. Activity levels are currently higher than anticipated and in Area 3, along with other maintenance management commissions, we will benefit further from the Government's 'Fiscal Stimulus' initiative.

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We learnt during the period that we were not successful with the HA tenders in Area 7 (East Midlands), Area 9 (West Midlands) and Area 12 (Yorkshire and North Lincolnshire). Bidding for the next round of maintenance management commissions is now underway and we are in the process of pre-qualifying with Enterprise for Area 13 (Cumbria) and Area 1 (South West) where we are currently incumbent through our joint ventures with Amey and Enterprise respectively. We have decided not to tender Area 14 (North Yorkshire, Durham and Northumberland) in order to concentrate on Areas 13 and 1.

With the HA, we will also benefit from the continuing delay, given the current economic environment, in reaching financial close on the M25 DBFO commission. As a result, our existing 'Managing Agent' role for HA Area 5, which will cease when the DBFO contract starts, has been extended by four and a half months to September 2009.

Elsewhere, we are also bidding in the local authority market for a vertically integrated maintenance management contract in Oxfordshire and a professional services contract in Lincolnshire, which would further extend our activities in that county.

### **Statement of directors' responsibilities**

The Directors confirm that this condensed consolidated financial information has been prepared in accordance with IAS 34, as adopted by the European Union, and that this half-yearly management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

### **Managing risks and uncertainties**

Mouchel regularly reviews its corporate risks and maintains a risk register which considers strategic and structural risks affecting the industry; financial, commercial and legislative risks; safety, health, environmental and security risks; managerial and organisational risks; and Group-wide operational risks.

The key financial and non-financial risks faced by the Group are disclosed in the Group's Annual Report and Accounts for the year ended 31 July 2008 within the Business Review (page 34) and in note 1 of the Consolidated Financial Statements available at [www.mouchel.com](http://www.mouchel.com). The Board considers that these remain a current reflection of the risks and uncertainties facing the business. In summary, they relate to the market and economic environment, health and safety, acquisition strategy, reputation and joint ventures.

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### **People**

Mouchel has become one of the UK's largest employers in its core sectors. We currently employ almost 12,000 people, a three-fold increase over the last five years, reflecting our strong organic growth and the acquisitions we have made.

There is a strong sense of pride in a business that we believe places its people first. We want to become known as a great place to work, a place where people can make a real difference to the public services that we provide. We put a great deal of effort into those issues that underpin staff engagement; in particular, effective training, development and leadership. We aim to provide challenging and varied careers to those who seek opportunity and progression but – of equal importance – we also seek to offer security and stability to those employees who want to remain in their current roles, often focused on making improvements in the local communities in which they live and work.

Evidence of Mouchel's commitment to its people comes from our recent inclusion for the second year running in the Sunday Times 'Best Companies to Work For' league table, in which we retained our place in the Top 20 Best Big Companies rankings.

### **Board**

On 30 January 2009, we announced the appointment of Bo Lerenius to the plc board as a non-executive director. Bo is the former Group Chief Executive of Stena Line (1992 to 1998) and of Associated British Ports (1999 to 2007), where he remained a non-executive director until 31 December 2007. He is currently also a non-executive director at G4S Plc, Land Securities Group Plc and Thomas Cook Group Plc. His expertise in some of our core markets, and extensive experience generally, will be a significant benefit to the Group. Bo will succeed Richard Benton as Chairman, with effect from 1 May 2009.

Richard Benton is standing down after 11 years with the Group. He joined us as a non-executive director in 1998 and became Chairman in 2001, successfully steering Mouchel through its flotation in 2002 and subsequent merger with Parkman Group plc in 2003. Richard has made a huge contribution to the development and growth of the Group and we wish him well for the future.

## **FINANCIAL REVIEW**

### **Order book and pipeline**

At 31 January 2009, the Group's forward order book stood at £2.0 billion, broadly comparable with the £2.1 billion at 31 July 2008 and the £2.3 billion at the same point last year which means that we continue to have excellent visibility of future earnings.

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The bidding pipeline of near-term opportunities and potential contract extensions stood at £1.9 billion, again broadly similar to the £2.2 billion and £2.1 billion at the last full and half years respectively. We would expect the pipeline to benefit between now and the year end from inclusion of the next tranche of HA maintenance management commissions and the AMP5 opportunities in water.

### **Cash flow and working capital**

At 31 January 2009, net bank borrowings totalled £111.6 million versus £81.9 million at 31 July 2008 and £51.2 million at the previous half year.

At the operating cash flow level, the net cash outflow from operations was £4.2 million for the period versus a cash inflow of £2.3 million for the corresponding six months last year. Operating cash flow for the period was impacted considerably, partly by the challenges facing us in the UK rail sector, but more significantly by the sudden slowdown in the demand for infrastructure development in the Gulf, especially in Dubai, and the resulting impact on receivables.

Trade and other receivables, including unbilled revenue, increased by £36.5 million over the period, of which £20.0 million of the increase related to the Middle East. At 31 January 2009, sums due in the Middle East totalled £31.6 million of which £23.0 million related to contracts in Dubai, with the vast majority being due from the local state backed development companies. Along with other suppliers in the region, payments to us have slowed and we are in discussions with our clients around a payment schedule to settle the outstanding sums due. We expect to receive the amounts we have recognised.

Overall cash performance for the six months was also affected by the ongoing investment in the replacement of the Group's management reporting systems with a resulting marked increase in capital expenditure.

### **Banking facilities**

Since the period end, we have also agreed an amendment and restatement of the Group's banking facilities. At 31 January 2009, the Group had unsecured revolving credit facilities with Royal Bank of Scotland and Lloyds TSB totalling £185 million. Of this amount, £125 million was put in place on 1 August 2007 for a five year period expiring in August 2012 and a further £60 million was added on 4 March 2008 for an eighteen month period expiring in September 2009. Interest on both parts of the facility was charged at LIBOR, plus a margin on the ratio of net borrowings to earnings before interest, taxation, depreciation and amortisation ranging from 0.5% to 1.35%.

With effect from 30 March 2009, the Group's credit facilities were amended and restated. As a result, the Group now has facilities totalling £190 million with Royal Bank of Scotland, Lloyds TSB and Barclays. Of the £190 million, £125 million is in the form of revolving credit facilities, which reduce by £10 million in

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March each year with the remaining balances of £30 million expiring on 1 August 2012, and £65 million expiring on 31 October 2012. The balance of £65 million is in the form of a term loan which also falls due for repayment on 31 October 2012. The interest margin on the £60 million of the revolving credit facilities expiring in August 2012 has been kept at 0.5% to 1.35%, depending on gearing. The interest margin on the balance of the facilities is 2.0% to 3.5% depending on gearing.

Covenants are unchanged and comprise net debt to underlying EBITDA which must be no greater than 3.0 and fixed charge cover which must be no less than 2.0. The Group believes that these facilities provide adequate funding for the business.

### **Taxation**

The tax charge for the six months ended 31 January 2009 reflected the estimated tax rate for the full year of 25.8% (31 January 2008: 26.7%). The estimated rate for the full year reflects the benefit of additional reliefs, partly offset by the normal level of disallowable expenditure.

### **Pensions**

The Group currently operates three main defined benefit pension schemes: the Mouchel Superannuation Fund (MSF), the Mouchel Staff Pension Scheme (MSPS) and the HBS Business Services Group Pension Scheme. The Group also has admitted body status in the Teesside pre-funded defined benefit scheme.

The Group accounts for all four schemes under IAS 19 Employee Benefits. The IAS 19 charge for the six months was £3.5 million, compared with £3.2 million for the same period last year. The charge continues to benefit from the changes to the MSF and MSPS schemes, whereby most members in the non-public sector sections of the two schemes moved from a final salary arrangement to a career average revalued earnings (CARE) basis for the calculation of their pension benefits. Under this basis the link to final salary has effectively been removed for both past and future service.

At 31 January 2009, the total deficit under IAS 19 was £67.2 million compared with £32.3 million at 31 January 2008 and £34.6 million at 31 July 2008. The movement in the deficit compared with a year ago reflects actuarial experience in the intervening period, principally declining asset values.

From a funding point of view, the last actuarial valuations of all the schemes were undertaken at 31 March 2007 following which funding targets and related recovery plans have been agreed with the relevant trustees. The next valuations will now take place at 31 March 2010.

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### **Earnings per share**

Adjusted earnings per share increased 24% from 11.2p to 13.9p. Adjusted earnings per share is calculated after adding back shares held by the employee share trusts to the weighted average number of shares. Earnings are adjusted to exclude amortisation of intangible assets arising from business combinations and other exceptional items (net of taxation). Basic earnings per share was 11.0p (31 January 2008: 6.4p).

### **Dividends**

It is proposed that an interim dividend of 2.25p (2008: 1.85p) per ordinary share will be paid on 29 May 2009 to shareholders on the register as at 1 May 2009. This represents an increase of 22%, maintaining the Group's progressive dividend policy, increasing dividends broadly in line with the growth in adjusted earnings per share. 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 are very pleased with our progress during the first half. Our strategy is still to secure long-term managed service and outsourcing contracts, mainly with clients in the UK public sector and industries regulated by government.

Whilst we face challenges in a few areas, especially in Rail and where we do work outside the UK, our business model with its focus on the provision of essential services and the maintenance of vital infrastructure is proving particularly resilient in the current environment. We have taken, and will continue to take, the steps that we feel are necessary to ensure that the Group has the right cost base, both for now and for the future.

We still have good visibility of our future income and are not short of opportunities to bid for new work, both of which are evidenced by the continuing strength of our order book and bidding pipeline. We have strengthened the plc board and senior management elsewhere in the Group and have also recently renewed our bank facilities until the second half of 2012, giving us certainty of funding for the next three years.

As a result, we remain confident about our long term prospects.

On behalf of the Board

**Richard Cuthbert**

Chief Executive

31 March 2009

**Kevin Young**

Group Finance Director

## Consolidated income statement (unaudited)

For the six months ended 31 January 2009

	Notes	Results before exceptional items 6 Months to 31/01/2009 £000	Exceptional items <sup>1</sup> 6 Months to 31/01/2009 £000	Total 6 Months to 31/01/2009 £000	Results before exceptional items 6 Months to 31/01/2008 <sup>2</sup> £000	Exceptional items <sup>1</sup> 6 Months to 31/01/2008 <sup>2</sup> £000	Total 6 Months to 31/01/2008 <sup>2</sup> £000
Continuing operations:							
<b>Revenue</b>	2	<b>365,639</b>	-	<b>365,639</b>	308,144	-	308,144
Cost of sales		(298,753)	-	(298,753)	(254,535)	-	(254,535)
<b>Gross profit</b>		<b>66,886</b>	-	<b>66,886</b>	53,609	-	53,609
Administrative expenses		(42,182)	(4,686)	(46,868)	(35,443)	(7,474)	(42,917)
<b>Operating profit</b>	2	<b>24,704</b>	<b>(4,686)</b>	<b>20,018</b>	18,166	(7,474)	10,692
Interest receivable		1,203	-	1,203	1,655	-	1,655
Finance costs		(4,911)	-	(4,911)	(3,066)	-	(3,066)
<b>Profit before tax</b>		<b>20,996</b>	<b>(4,686)</b>	<b>16,310</b>	16,755	(7,474)	9,281
Taxation	4	(5,417)	1,312	(4,105)	(4,475)	2,154	(2,321)
<b>Profit for the period</b>		<b>15,579</b>	<b>(3,374)</b>	<b>12,205</b>	12,280	(5,320)	6,960
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Basic earnings per share	6			<b>11.0p</b>			6.4p
Diluted earnings per share	6			<b>10.9p</b>			6.4p

<sup>1</sup> Exceptional items include amortisation of intangible assets arising from business combinations of £4,015,000 (31 January 2008: £2,894,000; 31 July 2008: £5,651,000) and other exceptional items, detailed in note 3, of £671,000 (31 January 2008: £4,580,000; 31 July 2008: £6,799,000).

<sup>2</sup> The figures given for the six months ended 31 January 2008 are extracted from the unaudited 2008 Interim Report for the Group.

## Consolidated income statement (unaudited)

For the six months ended 31 January 2009

	Notes	Results before exceptional items 12 Months to 31/07/2008 <sup>2</sup> £000	Exceptional Items <sup>1</sup> 12 Months to 31/07/2008 <sup>2</sup> £000	Total 12 Months to 31/07/2008 <sup>2</sup> £000
Continuing operations:				
<b>Revenue</b>	2	656,743	-	656,743
Cost of sales		(542,379)	-	(542,379)
<b>Gross profit</b>		114,364	-	114,364
Administrative expenses		(72,649)	(12,450)	(85,099)
<b>Operating profit</b>	2	41,715	(12,450)	29,265
Interest receivable		4,756	-	4,756
Finance costs		(7,708)	-	(7,708)
<b>Profit before tax</b>		38,763	(12,450)	26,313
Taxation	4	(10,338)	3,577	(6,761)
<b>Profit for the year</b>		28,425	(8,873)	19,552
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Basic earnings per share	6			17.9p
Diluted earnings per share	6			17.7p

<sup>1</sup> Exceptional items include amortisation of intangible assets arising from business combinations of £4,015,000 (31 January 2008: £2,894,000; 31 July 2008: £5,651,000) and other exceptional items, detailed in note 3, of £671,000 (31 January 2008: £4,580,000; 31 July 2008: £6,799,000).

<sup>2</sup> The figures given for the six months ended 31 January 2008 are extracted from the unaudited 2008 Interim Report for the Group and the figures given for the year ended 31 July 2008 are extracted from the audited 2008 Annual Report for the Group.

## Consolidated balance sheet (unaudited)

As at 31 January 2009

	Notes	31/01/2009 £000	31/01/2008 <sup>1</sup> £000	31/07/2008 <sup>1</sup> £000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		118,969	89,875	118,121
Other intangible assets		69,959	52,907	71,488
Property, plant and equipment		22,164	17,223	18,094
Deferred tax assets		30,680	16,650	21,926
Financial instruments	8	-	844	337
		<b>241,772</b>	<b>177,499</b>	<b>229,966</b>
<b>Current assets</b>				
Unbilled revenue		84,204	52,840	52,633
Trade and other receivables		122,972	101,938	110,767
Assets held for sale	7	3,984	3,984	3,984
Cash and cash equivalents	10	32,534	35,006	51,792
		<b>243,694</b>	<b>193,768</b>	<b>219,176</b>
<b>Current liabilities</b>				
Bank overdrafts	10	(364)	-	-
Borrowings	8	(59,682)	-	(1,165)
Trade and other payables		(123,010)	(107,366)	(119,061)
Current tax liabilities		(16,426)	(12,619)	(12,857)
Retirement benefit obligations	11	(1,138)	(418)	(636)
		<b>(200,620)</b>	<b>(120,403)</b>	<b>(133,719)</b>
<b>Net current assets</b>		<b>43,074</b>	<b>73,365</b>	<b>85,457</b>
<b>Non-current liabilities</b>				
Borrowings	8	(85,847)	(85,579)	(134,827)
Trade and other payables		(2,015)	(13,130)	(2,126)
Financial instruments	8	(5,429)	-	-
Provisions for liabilities and charges		(11,115)	-	(10,533)
Deferred tax liabilities		(13,993)	(11,555)	(15,122)
Retirement benefit obligations	11	(66,023)	(31,929)	(33,925)
		<b>(184,422)</b>	<b>(142,193)</b>	<b>(196,533)</b>
<b>Net assets</b>		<b>100,424</b>	<b>108,671</b>	<b>118,890</b>
<b>EQUITY</b>				
Share capital		280	274	279
Share premium		27,814	27,109	27,180
Other reserves		21,170	13,210	22,379
Retained earnings		51,160	68,078	69,052
<b>Total equity</b>	12	<b>100,424</b>	<b>108,671</b>	<b>118,890</b>

<sup>1</sup> The figures given for the six months ended 31 January 2008 are extracted from the unaudited 2008 Interim Report for the Group and the figures given for the year ended 31 July 2008 are extracted from the audited 2008 Annual Report for the Group.

## Consolidated cash flow statement (unaudited)

For the six months ended 31 January 2009

	Notes	6 months to 31/01/2009 £000	6 months to 31/01/2008 <sup>1</sup> £000	12 months to 31/07/2008 <sup>1</sup> £000
<b>Cash flows from operating activities</b>				
Cash generated from operations before exceptional costs	9	(4,207)	2,310	37,995
Exceptional costs		(671)	(3,601)	(6,799)
<b>Cash generated from operations</b>	9	<b>(4,878)</b>	<b>(1,291)</b>	<b>31,196</b>
Interest element of finance lease payments		(26)	-	(70)
Interest element of other loan repayments		(107)	-	(276)
Taxation paid (net)		(44)	(466)	(1,804)
<b>Net cash from operating activities</b>		<b>(5,055)</b>	<b>(1,757)</b>	<b>29,046</b>
<b>Cash flows from investing activities</b>				
Acquisitions of subsidiaries (net of cash acquired)		-	(31,202)	(71,770)
Investment in joint venture entities		(20)	(250)	(250)
Proceeds from sale of property, plant and equipment		-	410	412
Purchase of property, plant and equipment		(7,959)	(4,833)	(9,590)
Purchase of intangible assets – software		(4,683)	(2,536)	(4,744)
Special contributions to defined benefit pension schemes		(4,233)	(7,863)	(20,250)
Interest received		1,203	1,649	2,430
Finance costs paid		(3,420)	(1,688)	(3,707)
<b>Net cash used in investing activities</b>		<b>(19,112)</b>	<b>(46,313)</b>	<b>(107,469)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from issue of ordinary share capital		635	645	716
Sale of own shares by employee share trusts		18	290	309
Dividends paid to shareholders	5	(4,692)	(3,729)	(5,766)
Loan facility drawn down, net of loan issue costs		10,000	85,512	132,647
Other loan payments		(572)	-	(806)
Loan to related party		(1,445)	(1,950)	321
Finance lease principal payments		(55)	(635)	(159)
<b>Net cash generated from financing activities</b>		<b>3,889</b>	<b>80,133</b>	<b>127,262</b>
Effects of exchange rate changes		656	112	122
<b>Net (decrease)/ increase in cash and cash equivalents net of bank overdrafts</b>		<b>(19,622)</b>	<b>32,175</b>	<b>48,961</b>
Cash and cash equivalents net of bank overdrafts at 1 August		51,792	2,831	2,831
<b>Cash and cash equivalents net of bank overdrafts at 31 January and 31 July</b>	10	<b>32,170</b>	<b>35,006</b>	<b>51,792</b>

<sup>1</sup> The figures given for the six months ended 31 January 2008 are extracted from the unaudited 2008 Interim Report for the Group and the figures given for the year ended 31 July 2008 are extracted from the audited 2008 Annual Report for the Group.

**Consolidated statement of recognised income and expense (unaudited)**

For the six months ended 31 January 2009

	Notes	6 months to 31/01/2009 £000	6 months to 31/01/2008 <sup>1</sup> £000	12 months to 31/07/2008 <sup>1</sup> £000
Profit for the period/year		12,205	6,960	19,552
Differences on exchange		4,539	(212)	318
Loss on sale of own shares held in employee share trusts		-	(284)	(284)
Tax relief on shares issued to employees		113	245	196
Changes in fair value of cash flow hedges	8	(5,766)	844	337
Deferred tax on movement in pension scheme valuations	11	10,317	(830)	6,586
Actuarial loss on pension scheme valuations	11	(36,846)	(6,165)	(23,372)
Net losses not recognised in Income Statement		(27,643)	(6,402)	(16,219)
<b>Total recognised (loss)/income for the period/year</b>		<b>(15,438)</b>	<b>558</b>	<b>3,333</b>

<sup>1</sup> The figures given for the six months ended 31 January 2008 are extracted from the unaudited 2008 Interim Report for the Group and the figures given for the year ended 31 July 2008 are extracted from the audited 2008 Annual Report for the Group.

**Notes to the preliminary financial statements (unaudited)**

For the six months ended 31 January 2009

**1 Basis of preparation**

This condensed interim consolidated financial information, which is unaudited for the six months ended 31 January 2009, has been prepared in accordance with the Listing Rules of the Financial Services Authority. It has also been prepared in accordance with the accounting policies the Group expects to adopt in its 2009 Annual Report and unless stated are consistent with those adopted in the consolidated financial statements for the year ended 31 July 2008. These accounting policies are based on the EU-adopted International Financial Reporting Standards (IFRS's) 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 2009, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

This interim financial information 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 2008 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 (section 498 of the Companies Act 2006). The Group Report and Accounts for the year ended 31 July 2008 have been filed with the Registrar of Companies.

This consolidated financial information for the six months ended 31 January 2009 has been prepared in accordance with IAS 34, 'Interim financial reporting', as adopted by the European Union.

The interim financial information has been prepared under the historical cost convention except for the following items: land and buildings are valued at deemed cost and share based payments, cash flow hedges and retirement benefit obligations are fair valued.

**2 Segmental analysis**

**Primary segment information – business segments**

Analysis of results by business segment is as follows:

<b>6 months to 31 January 2009</b>	<b>Government Services £000</b>	<b>Regulated Industries £000</b>	<b>Highways £000</b>	<b>Total Group £000</b>
Total revenue	150,859	112,997	136,231	400,087
Inter-segment revenue	(2,229)	(14,502)	(17,717)	(34,448)
<b>Total external revenue</b>	<b>148,630</b>	<b>98,495</b>	<b>118,514</b>	<b>365,639</b>
Underlying operating profit <sup>1</sup>	8,754	6,893	9,057	24,704
Amortisation of intangible assets arising from business combinations	(2,494)	(417)	(1,104)	(4,015)
Other exceptional items				(671)
Operating profit				20,018
Interest receivable				1,203
Finance costs				(4,911)
Profit before tax				16,310
Taxation				(4,105)
<b>Profit for the period</b>				<b>12,205</b>

<sup>1</sup> Underlying operating profit is before amortisation of intangible assets arising from business combinations of £4,015,000 (31 January 2008: £2,894,000; 31 July 2008: £5,651,000) and other exceptional items, detailed in note 3, of £671,000 (31 January 2008 £4,580,000; 31 July 2008 £6,799,000).

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## 2 Segmental analysis (continued)

### Primary segment information – business segments (continued)

Analysis of results by business segment is as follows:

6 months to 31 January 2008	Government Services £000	Regulated Industries £000	Highways £000	Total Group £000
Total revenue	121,055	94,877	121,854	337,786
Inter-segment revenue	(1,644)	(9,134)	(18,864)	(29,642)
Total external revenue	119,411	85,743	102,990	308,144
Underlying operating profit <sup>1</sup>	6,167	4,502	7,497	18,166
Amortisation of intangible assets arising from business combinations	(994)	(929)	(971)	(2,894)
Other exceptional items				(4,580)
Operating profit				10,692
Interest receivable				1,655
Finance costs				(3,066)
Profit before tax				9,281
Taxation				(2,321)
Profit for the period				6,960
12 months to 31 July 2008	Government Services £000	Regulated Industries £000	Highways £000	Total Group £000
Total revenue	273,635	192,148	255,971	721,754
Inter-segment revenue	(6,563)	(23,715)	(34,733)	(65,011)
Total external revenue	267,072	168,433	221,238	656,743
Underlying operating profit <sup>1</sup>	14,428	10,720	16,567	41,715
Amortisation of intangible assets arising from business combinations	(1,876)	(1,668)	(2,107)	(5,651)
Other exceptional items				(6,799)
Operating profit				29,265
Interest receivable				4,756
Finance costs				(7,708)
Profit before tax				26,313
Taxation				(6,761)
Profit for the year				19,552

<sup>1</sup> Underlying operating profit is before amortisation of intangible assets arising from business combinations of £4,015,000 (31 January 2008: £2,894,000; 31 July 2008 £5,651,000), and other exceptional items, detailed in note 3, of £671,000 (31 January 2008 £4,580,000; 31 July 2008 £6,799,000).

## 2 Segmental analysis (continued)

### 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:

	<b>6 months to 31/01/2009 £000</b>	6 months to 31/01/2008 £000	12 months to 31/07/2008 £000
United Kingdom	<b>325,119</b>	296,130	621,271
Middle East	<b>38,053</b>	10,390	32,084
Ireland and other overseas	<b>2,467</b>	1,624	3,388
<b>Total revenue</b>	<b>365,639</b>	308,144	656,743

## 3 Exceptional items

	<b>6 months to 31/01/2009 £000</b>	6 months to 31/01/2008 £000	12 months to 31/07/2008 £000
Costs associated with change in retirement benefit obligations <sup>1</sup>	-	-	(150)
Integration and transition costs <sup>2</sup>	-	(4,223)	(5,811)
Rebrand costs <sup>3</sup>	-	(357)	(838)
Sale of freehold property and relocation costs <sup>4</sup>	<b>(671)</b>	-	-
Other exceptional items	<b>(671)</b>	(4,580)	(6,799)
Amortisation of intangible assets arising from business combinations <sup>5</sup>	<b>(4,015)</b>	(2,894)	(5,651)
<b>Total exceptional items</b>	<b>(4,686)</b>	(7,474)	(12,450)

1. During the year ended 31 July 2007 the Group conducted a review of the benefits provided under the Mouchel Superannuation Fund and the Mouchel Staff Pension Scheme ('the schemes'). Following consultation with members of the main sections of the schemes the pension ultimately payable to an individual will be based on their average revalued earnings, calculated over the period of pensionable service (career average revalued earnings or CARE) rather than their salary in the period immediately preceding retirement (final salary). The averaging of salary described above will take place only for future periods of service.

2. The integration and transition costs arose as a result of the acquisition of HBS Business Services Group Limited (renamed Mouchel Business Services Limited (MBS)) and Hedra plc (renamed Mouchel Management Consultancy Limited (MCL)). The integration of MBS and MCL has resulted in a small number of staff redundancies, the closure of a loss making business and other transition costs.

3. Rebrand costs are the costs associated with the change in name of the Group from Mouchel Parkman plc to Mouchel Group plc in December 2007.

4. As referred to in note 7, the Group has, subsequent to the balance sheet date, sold its freehold property. Staff and equipment were relocated to new leasehold premises prior to completion and the operating costs of the premises and costs associated with the move are disclosed above.

5. The Group treats the amortisation of intangible assets arising from business combinations as exceptional costs.

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## 4 Taxation

The tax charge for the six months ended 31 January 2009 reflects the estimated tax rate for the full year of 25.8% (31 January 2008: 26.7%).

## 5 Dividends

Amounts recognised as distributions to ordinary shareholders in the period:

	<b>6 months to 31/01/2009 £000</b>	6 months to 31/01/2008 £000	12 months to 31/07/2008 £000
Final paid in respect of the previous year 4.25p (2008: 3.45p)	<b>4,774</b>	3,796	3,796
Interim paid in respect of the financial year ended 31 July 2008 1.85p	-	-	2,074
Less: dividend waived by employee share ownership trusts	<b>(82)</b>	(67)	(104)
<b>Total dividends paid</b>	<b>4,692</b>	3,729	5,766

In addition, the Directors are proposing an interim dividend for the six months ended 31 January 2009 of 2.25p (31 January 2008: 1.85p) per share which will absorb an estimated £2,485,000 (31 January 2008: £2,000,000) of shareholders' funds. It will be paid on 29 May 2009 to shareholders who are on the register of members as at 1 May 2009.

## 6 Earnings per share

	<b>6 months to 31/01/2009</b>	6 months to 31/01/2008	12 months to 31/07/2008
Basic earnings per share	<b>11.0p</b>	6.4p	17.9p
Diluted earnings per share	<b>10.9p</b>	6.4p	17.7p
Adjusted earnings per share	<b>13.9p</b>	11.2p	25.7p

	<b>6 months to 31/01/2009 £000</b>	6 months to 31/01/2008 £000	12 months to 31/07/2008 £000
Profit for the period/year	<b>12,205</b>	6,960	19,552
<b>Earnings for basic and diluted earnings per share</b>	<b>12,205</b>	6,960	19,552
Adjustments:			
Other exceptional costs (net of taxation)	<b>483</b>	3,236	4,804
Amortisation of intangible assets arising from business combinations (net of taxation)	<b>2,891</b>	2,084	4,069
<b>Earnings for adjusted earnings per share</b>	<b>15,579</b>	12,280	28,425

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## 6 Earnings per share (continued)

	6 months to 31/01/2009 Number 000s	6 months to 31/01/2008 Number 000s	12 months to 31/07/2008 Number 000s
Weighted average number of ordinary shares	110,974	108,600	109,418
Dilutive share options	1,127	625	620
Dilutive Save As You Earn schemes	9	210	233
<b>Diluted weighted average number of ordinary shares</b>	<b>112,110</b>	<b>109,435</b>	<b>110,271</b>
Weighted average number of ordinary shares	110,974	108,600	109,418
Average number of shares held by the employee share trusts	1,921	1,972	1,953
Share options (shares held in the employee share trusts) matured in respect of executive share option schemes	(574)	(559)	(559)
<b>Adjusted weighted average number of ordinary shares</b>	<b>112,321</b>	<b>110,013</b>	<b>110,812</b>

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 336.10p (31 January 2008: 437.25p; 31 July 2008: 428.13p).

Adjusted earnings per share is calculated after adding back shares held by the employee share trusts to the weighted average number of shares. Earnings are adjusted to exclude amortisation of intangible assets arising from business combinations and other exceptional items (net of taxation). The Directors believe that this additional measure provides a better indicator of the underlying trends in the business.

## 7 Assets held for sale

In the prior year the Group agreed to sell the freehold property, and completion took place in March 2009. The sale proceeds exceeded the carrying value.

## 8 Borrowings

On 1 August 2007, an unsecured revolving credit facility of £125 million was put in place jointly with Royal Bank of Scotland and Lloyds TSB. On 4 March 2008 the Group extended its credit facility to £185 million to fund the acquisition of Hedra plc. Between 2 August 2007 and 31 January 2009 amounts totalling £143.74 million were drawn down. The facilities mature in August 2012 and September 2009 respectively. Interest is being charged at LIBOR plus a margin on the ratio of net borrowings to earnings before interest, taxation, depreciation and amortisation. This ranges from 0.5% to 1.35%.

MBS has existing secured loans which are repayable in instalments over five years. Interest is charged at 6.84% on the first loan and 7.44% on the second loan per annum.

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## 8 Borrowings (continued)

Loans are repayable as follows:

	31/01/2009 £000	31/01/2008 £000	31/07/2008 £000
Obligations due within one year	59,682	-	1,165
Obligations due between one and two years	1,115	-	48,671
Obligations due between two and five years	85,546	86,240	87,079
<b>Total loans due</b>	<b>146,343</b>	<b>86,240</b>	<b>136,915</b>
Loan issue costs incurred	(1,093)	(728)	(1,093)
Amortisation of loan issue costs	279	67	170
<b>Total borrowings</b>	<b>145,529</b>	<b>85,579</b>	<b>135,992</b>
Non bank borrowings and issue costs	(1,789)	661	(2,252)
Cash and cash equivalents net of bank overdrafts (note 10)	(32,170)	(35,006)	(51,792)
<b>Net bank borrowings</b>	<b>111,570</b>	<b>51,234</b>	<b>81,948</b>

These facilities were amended and restated in March 2009, as disclosed in note 14, Post Balance Sheet Events such that if these facilities had been signed prior to 31 January 2009 then only £1.2 million would be repayable within one year; with £1.0 million moving to between one and two years, and £57.5 million moving to between two and five years.

Loan issue costs of £1,093,000 have been capitalised and are being amortised over the life of the loan.

On 17 December 2007, the Group entered into agreements to partially hedge against the interest rate risk on the revolving credit facility above. On 14 November 2008, a further hedge against interest rate risk was taken out. At 31 January 2009, the total fair value of the hedges was a liability of £5,429,000 (31 January 2008: asset of £844,000; 31 July 2008: asset of £337,000).

The Group has complied with its banking facility covenants during the period.

## 9 Cash generated from operations

	6 months to 31/01/2009 £000	6 months to 31/01/2008 £000	12 months to 31/07/2008 £000
Profit for the year/period	12,205	6,960	19,552
Adjustments for:			
- Income tax expense	4,105	2,321	6,761
- Depreciation	4,240	3,797	7,731
- Profit/(loss) on disposal of property, plant and equipment	-	(33)	4
- Amortisation of intangible assets – arising from business combinations	4,015	2,894	5,651
– software and other acquired intangibles	2,197	1,988	4,039
- Other exceptional costs	671	4,580	6,799
- Interest receivable	(1,203)	(1,655)	(4,756)
- Finance costs	4,911	3,066	7,708
- Other non-cash movement	(3,489)	(3,105)	-
Changes in working capital			
- Increase in trade and other receivables including unbilled revenue	(36,549)	(19,187)	(16,915)
- Increase in trade and other payables	4,690	684	1,421
<b>Cash generated from operations before exceptional items</b>	<b>(4,207)</b>	<b>2,310</b>	<b>37,995</b>
Exceptional items	(671)	(3,601)	(6,799)
<b>Cash generated from operations</b>	<b>(4,878)</b>	<b>(1,291)</b>	<b>31,196</b>

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## 10 Cash and cash equivalents net of bank overdrafts

	31/01/2009 £000	31/01/2008 £000	31/07/2008 £000
Cash and cash equivalents	32,534	35,006	51,792
Bank overdrafts	(364)	-	-
<b>Cash and cash equivalents net of bank overdrafts</b>	<b>32,170</b>	<b>35,006</b>	<b>51,792</b>

Of the above cash balances £16,446,000 is restricted by virtue of it being held within our joint ventures (31 January 2008: £13,704,000; 31 July 2008: £14,838,000).

## 11 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.

### a Schemes accounted for on a defined contribution basis

The Legal and General GPP Scheme, Parkman Defined Contribution Scheme and the Parkman Ireland Pension Scheme (DC section) are defined contribution schemes. Upon the acquisition of HBS Business Services Group Limited (MBS) and Hedra plc, the Group became responsible for their defined contribution schemes.

Some employees who transferred to the Group under the Transfer of Undertakings (Protection of Employment) Regulations (1981) as amended (TUPE) remain members of their previous schemes, which are pre-funded defined benefit schemes. Where under the terms of the contracts, the defined benefit liability remains with the relevant council, the Group accounts for these schemes as defined contribution schemes. Cash contributions are recognised as pension costs and no asset or liability is shown on the balance sheet.

### b Schemes accounted for on a defined benefit basis

The HBS Business Services Group Limited Pension Scheme, the Mouchel Superannuation Fund (MSF) and the Mouchel Staff Pension Scheme (MSPS) are funded defined benefit schemes and are disclosed as Group schemes in the tables below. In addition, MBS has admitted body status in the Teesside pre-funded defined benefit scheme as employees of MBS who were previously employed by the local council remain members of the Teesside Pension Fund. The assets and liabilities of this scheme are identified under retirement benefit obligations on the balance sheet and disclosed as third party schemes below.

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

	Group schemes 31/01/2009 £000	Third party schemes 31/01/2009 £000	Total 31/01/2009 £000
Retirement benefit obligation at 1 August 2008	(27,762)	(6,799)	(34,561)
Service cost	(2,911)	(849)	(3,760)
Net interest income	201	99	300
Company contributions	6,967	739	7,706
Movement in unpaid contributions at the period end	-	-	-
Actuarial loss	(29,597)	(7,249)	(36,846)
<b>Retirement benefit obligation at 31 January 2009</b>	<b>(53,102)</b>	<b>(14,059)</b>	<b>(67,161)</b>
Current liability	(1,138)	-	(1,138)
Non-current liability	(51,964)	(14,059)	(66,023)
<b>Total liability in the balance sheet as above</b>	<b>(53,102)</b>	<b>(14,059)</b>	<b>(67,161)</b>

## 11 Retirement benefit obligations (continued)

### b Schemes accounted for on a defined benefit basis (continued)

The amounts recognised in the income statement are as follows:

	6 months to 31/01/2009 £000	6 months to 31/01/2008 <sup>†</sup> £000	12 months to 31/07/2008 <sup>†</sup> £000
Current service cost	3,760	4,231	8,120
Interest cost	10,139	8,744	17,419
Expected return on plan assets	(10,439)	(9,740)	(20,337)
<b>Total recognised in the income statement</b>	<b>3,460</b>	<b>3,235</b>	<b>5,202</b>

Of the amount recognised in the income statement, £373,000 (31 January 2008: £419,000; 31 July 2008: £805,000) has been included in administrative expenses and £3,387,000 (31 January 2008: £3,812,000; 31 July 2008: £7,315,000) has been included in cost of sales. The net amount of interest income of £10,439,000 (31 January 2008: £9,740,000; 31 July 2008: £20,337,000) and interest cost of £10,139,000 (31 January 2008: £8,744,000; 31 July 2008: £17,419,000) has been included in finance income.

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

	Group Schemes 31/01/2009 £000	Third party schemes 31/01/2009 £000	<b>Total 31/01/2009 £000</b>
Actual return less expected return on pension scheme assets	(40,941)	(10,820)	<b>(51,761)</b>
Experience gains and losses arising on the scheme liabilities	(811)	-	<b>(811)</b>
Effect of changes in assumptions on the present value of scheme liabilities	12,155	3,571	<b>15,726</b>
Deferred tax on movement in scheme deficits	8,287	2,030	<b>10,317</b>
<b>Total recognised in the statement of recognised income and expense</b>	<b>(21,310)</b>	<b>(5,219)</b>	<b>(26,529)</b>

For the three principal defined benefit schemes that the Group is now responsible for, 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.

All schemes are closed to new entrants except for employees transferring to the Group under TUPE, 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 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 for all of the schemes was March 2007.

# Mouchel Group plc

## 11 Retirement benefit obligations (continued)

### b Schemes accounted for on a defined benefit basis (continued)

The key assumptions used in valuing the retirement benefit obligation at the end of the period were:

	31/01/09 %	31/01/08 %	31/07/08 %
Discount rate	<b>6.6/6.5</b>	6.1/6.0	6.6/6.5
Expected rate of increase in pensionable salaries	<b>5.3/5.0</b>	5.0/5.6	5.6/5.3
Expected rate of increase in pensions in payment	<b>3.3/3.5</b>	3.2/3.6	3.6/3.8
Expected rate of price inflation	<b>3.3/3.5</b>	3.2/3.6	3.6/3.8

Note: data for Group schemes is given first, followed by data for third party schemes

	31/01/09 Years	31/01/08 Years	31/07/08 Years
Life expectancy at age 65:			
Current pensioners: male	<b>87.0/87.0</b>	85.6/85.6	87.0/87.0
female	<b>89.9/89.9</b>	88.5/88.5	89.8/89.8
Future pensioners: male	<b>88.1/88.1</b>	87.1/87.1	88.1/88.1
female	<b>90.9/90.9</b>	90.1/90.1	90.9/90.9

Note: data for Group schemes is given first, followed by data for third party schemes

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

	%
Equities	<b>8.9/8.9</b>
Bonds, gilts and cash	<b>4.9/4.9</b>
Property	<b>7.4/8.4</b>

Note: data for Group schemes is given first, followed by data for third party schemes

# Mouchel Group plc

## 12 Consolidated statement of changes in equity

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 August 2007	274	26,464	12,845	70,725	110,308
Loss on sale of own shares held in employee share trusts	-	-	-	(284)	(284)
Tax relief on shares issued to employees	-	-	-	245	245
Actuarial loss on pension scheme valuations	-	-	-	(6,165)	(6,165)
Deferred tax on pension scheme valuations	-	-	-	(830)	(830)
Changes in fair value of cash flow hedges	-	-	-	844	844
Currency translation differences	-	-	(212)	-	(212)
Net expense recognised directly in equity	-	-	(212)	(6,190)	(6,402)
Profit for the period	-	-	-	6,960	6,960
Total recognised income and expense	-	-	(212)	770	558
Employee share option schemes:					
- proceeds from shares issued	-	645	-	-	645
- sale of own shares by employee share trusts	-	-	577	-	577
Share based payments	-	-	-	312	312
Dividends	-	-	-	(3,729)	(3,729)
Balance at 31 January 2008	274	27,109	13,210	68,078	108,671
<b>Balance at 1 August 2008</b>	<b>279</b>	<b>27,180</b>	<b>22,379</b>	<b>69,052</b>	<b>118,890</b>
Tax relief on shares issued to employees	-	-	-	113	113
Actuarial loss on pension scheme valuations	-	-	-	(36,846)	(36,846)
Deferred tax on pension scheme valuations	-	-	-	10,317	10,317
Changes in fair value of cash flow hedges	-	-	(5,766)	-	(5,766)
Currency translation differences	-	-	4,539	-	4,539
Net expense recognised directly in equity	-	-	(1,227)	(26,416)	(27,643)
Profit for the period	-	-	-	12,205	12,205
<b>Total recognised income and expense</b>	<b>-</b>	<b>-</b>	<b>(1,227)</b>	<b>(14,211)</b>	<b>(15,438)</b>
Employee share option schemes:					
- proceeds from shares issued	1	634	-	-	635
- sale of own shares by employee share trusts	-	-	18	-	18
Share based payments	-	-	-	1,011	1,011
Dividends	-	-	-	(4,692)	(4,692)
<b>Balance at 31 January 2009</b>	<b>280</b>	<b>27,814</b>	<b>21,170</b>	<b>51,160</b>	<b>100,424</b>

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## 13 Contingent liabilities

Contingent liabilities at 31 January 2009 in respect of guarantees and indemnities in the normal course of business totalled £29,807,000 (31 January 2008: £25,461,000; 31 July 2008: £24,080,000).

In addition, bank overdrafts of subsidiaries were guaranteed at 31 January 2009 up to £5,785,000 (31 January 2008: £5,709,000; 31 July 2008: £5,709,000); the amount overdrawn at that time being £364,000 (31 January 2008: £nil; 31 July 2008: £nil).

The Company and several of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. Provisions are maintained by the Group having regard to the size and nature of the claims and the Group's best estimate of the likely settlement. The Directors do not believe that the outcome of these proceedings, actions and claims, either individually or in aggregate, will have a materially adverse affect upon the Group's financial position.

## 14 Post balance sheet events

### a. Credit Facility

With effect from 30 March 2009, the Group's credit facilities were amended and restated. As a result, the Group now has facilities totalling £190 million with Royal Bank of Scotland, Lloyds TSB and Barclays. Of the £190 million, £125 million is in the form of revolving credit facilities, which reduce by £10 million in March each year, with the remaining balances of £30 million expiring on 1 August 2012, and £65 million expiring on 31 October 2012. The balance of £65 million is in the form of a term loan which also falls due for repayment on 31 October 2012.

### b. Sale of freehold property

On 3 March 2009, the sale of West Hall; the Group's freehold property was completed for proceeds exceeding the value of assets held for sale.

## 15 Related party transactions

The following transactions were undertaken with the joint venture entities to which the Group is party:

	<b>6 months to 31/01/2009 £000</b>	6 months to 31/01/2008 £000	12 months to 31/07/2008 £000
Sales to joint ventures	<b>9,883</b>	10,523	15,708
Purchases from joint ventures	<b>510</b>	1,036	1,863
Net amount due to the Group at the period end	<b>6,270</b>	9,883	7,502

Loans to related parties:

	<b>6 months to 31/01/2009 £000</b>	6 months to 31/01/2008 £000	12 months to 31/07/2008 £000
Balance at 1 August	<b>1,144</b>	1,479	1,479
Loans advanced during the period	<b>1,470</b>	1,950	3,580
Loan repayments received	<b>(25)</b>	-	(3,926)
Interest charged on loans	<b>3</b>	6	11
Balance at the end of the period	<b>2,592</b>	3,435	1,144

The loans to related parties are to joint venture companies.

The Group made contributions (including deficit funding) of £7,706,000 to the defined benefit pension schemes during the period (31 January 2008: £12,365,000; 31 July 2008: £25,452,000).

Compensation paid to key management of the Group was £1,075,000 for the six months (31 January 2008: £887,000; 31 July 2008: £2,197,000).

## **Independent review report to Mouchel Group plc**

### **Introduction**

We have been engaged by the company to review the condensed consolidated financial information in the half-yearly financial report for the six months ended 31 January 2009 which comprises the income statement, balance sheet, statement of recognised income and expense, cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency 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.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

### **PricewaterhouseCoopers LLP**

Chartered Accountants  
31 March 2009  
London

### **Notes**

a) The maintenance and integrity of the Mouchel Group plc website 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 financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.