



building great relationships

Our proposition

Mouchel's business is built upon great relationships – with our customers, our partners, our people and with society.

Mouchel is a consulting and business services group that provides many of the design, management and operational skills needed to deliver the UK's essential public infrastructure and services. Mouchel works with the public sector and industries regulated by government to provide safer, more reliable roads and railways, effective education and municipal infrastructure, clean water, and efficient back-office support. We develop solutions to dispose of waste, to make energy greener, and to regenerate urban communities.

Mouchel's new brand comes with a commitment – to bring a fresh, new and different perspective in the markets where we operate. We aim to go the extra mile for our clients, to keep our promises to our people, to influence the debate on matters in which we are expert, and to make a difference to society.

01	Highlights	12	Consolidated Statement of Recognised Income and Expense
02	Business Review	13	Notes to the Interim Financial Statements
06	Financial Review	23	Independent Review Report
08	Consolidated Income Statement	24	Shareholder Information
10	Consolidated Balance Sheet		
11	Consolidated Cash Flow Statement		



Highlights

Financial highlights:

- Record half-year revenue growth of 49%, increasing sales to £308.1 million and strong organic revenue growth of 17%;
- Underlying operating profit¹ up 28% to £18.2 million. Operating margins down from 6.9% to 5.9% following acquisition of HBS;
- Continuing excellent visibility of future earnings with contract wins and extensions secured increasing forward order book to record level of £2.3 billion. Bidding pipeline at £2.1 billion.

	2008	2007
Revenue	£308.1m	£206.4m
Underlying operating profit ¹	£18.2m	£14.2m
Operating margins ¹	5.9%	6.9%
Profit before tax and exceptional items ¹	£16.8m	£14.3m
Profit before tax	£9.3m	£13.6m
Adjusted earnings per share ²	11.2p	9.3p
Basic earnings per share	6.4p	8.9p
Dividend per share	1.85p	1.55p

1 Operating margins, underlying operating profits and profit before tax and exceptional items are before amortisation of intangible assets arising from business combinations of £2.9m (31 January 07: £0.7m; 31 July 07: £2.4m), the net gain arising on retirement benefit plan changes of £nil (31 January 07: £nil; 31 July 07: £18.2m) and other exceptional items of £4.6m (31 January 07: £nil; 31 July 07: £nil).

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 adjusting earnings for exceptional items (net of taxation).

Business highlights:

- Excellent tendering performance maintained, with contract win-rate again at the top end of the Group's target range of 33% to 40% of contracts tendered by value;
- Acquired public sector management consultancy business Hedra (5 March 2008), extending Mouchel's strategic consulting and transformation expertise in local and central government sectors and regulated industries;
- Appointed, through the AccordMP joint venture, to undertake the Highways Agency Super Agency maintenance and network management commission in Southern England (Area 3);
- Secured extensions to highways contract with Hertfordshire County Council and bundled services contract with Lincolnshire County Council;
- Appointed as preferred bidder, and now in the closing stages of negotiating contract for, the Group's first Building Schools for the Future (BSF) commission in the London Borough of Hackney;
- Acquired HBS Business Services Ltd in August 2007; integration proceeding well with synergies of £3.0 million per annum identified;
- Named by the Sunday Times as one of the '20 Best Big Companies to Work For' in the UK in 2008; and
- Established the new Mouchel Group brand across the business.

Business Review



Business process outsourcing (BPO) provider, HBS Business Services Group Limited was acquired in August 2007, enhancing Mouchel's business proposition in the local government sector.

Introduction

Mouchel has enjoyed another period of strong trading, delivering excellent performance across the business and making further progress in line with our Corporate Plan. Our integration plan for the HBS Business Services Group Ltd (HBS), acquired last summer, is on track and now forms part of our enlarged Government and Business Services business. During the first half of 2007/08 we have converted a number of high profile opportunities into firm orders and we completed the re-branding of the business according to plan. As ever, strong relationships with our customers have been important and we have negotiated several important contract extensions with some of our long-term clients.

Trading results

The six months ended 31 January 2008 was another period of significant growth in revenue and underlying profits.

Revenue increased by 49% to £308.1 million, compared with the same period last year, partly driven by the acquisition of HBS in August 2007 and partly as a result of the full-period impact of Traffic Support, Ewan Group and Hornagold & Hills, all of which were acquired in November 2006, part way through the first six months of our last financial year. Excluding the impact of acquisitions, revenue increased by 17% versus the first half of 2006/07, maintaining the strong organic growth of recent years.

Profit before tax and exceptional items rose 17% from £14.3 million to £16.8 million. At the same time, as expected, operating margins reduced from 6.9% to 5.9% reflecting the initial impact of the HBS acquisition at the beginning of the financial year. In future periods, we expect to continue to make progress towards our medium term target of 8% margins for the Group taken as a whole.

Excluding the acquisition of HBS, margins improved across the business with the exception of rail, where the profitability of some of our activities continues to be relatively low.

Profit before tax after exceptional items was £9.3 million, compared with £13.6 million for the first half last year. This included amortisation of intangible assets arising from business combinations of £2.9 million (31 January 2007: £0.7 million). It also included one-off costs totalling £4.6 million associated with the integration and transition of the HBS business following its acquisition in August 2007. We now expect that the annual value of the synergies identified as a result of the HBS deal will total around £3.0 million in future years, versus the £2.5 million previously anticipated.

Strategy

Our stated strategy is to build a business that provides a mix of consulting and longer term business services, focused on the UK public sector and in industries regulated by government. We believe that this strategy will continue to offer us healthy prospects for growth, particularly as we expect the trend observed in recent years – whereby clients are seeking to place more work, for longer periods of time, with fewer suppliers – to gather pace. We continue to position the Group for this market integration and consolidation. In addition, we will continue to work through strategic alliances and joint ventures with our partners and our clients, the common driver in each case being improved service delivery to the public and community. Selective acquisition of successful organisations that fit our strategy and have similar values will continue to form part of our future expansion.

The acquisition of Hedra adds strategic management consultancy potential in markets ranging from transport to central government.



Acquisitions

Mouchel acquired HBS in August 2007. This marked a further step in the delivery of our Corporate Plan objectives. The business provides Business Process Outsourcing (BPO) services – a market valued at around £4 billion in the UK and expected to grow at around 10% per annum or more – and adds a new dimension to our offer in the UK local government sector. The acquisition was warmly welcomed by staff and by clients.

The HBS brand has been discontinued and the business has already merged with our existing Government Services business stream, all under the leadership of a new Managing Director, who has been recruited from Serco. The integration of HBS is proceeding well, with annualised cost savings of £3 million identified; above the target that we set at acquisition.

On 5 March 2008, following the end of the half-year reporting period, Mouchel acquired Hedra plc. The company provides management consultancy services to the UK public sector – central government departments, local government, health authorities, education organisations and utility companies; and also in the aerospace and defence sectors. We anticipate that Hedra's capabilities in assisting with business change and service transformation, often on the back of investment in information technology hardware and software, will complement not only our BPO activities but also our long term managed service contracts in other sectors. Hedra is being combined with our existing management consultancy business, which was previously expanded and strengthened through the acquisition of Hornagold & Hills in November 2006.

Segmental performance

Mouchel has again made progress on every front in the first half of 2007/08. Over the past five years the Group has achieved compound annual growth of 20% to 25% per annum, which includes organic growth in the range 10% to 15% per annum. We believe that our core markets are capable of supporting this level of growth in future.

Highways

Mouchel's highways business is divided into three areas – projects and consultancy, network operations and maintenance, and term contracts with local government. During the period, revenue in highways increased by more than 9% from £94.3 million to £103.0 million compared with the same period last year. Operating margins for the half-year improved from 7.1% to 7.3%.

The AccordMP joint venture has continued to make impressive progress. The contract to manage the maintenance of the primary route network across South London has started well; and our success in securing the Area 3 Super Agency maintenance contract confirms our position as a leading provider to the Highways Agency. As such, we will be embarking on the next round of bidding for the Highways Agency's Managing Agent Contractor (MAC) commissions with some confidence.

In Ireland, Mouchel has been appointed as project manager for Roads Service to manage the £560 million A5 Western Corridor improvement, an 88km long scheme to construct a new arterial route in the North West of Ireland. We also secured a three year extension to our highways commission with Hertfordshire County Council where we have been the County's partner since 1997.

Business Review (continued)

Mouchel Traffic Support, the parking enforcement software business acquired in November 2006, has continued to perform well. The rationale for the acquisition was: first, to extend Mouchel's offering into parking enforcement (which we consider to be a growth market); second, to provide a platform to move into the outsourcing of parking management (an activity predominantly the preserve of local authorities); and third, to prepare us for entry into the road pricing market (which we expect will extend beyond London in the medium term). In October last year, the consortium led by IBM (including NCP and Mouchel) was appointed preferred bidder by Transport for London for the London Congestion Charging contract, a significant milestone in the achievement of the third of the above objectives.

We also see further opportunity arising from the recent Government announcement that Active Traffic Management (ATM) is to be rolled out more widely across the UK road network. ATM uses the motorway hard shoulder as an active running lane during periods of peak congestion and our successful involvement in the initial pilot in the West Midlands, on the M42 between the M40 and the M6, should position us very well for future opportunities of this kind.

Government and Business Services

Mouchel's Government and Business Services stream was established by combining Mouchel's existing long term contracts in property, education and regeneration with those BPO contracts of the former HBS business. This reporting segment also includes management consultancy. Revenue for the period more than doubled to £119.4 million including £56.5 million for HBS, which compares with £44.8 million for our pre-existing Government Services business in the same period last year. As expected, operating margins for the six months reduced from 8.1% to 5.2%, following the acquisition of HBS, but we expect these to improve, partly due to the synergies identified as a result of the HBS deal.

Mouchel has been named as preferred bidder for the Building Schools for the Future (BSF) partnership with the London Borough of Hackney. Strategically this is an important step for Mouchel, establishing a presence in this rapidly-developing market and creating a business model that can be replicated on other similar commissions throughout the UK. Mouchel is now short-listed to bid for a second BSF opportunity, in this case with the London Borough of Southwark.

In Lincolnshire, where the Group has a partnership to provide BPO services to the County Council, we have secured a one-year extension to the existing 10-year contract and there are good prospects not only to secure the extra four year extension available under the contract but also to extend the range of services provided to the County. We have also been selected to deliver a commission for payroll and pension services to the police forces of Nottinghamshire and North Yorkshire, a contract that will be operated from our base in Lincoln. In management consulting, aside from the acquisition of Hedra plc, Mouchel has consolidated its activities to give more focus to the public sector marketplace. We provide a number of authorities with advice on the development of their BSF programmes and have recently been appointed by Doncaster and Derby councils to provide strategic advice in this area.



Traffic Support, a parking enforcement software business acquired in 2006, is now strengthening our proposition in other, related markets.

Regulated Industries

This segment includes our utilities, rail and international businesses. Mouchel's utilities business focuses on capital design, asset management and operational support to utility companies, predominantly in the UK and Ireland. Our rail business provides design services and the management of major projects; and our international operations principally cover infrastructure design and project management services in the Gulf. Revenue for the period increased by 28% to £85.7 million compared with £67.2 million in the same period last year. Operating margins fell slightly to 5.3% compared with 5.9% last year, a reflection of the continuing weakness in some parts of our rail business.

In the utilities sector, Mouchel continues to work with every major water company in Great Britain. We are mid-way through the current asset management period (AMP4) so there are currently relatively few major new opportunities in this market. The emphasis has been on positioning for AMP5 whilst consolidating earnings from our existing commissions. In Scotland, for example, we have experienced a significant upturn in work volumes and we have negotiated an extension in our leakage management contract with Severn Trent to 2009. Using the strategic consulting expertise of the former Ewan business – which we acquired in late 2006 – we have secured appointments with over half of the UK's water companies to support them in the preparation of their submissions for AMP5 (covering the period 2010-2015). We have also strengthened our flood management business, developing a more holistic service and securing a commission to manage coastal flooding for Lincolnshire County Council.

Mouchel's rail business is being repositioned to focus on consultancy and project services for Network Rail, London Underground and related organisations. We played a part in the development of the new Thameslink station at St Pancras; we are providing enabling works for the improvement of signalling in the Leamington area; and we continue to support CBS Outdoor in the roll-out of new advertising media across the London Underground network. Our order book includes long-term structural examination and inspection contracts for Network Rail. However, we have continued to find sections of this market challenging and bidding opportunities have been relatively scarce.

In the Gulf, our business has experienced another period of rapid growth, capitalising particularly on the high levels of development activity in both Dubai and Abu Dhabi. We have strengthened our relationships with the major government funded developers and, as a result, have been appointed to a number of project management and infrastructure master planning and design roles on schemes such as 'Dubailand' and Khalifa Port, building on our work on the major Dubai Waterfront development.

Statement of Directors' responsibilities

The Directors confirm that this condensed set of financial statements 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.

Managing risks

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 2007 within the Business Review (page 28) and in note 1 of the Consolidated Financial Statements available at www.mouchel.com. The Board considers that these remain a current reflection of the risks and uncertainties facing the business.

Brand

The Company gained the permission of its shareholders to change its name to Mouchel Group plc at its AGM in December and has now largely completed the exercise to re-brand and re-position the business. This is considered to have been a highly successful and worthwhile exercise, raising our visibility within our markets and more clearly positioning our service and product offer. Amongst the changes made have been the launch of Mouchel's new website and the development of a new customer and stakeholder magazine that presents our perspective on key industry issues.

People

Mouchel has become one of the UK's largest employers in its core sectors. Since our last financial year-end in July 2007, staff numbers have grown by more than a third to approximately 11,000, fuelled largely by the HBS acquisition.

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 inclusion this year in the Sunday Times "Best Companies to Work For 2008" league table, in which we gained a place in the Top 20 Best Big Companies rankings.

Board

On 27 March we announced the appointment of Lynton Barker to the plc Board as a Non-Executive Director. Lynton was Executive Chairman of Hedra plc prior to its acquisition by Mouchel and was previously Head of Consulting at PricewaterhouseCoopers. Lynton's experience and knowledge of UK central and local government will be a significant benefit to the Board.

Financial Review



Mouchel's entry to the Building Schools for the Future (BSF) market is an important development in its service offering.

Order book and pipeline

At 31 January 2008, the Group's forward order book had increased to £2.3 billion, compared with £2.2 billion at 31 July 2007. 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. 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 order book at the half-year was particularly strengthened by the appointment as preferred bidder for the Hackney BSF contract, by the extension of existing commissions with Surrey and Lincolnshire County Councils for property and bundled services respectively, and by the award of the Highways Agency Area 3 commission, a five year contract to manage trunk roads and motorways in Southern England.

The bidding pipeline of near-term opportunities and potential contract extensions stood at £2.1 billion, compared with £2.5 billion at 31 July 2007, with the reduction largely reflecting the Group's successes in Hackney and Area 3, which at the half-year were included in the forward order book.

We are now in the final stages of bidding for two bundled services opportunities in Yorkshire and the North East and discussions continue with Oldham Metropolitan Borough Council around extending the scope of services currently delivered by the Group. The Group is also continuing to bid for a range of highways and transportation contracts, including the provision of integrated maintenance management and contracting services, and is now short listed and bidding for a second BSF opportunity, in Southwark.

Mouchel has also just been short listed to bid for Highways Agency Areas 7 (East Midlands), 9 (West Midlands) and 12 (North East). Together, these opportunities have added approximately £0.5 billion to the pipeline since the half-year. The pipeline currently includes the M25 DBFO contract, where an announcement of preferred bidder is now expected during April 2008.

Cash flow and working capital

Cash generated from operations before exceptional costs was £2.3 million for the six months ended 31 January 2008, compared with £6.0 million for the corresponding period last year. At 31 January 2008, net borrowings totalled £51.2 million, compared with £15.1 million at the same point last year and a net cash and cash equivalents balance of £2.8 million positive at 31 July 2007.

The overall cash performance for the period reflected the acquisition of HBS, the investment in working capital associated with recently secured commissions, additional pension contributions to fund the remaining deficit in one of the Group's existing defined benefit schemes, and exceptional integration and re-branding costs. The overall investment in unbilled revenue and trade receivables, however, was largely unchanged compared with earlier periods, standing at approximately two and a half months' revenues.

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 to finance the acquisition of HBS, fund existing working capital requirements and provide capacity for the future growth and development of the business. On 4 March 2008, the Group extended this facility to £185 million, following the decision to acquire Hedra, the acquisition of which was completed on 5 March 2008, for a total consideration of £50 million, comprising £42 million in cash and £8 million in new Mouchel Group shares.

Taxation

The tax charge for the six months ended 31 January 2008 reflected the estimated tax rate for the full-year of 26.7%.

The estimated rate for the full-year takes account of the reduction in the statutory tax rate from 30% to 28% in April this year and reflects the benefit of additional reliefs, partly offset by the normal level of disallowable expenditure.

Mouchel's joint venture with Liverpool City Council – 2020 Liverpool – has successfully managed the construction of a new cruise-liner terminal at Liverpool's Pier Head, an historic waterfront that is a named Unesco World Heritage Site.



Pensions

Following the acquisition of HBS, the Group now operates three main defined benefit pension schemes (the Mouchel Parkman Superannuation Fund (MPSF), the Mouchel Parkman Staff Pension Scheme (MPSPS) and the HBS Business Services Group Limited Pension Scheme) and 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 £3.2 million for the four schemes, compared with £3.6 million in the same period last year for the two existing schemes. The reduction in the charge is attributable to the changes to the MPSF and MPSPS 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 2008, the total deficit under IAS 19 was £32.3 million before tax for the four schemes compared with £52.4 million at 31 January 2007 and £18.0 million at 31 July 2007 for the two pre existing schemes. The reduction in the deficit compared with 12 months ago, reflects actuarial experience in the intervening period, as well as the move to a CARE basis referred to above for the two original Mouchel schemes. The movement is further explained by the additional Company contributions made during the period to address the remaining deficit in the original schemes, offset by the inclusion of the two HBS schemes which between them added about £17 million to the Group's combined pension deficit.

From a funding point of view, the last actuarial valuations of all three main defined benefit schemes were undertaken as at 31 March 2004. New actuarial valuations as at 31 March 2007 are currently being finalised and the Company has also now agreed funding targets and related recovery plans for the remaining deficits with the relevant trustees.

Earnings per share

Adjusted earnings per share increased 20% from 9.3p to 11.2p. 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 6.4p (2007: 8.9p).

Dividends

It is proposed that an interim dividend of 1.85p (2007: 1.55p) per ordinary share will be paid on 30 May 2008 to shareholders on the register as at 2 May 2008. This represents an increase of 19%, 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 in the last six months. Our contract win rate has again been at the top end of our target range of 33% to 40% of tenders by value, suggesting that we can expect to continue to satisfy our aspiration to maintain organic growth in the 10% to 15% range that we have experienced in recent years. The acquisition of HBS has broadened our public sector offering to include a whole new range of services, a capability that we expect to be significantly enhanced by the acquisition of Hedra management consultants. We are therefore confident in the future prospects for the enlarged Group.

On behalf of the Board

Richard Cuthbert *Kevin Young*

Richard Cuthbert
Chief Executive
31 March 2008

Kevin Young
Group Finance Director

Consolidated Income Statement (unaudited) for the six months ended 31 January 2008

	Notes	Results before exceptional items 6 months to 31/01/2008 £000	Exceptional items' 6 months to 31/01/2008 £000	Total 6 months to 31/01/2008 £000	Results before exceptional items 6 months to 31/01/2007 ² £000	Exceptional Items' 6 months to 31/01/2007 ² £000	Total 6 months to 31/01/2007 ² £000
Continuing operations:							
Revenue	2	308,144	–	308,144	206,351	–	206,351
Cost of sales		(254,535)	–	(254,535)	(168,149)	–	(168,149)
Gross profit		53,609	–	53,609	38,202	–	38,202
Administrative expenses		(35,443)	(7,474)	(42,917)	(23,974)	(739)	(24,713)
Operating profit	2	18,166	(7,474)	10,692	14,228	(739)	13,489
Interest receivable		1,655	–	1,655	423	–	423
Finance costs		(3,066)	–	(3,066)	(357)	–	(357)
Profit before tax		16,755	(7,474)	9,281	14,294	(739)	13,555
Taxation	4	(4,475)	2,154	(2,321)	(4,155)	222	(3,933)
Profit for the period		12,280	(5,320)	6,960	10,139	(517)	9,622
<hr/>							
Basic earnings per share	6			6.4p			8.9p
Diluted earnings per share	6			6.4p			8.9p
Interim dividend proposed per share	5			1.85p			1.55p
Final dividend paid per share	5			3.45p			2.70p

	Notes	Results before exceptional items 12 months to 31/07/2007 ² £000	Exceptional items ¹ 12 months to 31/07/2007 ² £000	Total 12 months to 31/07/2007 ² £000
Continuing operations:				
Revenue	2	448,381	–	448,381
Cost of sales		(364,626)	16,168	(348,458)
Gross profit		83,755	16,168	99,923
Administrative expenses		(50,781)	(426)	(51,207)
Operating profit	2	32,974	15,742	48,716
Interest receivable		631	–	631
Finance costs		(1,215)	–	(1,215)
Profit before tax		32,390	15,742	48,132
Taxation	4	(9,404)	(4,723)	(14,127)
Profit for the period		22,986	11,019	34,005
<hr/>				
Basic earnings per share	6			31.5p
Diluted earnings per share	6			31.3p
Interim dividend paid per share	5			1.55p
Final dividend proposed per share	5			3.45p

1 Exceptional items include amortisation of intangible assets arising from business combinations of £2,894,000 (31 January 2007: £739,000; 31 July 2007: £2,448,000), the net gain arising on retirement benefit plan changes of £nil (31 January 2007 £nil; 31 July 2007 £18,190,000) and other exceptional items, detailed in note 3, of £4,580,000 (31 January 2007 £nil; 31 July 2007 £nil).

2 The figures given for the six months ended 31 January 2007 are extracted from the unaudited 2007 Interim Report for the Group and the figures given for the year ended 31 July 2007 are extracted from the audited 2007 Annual Report for the Group.

Consolidated Balance Sheet (unaudited) as at 31 January 2008

	Notes	31/01/2008 £000	31/01/2007 ¹ £000	31/07/2007 ¹ £000
ASSETS				
Non-current assets				
Goodwill		89,875	47,058	48,691
Other intangible assets		52,907	33,682	34,293
Property, plant and equipment		17,223	16,623	16,517
Deferred tax assets		16,650	17,616	8,018
Financial instruments	8	844	–	–
		177,499	114,979	107,519
Current assets				
Unbilled revenue		52,840	41,564	50,079
Trade and other receivables		101,938	73,847	72,278
Assets held for sale	7	3,984	–	–
Cash and cash equivalents	10	35,006	11,927	19,007
		193,768	127,338	141,364
Current liabilities				
Bank overdrafts and borrowings	10	–	(27,016)	(16,176)
Trade and other payables		(107,366)	(71,787)	(85,036)
Current tax liabilities		(12,619)	(3,875)	(9,358)
Retirement benefit obligations	11	(418)	(487)	(487)
		(120,403)	(103,165)	(111,057)
Net current assets		73,365	24,173	30,307
Non-current liabilities				
Borrowings	8	(85,579)	–	–
Trade and other payables		(13,130)	(2,098)	(622)
Deferred tax liabilities		(11,555)	(8,630)	(9,379)
Retirement benefit obligations	11	(31,929)	(51,870)	(17,517)
		(142,193)	(62,598)	(27,518)
Net assets		108,671	76,554	110,308
EQUITY				
Share capital		274	274	274
Share premium		27,109	26,390	26,464
Other reserves		13,210	13,043	12,845
Retained earnings		68,078	36,847	70,725
Total equity	13	108,671	76,554	110,308

¹ The figures given for the six months ended 31 January 2007 are extracted from the unaudited 2007 Interim Report for the Group and the figures given for the year ended 31 July 2007 are extracted from the audited 2007 Annual Report for the Group.

Consolidated Cash Flow Statement (unaudited) for the six months ended 31 January 2008

	Notes	6 months to 31/01/2008 £000	6 months to 31/01/2007 ¹ £000	12 months to 31/07/2007 ¹ £000
Cash flows from operating activities				
Cash generated from operations before exceptional costs	9	2,310	5,963	31,407
Exceptional costs		(3,601)	–	(340)
Cash generated from operations		(1,291)	5,963	31,067
Taxation paid		(466)	(3,918)	(4,755)
Net cash from operating activities		(1,757)	2,045	26,312
Cash flows from investing activities				
Acquisitions of subsidiaries (net of cash acquired)	12	(31,202)	(31,233)	(31,436)
Investment in joint venture entities		(250)	–	–
Payments to acquire unincorporated business		–	(11,543)	(11,382)
Proceeds from sale of property, plant and equipment		410	11	25
Purchase of property, plant and equipment		(4,833)	(4,078)	(8,374)
Purchase of intangible assets – software		(2,536)	(1,542)	(1,655)
Special contributions to defined benefit pension schemes		(7,863)	–	–
Interest received		1,649	423	631
Finance costs paid		(1,688)	(357)	(990)
Net cash used in investing activities		(46,313)	(48,319)	(53,181)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		645	927	1,000
Sale of own shares by employee share trusts		290	3	13
Dividends paid to shareholders	5	(3,729)	(2,912)	(4,537)
Loan facility drawn down net of loan issue costs		85,512	–	–
Loan to related party		(1,950)	–	–
Finance lease principal payments		(635)	(24)	(71)
Net cash used in financing activities		80,133	(2,006)	(3,595)
Effects of exchange rate changes		112	(175)	(71)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		32,175	(48,455)	(30,535)
Cash, cash equivalents and bank overdrafts at 1 August		2,831	33,366	33,366
Cash, cash equivalents and bank overdrafts at 31 January and 31 July	10	35,006	(15,089)	2,831

¹ The figures given for the six months ended 31 January 2007 are extracted from the unaudited 2007 Interim Report for the Group and the figures given for the year ended 31 July 2007 are extracted from the audited 2007 Annual Report for the Group.

Consolidated Statement of Recognised Income and Expense (unaudited) for the six months ended 31 January 2008

	Notes	6 months to 31/01/2008 £000	6 months to 31/01/2007 ¹ £000	12 months to 31/07/2007 ¹ £000
Profit for the period		6,960	9,622	34,005
Differences on exchange		(212)	(175)	(364)
(Loss)/profit on sale of own shares held in employee share trusts		(284)	11	11
Tax relief on shares issued to employees		245	494	140
Changes in fair value of interest rate hedges	8	844	–	–
Deferred tax on movement in pension scheme valuations		(830)	1,220	(3,704)
Actuarial (loss)/gain on pension scheme valuations	11	(6,165)	(3,797)	12,346
Net (losses)/gains not recognised in Income Statement		(6,402)	(2,247)	8,429
Total recognised income for the period		558	7,375	42,434

¹ The figures given for the six months ended 31 January 2007 are extracted from the unaudited 2007 Interim Report for the Group and the figures given for the year ended 31 July 2007 are extracted from the audited 2007 Annual Report for the Group.

Notes to the Interim Financial Statements (unaudited) for the six months ended 31 January 2008

1 Basis of preparation

These interim consolidated financial statements, which are condensed and unaudited for the six months ended 31 January 2008, 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 2008 Annual Report and unless stated are consistent with those adopted in the consolidated financial statements for the year ended 31 July 2007. 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 2008, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The accounting standard IFRS 7, Financial Instruments: Disclosures is mandatory for accounting periods beginning on or after 1 January 2007. As this Interim Report contains only condensed financial statements, full IFRS 7 disclosures are not required at this stage. The full disclosures, including the sensitivity analysis to market risk will be given in the Annual Report.

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 2007 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 2007 have been filed with the Registrar of Companies.

These consolidated interim financial statements for the six months ended 31 January 2008 have been prepared in accordance with IAS 34, Interim financial reporting, as adopted by the EU.

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.

2 Segmental analysis

Primary segment information – business segments

Analysis of results by business segment is as follows:

	Highways £000	Government and Business Services £000	Regulated Industries £000	Total Group £000
6 months to 31 January 2008				
Total revenue	121,854	121,055	94,877	337,786
Inter-segment revenue	(18,864)	(1,644)	(9,134)	(29,642)
Total external revenue	102,990	119,411	85,743	308,144
Underlying operating profit ¹	7,497	6,167	4,502	18,166
Amortisation of intangible assets arising from business combinations	(971)	(994)	(929)	(2,894)
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

¹ Underlying operating profit is before amortisation of intangible assets arising from business combinations of £2,894,000 (31 January 2007: £739,000; 31 July 2007: £2,448,000), the net gain arising on retirement benefit plan changes of £nil (31 January 2007 £nil; 31 July 2007 £18,190,000) and other exceptional items, detailed in note 3, of £4,580,000 (31 January 2007 £nil; 31 July 2007 £nil).

Notes to the Interim Financial Statements (unaudited) for the six months ended 31 January 2008 (continued)

2 Segmental analysis (continued)

Primary segment information – business segments (continued)

Analysis of results by business segment is as follows:

6 months to 31 January 2007	Highways £000	Government and Business Services £000	Regulated Industries £000	Total 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
Underlying operating profit ¹	6,653	3,638	3,937	14,228
Amortisation of intangible assets arising from business combinations	(267)	(58)	(414)	(739)
Operating profit				13,489
Interest receivable				423
Finance costs				(357)
Profit before tax				13,555
Taxation				(3,933)
Profit for the period				9,622

12 months to 31 July 2007	Highways £000	Government and Business Services £000	Regulated Industries £000	Total Group £000
Total revenue	228,211	104,653	158,627	491,491
Inter-segment revenue	(26,303)	(3,263)	(13,544)	(43,110)
Total external revenue	201,908	101,390	145,083	448,381
Underlying operating profit ¹	14,812	9,304	8,858	32,974
Amortisation of intangible assets arising from business combinations	(1,148)	(333)	(967)	(2,448)
Net gain arising on retirement benefit plan changes				18,190
Operating profit				48,716
Interest receivable				631
Finance costs				(1,215)
Profit before tax				48,132
Taxation				(14,127)
Profit for the year				34,005

¹ Underlying operating profit is before amortisation of intangible assets arising from business combinations of £2,894,000 (31 January 2007: £739,000; 31 July 2007: £2,448,000), the net gain arising on retirement benefit plan changes of £nil (31 January 2007 £nil; 31 July 2007 £18,190,000) and other exceptional items, detailed in note 3, of £4,580,000 (31 January 2007 £nil; 31 July 2007 £nil).

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 31/01/2008 £000	6 months to 31/01/2007 £000	12 months to 31/07/2007 £000
UK	296,130	199,867	430,663
Non UK	12,014	6,484	17,718
Total revenue	308,144	206,351	448,381

3 Exceptional items

	6 months to 31/01/2008 £000	6 months to 31/01/2007 £000	12 months to 31/07/2007 £000
Reduction in retirement benefit obligations	–	–	18,530
Costs associated with change in benefits	–	–	(340)
Net gain arising on retirement benefit plan changes	–	–	18,190
Integration and transitional costs	(4,223)	–	–
Re-brand costs	(357)	–	–
Other exceptional items	(4,580)	–	–
Amortisation of acquired intangibles	(2,894)	(739)	(2,448)
Exceptional items	(7,474)	(739)	15,742

The integration and transitional costs have arisen as a result of the acquisition of HBS Business Services Group Limited (renamed Mouchel Business Services Limited). The integration of Mouchel Business Services Limited has resulted in a small number of staff redundancies, the closure of a loss making business and other transitional costs.

Re-brand costs are the costs associated with the change in name for the Group (from Mouchel Parkman plc to Mouchel Group plc).

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

During the year ended 31 July 2007 the Group conducted a review of the benefits provided under the Mouchel Parkman Superannuation Fund and the Mouchel Parkman 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 his or her average revalued earnings, calculated over the period of pensionable service (career average revalued earnings or CARE) rather than his or her salary in the period immediately preceding retirement (final salary). The averaging of salary described above will take place only for future periods of service. The pension built up to 31 July 2007 will be calculated on final pensionable salary and will increase in line with inflation, capped at 5% per annum, up to retirement date. As a result of this change, the retirement benefit obligation was reduced by £18,190,000 net of costs in the year to 31 July 2007.

4 Taxation

The tax charge for the six months ended 31 January 2008 reflects the estimated tax rate for the full year of 26.7% (31 January 2007: 29.0%).

5 Dividends

Amounts recognised as distributions to ordinary shareholders in the period:

	6 months to 31/01/2008 £000	6 months to 31/01/2007 £000	12 months to 31/07/2007 £000
Final paid in respect of the previous year 3.45p (2006: 2.70p)	3,796	2,941	2,926
Interim paid in respect of the financial year ended 31 July 2007 1.55p	–	–	1,701
Less: dividend on own shares	–	(13)	(21)
Less: dividend waived by employee share ownership trusts	(67)	(44)	(69)
Total dividends paid	3,729	2,884	4,537

In addition, the Directors are proposing an interim dividend for the six months ended 31 January 2008 of 1.85p (31 January 2007: 1.55p) per share which will absorb an estimated £2,000,000 (31 January 2007: £1,700,000) of shareholders' funds. It will be paid on 30 May 2008 to shareholders who are on the register of members as at 2 May 2008.

Notes to the Interim Financial Statements (unaudited) for the six months ended 31 January 2008 (continued)

6 Earnings per share

	6 months to 31/01/2008	6 months to 31/01/2007	12 months to 31/07/2007
Basic earnings per share	6.4p	8.9p	31.5p
Diluted earnings per share	6.4p	8.9p	31.3p
Adjusted earnings per share	11.2p	9.3p	21.0p

	6 months to 31/01/2008 £000	6 months to 31/01/2007 £000	12 months to 31/07/2007 £000
Profit for the period	6,960	9,622	34,005
Earnings for basic and diluted earnings per share	6,960	9,622	34,005
Adjustments:			
Other exceptional costs (net of taxation)	3,236	–	–
Amortisation of intangible assets arising from business combinations (net of taxation)	2,084	517	1,714
Gain arising on retirement benefit plan changes (net of taxation)	–	–	(12,733)
Earnings for adjusted earnings per share	12,280	10,139	22,986

	6 months to 31/01/2008 Number 000s	6 months to 31/01/2007 Number 000s	12 months to 31/07/2007 Number 000s
Weighted average number of ordinary shares	108,600	107,781	107,964
Dilutive share options	625	398	463
Dilutive Save As You Earn schemes	210	320	350
Diluted weighted average number of ordinary shares	109,435	108,499	108,777
Weighted average number of ordinary shares	108,600	107,781	107,964
Average number of shares held by the employee share trusts	1,972	2,115	2,113
Share options (shares held in the employee share trusts) matured in respect of Executive share option schemes	(559)	(663)	(606)
Adjusted weighted average number of ordinary shares	110,013	109,233	109,471

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 437.25p (31 January 2007: 389.43p, 31 July 2007: 407.05p).

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

On 3 December 2007, the Group exchanged contracts with Anchor Garden Villages Limited for the sale of the Group's freehold property. The sale price of £9,500,000, less the expected selling costs, is in excess of the carrying amount of the property and therefore it is still shown in the financial statements at its carrying amount.

8 Bank borrowings

On 1 August 2007, an unsecured revolving credit facility of £125 million was put in place. Between 2 August and 31 January amounts totalling £86,240,000 were drawn down. The loan is repayable over a 5 year period and 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 1.1%.

The loan is repayable as follows:

	31/01/2008 £000	31/01/2007 £000	31/07/2007 £000
Obligations due between two and five years	86,240	–	–
Total loan due	86,240	–	–
Loan issue costs incurred	(728)	–	–
Amortisation of loan issue costs	67	–	–
Net borrowing	85,579	–	–

Loan issue costs of £728,000 have been capitalised and are being amortised over the life of the loan.

On 17 December 2007, the Group entered into agreements to hedge against the interest rate risk on the loan above. At 31 January 2008, the total fair value of the hedges was £844,000.

9 Cash generated from operations

	6 months to 31/01/2008 £000	6 months to 31/01/2007 £000	12 months to 31/07/2007 £000
Profit for the year	6,960	9,622	34,005
Adjustments for:			
– Income tax expense	2,321	3,933	14,127
– Depreciation	3,797	1,901	3,919
– Profit on disposal of property, plant and equipment	(33)	(11)	(14)
– Amortisation of intangible assets – arising from business combinations	2,894	739	2,448
– software	1,988	534	1,097
– Exceptional costs	4,580	–	–
– Interest receivable	(1,655)	(423)	(631)
– Finance costs	3,066	357	1,215
– Gain arising on retirement benefit plan changes	–	–	(18,190)
– Other non-cash movement	(3,105)	583	587
Changes in working capital			
– Increase in trade and other receivables including unbilled revenue	(19,187)	(5,455)	(12,879)
– Increase/(decrease) in trade and other payables	684	(5,817)	5,723
Cash generated from operations	2,310	5,963	31,407

Notes to the Interim Financial Statements (unaudited) for the six months ended 31 January 2008 (continued)

10 Cash and cash equivalents

	31/01/2008 £000	31/01/2007 £000	31/07/2007 £000
Cash and cash equivalents	35,006	11,927	19,007
Bank overdrafts and borrowings	–	(27,016)	(16,176)
Cash, cash equivalents and bank overdrafts	35,006	(15,089)	2,831

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 the Group became responsible for their defined contribution scheme too.

2020 Liverpool and 2020 Knowsley employees are members of the Merseyside Pension Fund, a pre-funded defined benefit scheme. The Group accounts for this scheme as a defined contribution scheme. 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 Parkman Superannuation Fund (MPSF) and the Mouchel Parkman Staff Pension Scheme (MPSPS) are funded defined benefit schemes and are disclosed as Group schemes in the tables below. In addition, HBS Business Services Group Limited (HBS) have admitted body status in the Teesside pre-funded defined benefit scheme as employees of HBS who were previously employed by local councils 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 31/01/2008 £000	Third party schemes 31/01/2008 £000	Total 31/01/2008 £000
Retirement benefit obligation at the beginning of the period	(18,004)	–	(18,004)
Retirement benefit obligation at date of acquisition	(8,600)	(8,708)	(17,308)
Service cost	(3,166)	(1,065)	(4,231)
Net interest income/(cost)	1,101	(105)	996
Company contributions	11,262	1,034	12,296
Movement in unpaid contributions at the period end	69	–	69
Actuarial loss	(5,637)	(528)	(6,165)
Retirement benefit obligation at the end of the period	(22,975)	(9,372)	(32,347)
Current liability	(418)	–	(418)
Non-current liability	(22,557)	(9,372)	(31,929)
Total liability in the balance sheet as above	(22,975)	(9,372)	(32,347)

11 Retirement benefit obligations (continued)

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

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

	Group schemes 31/01/2008 £000	Third party schemes 31/01/2008 £000	Total 31/01/2008 £000
Actual return less expected return on pension scheme assets	(17,755)	(1,650)	(19,405)
Experience gains and losses arising on the scheme liabilities	(3,610)	528	(3,082)
Effect of changes in assumptions on the present value of scheme liabilities	15,728	594	16,322
Deferred tax on movement in scheme deficits	(997)	186	(811)
Deferred tax on current service cost	(19)	–	(19)
Total recognised in the statement of recognised income and expense	(6,653)	(342)	(6,995)

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 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 MPSF and MPSPS schemes, under the projected unit credit method, the current service cost would be expected to increase as the members of the scheme approach retirement. However, following amendment of the scheme rules the deficit was reduced by £18.5m in the year ended 31 July 2007.

The date of the most recent full actuarial valuations for all of the schemes was March 2004.

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

	31/01/08 %	31/01/07 %	31/07/07 %
Discount rate	6.1/6.0	5.2	5.7
Expected rate of increase in pensionable salaries	5.0/5.6	4.8	4.8
Expected rate of increase in pensions in payment	3.2/3.6	2.8	2.5
Expected rate of price inflation	3.2/3.6	2.8	3.0

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

	31/01/08 Years	31/01/07 Years	31/07/07 Years
Life expectancy at age 65:			
Current pensioners: male	85.6	85.6	85.6
female	88.5	88.5	88.5
Future pensioners: male	87.1	87.1	87.1
female	90.1	90.1	90.1

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

	%
Equities	8.0/7.8
Bonds, gilts and cash	4.9/5.1
Property	7.4/7.3

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

Notes to the Interim Financial Statements (unaudited) for the six months ended 31 January 2008 (continued)

12 Acquisitions during the year

HBS Business Services Group Limited

On 6 August 2007, the Group acquired 100% of the issued share capital of HBS Business Services Group Limited, a business process outsourcing company with whom the Group was already working in partnership for Oldham Metropolitan Borough Council, for a consideration of £47.4 million.

Following acquisition, the Company was renamed Mouchel Business Services Limited (MBS).

MBS provides business transformation consultancy, outsourced back-office and customer-facing services (such as finance, administration, payroll, human resources), a wide range of ICT consultancy services and education support services.

	Carrying values pre-acquisition £000	Provisional fair value adjustments £000	Fair value £000
Net assets acquired			
Intangible fixed assets	8,990	12,900	21,890
Deferred tax	–	5,834	5,834
Investments	(101)	101	–
Plant, property and equipment	4,866	(738)	4,128
Trade receivables	10,883	462	11,345
Intragroup loan acquired	23,890	(23,890)	–
Cash and cash equivalents	16,232	–	16,232
Current liabilities	(23,211)	(459)	(23,670)
Non-current liabilities	(6,703)	(5,498)	(12,201)
Retirement benefit obligations	(18,976)	1,668	(17,308)
	15,870	(9,620)	6,250
Goodwill			41,184
Consideration			47,434

The fair value adjustments represent changes to bring the accounting policies in line with those of Mouchel. The adjustments are provisional pending finalisation of the accounting required for provisions, particularly in respect of retirement benefit obligations and other commitments.

Intangible assets were recognised in respect of customer contracts and relationships. Goodwill arose on acquisition from the skilled workforce and synergy benefits identified, which do not meet the criteria for recognition as an intangible asset.

	£000
Satisfied by:	
Cash	46,240
Acquisition costs	1,194
Consideration	47,434

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

	£000
Cash consideration including costs	47,434
Cash acquired	(16,232)
Net cash outflow	31,202

Since acquisition, Mouchel Business Services Limited has contributed revenue of £56,485,000 and a loss before tax of £353,000 to the Group's results.

The results of the Group, as if the above acquisition had been made at the beginning of the 2008 financial year, are not materially different to those shown above because the Company was acquired 3 business days into the Group's financial year.

13 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 on sale of own shares held in employee share trusts	-	-	-	11	11
Tax relief on shares issued to employees	-	-	-	494	494
Deferred tax on pension scheme valuations	-	-	-	1,220	1,220
Actuarial loss on pension scheme valuations	-	-	-	(3,797)	(3,797)
Currency translation differences	-	-	(175)	-	(175)
Net expense recognised directly in equity	-	-	(175)	(2,072)	(2,247)
Profit for the period	-	-	-	9,622	9,622
Total recognised income and expense	-	-	(175)	7,550	7,375
Employee share option schemes:					
- proceeds from shares issued	3	924	-	-	927
- sale of own shares by employee share trusts	-	-	3	-	3
- increase in unrealised profit on shares held in employee share trusts	-	-	-	(9)	(9)
Share based payments	-	-	-	191	191
Equity consideration issued	-	-	1,477	-	1,477
Dividends	-	-	-	(2,884)	(2,884)
Balance at 31 January 2007	274	26,390	13,043	36,847	76,554
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
Deferred tax on pension scheme valuations	-	-	-	(830)	(830)
Actuarial loss on pension scheme valuations	-	-	-	(6,165)	(6,165)
Changes in fair value of interest rate 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

Notes to the Interim Financial Statements (unaudited) for the six months ended 31 January 2008 (continued)

14 Contingent liabilities

Contingent liabilities at 31 January 2008 in respect of guarantees and indemnities in the normal course of business totalled £25,461,000 (31 January 2007: £10,542,000; 31 July 2007: £14,620,000).

In addition, bank overdrafts of subsidiaries were guaranteed at 31 January 2008 up to £5,709,000 (31 January 2007: £43,157,000; 31 July 2007: £35,709,000); the amount overdrawn at that time being £nil (31 January 2007: £27,016,000; 31 July 2007: £16,176,000).

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.

15 Post balance sheet events

a Acquisitions

On 5 March 2008, the Group acquired 100% of the issued share capital of Hedra plc, a solutions and service business that provides advice and support to clients within the UK public sector. Net assets as at 31 December 2007 were £6,967,000 and the Group paid a consideration of £50 million for the Company.

The excess of consideration paid over net assets acquired has not yet been allocated between goodwill and separately identifiable intangible assets.

b Credit facility

On 4 March 2008, following the decision to acquire Hedra, the Group extended its credit facility provided by the Royal Bank of Scotland and Lloyds TSB to £185.0 million.

16 Related party transactions

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

	6 months to 31/01/2008 £000	6 months to 31/01/2007 £000	12 months to 31/07/2007 £000
Sales to joint ventures	10,523	3,403	8,087
Purchases from joint ventures	1,036	1,098	2,176
Net amount due to the Group at the period end	9,883	983	9,444
Loans to related parties:			
	6 months to 31/01/2008 £000	6 months to 31/01/2007 £000	12 months to 31/07/2007 £000
Beginning of the period	1,479	250	250
Loans advanced during the period	1,950	–	3,141
Loan repayments received	–	(32)	(1,929)
Interest charged on loans	6	7	17
End of the period	3,435	225	1,479

The Group made contributions of £12,365,000 to the defined benefit pension schemes during the period.

Compensation paid to key management of the Group was £887,000 for the six months.

Independent Review Report to Mouchel Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2008 which comprises the consolidated 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 UK'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 UK. 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 2008 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 UK's Financial Services Authority.

PricewaterhouseCoopers LLP

Chartered Accountants
31 March 2008
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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Shareholder Information

Mouchel Group plc

Registered in England
Company number: 95369

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Financial PR

Finsbury
Tenter House
45 Moorfields
London EC2Y 9AE

Financial Advisors and Joint Brokers

JPMorgan Cazenove Ltd
20 Moorgate
London EC2R 6DA

Joint Brokers

ABN Amro
250 Bishopsgate
London EC2M 4AA

Lawyers

Freshfields Bruckhaus Beringer
65 Fleet Street
London EC4Y 1HS

Registrars

Equiniti
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA

Company Secretary and Registered Office

Amanda Massie
Mouchel
West Hall, Parvis Road, West Byfleet
Surrey KT14 6EZ

Acknowledgements

Mouchel would like to thank all those who participated in producing this report, particularly the members of staff for their contributions.

If you have any comments or questions on the report, please email responsibility@mouchel.com

This report is available on our website: www.mouchel.com

If you have finished reading the report and no longer wish to retain it, please pass it on to other interested readers, return it to Mouchel or dispose of it in your recycled paper waste.

Thank you.

Designed by The College +44 (0)20 7457 2030

