

INTERIOR SERVICES GROUP PLC
 (“ISG” or “the Group”)

Interim Results for the Half Year ended 31 December 2009

Interior Services Group plc, the international construction services group, today announces its interim results for the half year ended 31 December 2009.

	2009	2008	
Revenue	£484m	£562m	-14%
Profit before exceptional items, tax and amortisation	£5.0m	£7.0m	-28%
Profit before tax ¹	£2.4m	£6.3m	-61%
Net Cash	£32.0m	£26.8m	+19%
Adjusted basic earnings per share ²	11.70p	17.40p	-33%
Basic earnings per share ¹	3.89p	15.63p	-75%
Interim dividend per share	4.20p	4.00p	+5%

¹ After exceptional items of £1.9m

² Before exceptional items and amortisation of intangible assets

Group Highlights

- **A robust set of results, in line with management expectations**
- **Interim dividend increased by 5%**
- **Diversification strategy ensuring that Group not over exposed to any one particular market**
- **Group order book at December was £780m (2008 - £950m), of which £442m (2008 - £494m) is for delivery in the current financial year and £320m (2008 - £365m) for the next financial year**
- **Order book weighted towards private sector 63% (2008 - 68%)**
- **Group remains financially strong with net cash as at 31 December 2009 of £32m and £10m of undrawn committed facilities in place through to mid 2013**

Divisional Highlights

London

- Operating profit increased 39% to £3.0m (2008 - £2.2m) on volumes of £192m (2008 - £232m)
- Strong performance given market conditions with margin increasing to 1.7% (2008 - 0.9%)
- Fit out volumes decreased by 6%, with Construction declining by 29% due to the weaker demand from corporate office tenants and developers
- Order book of £303m (June 2008 - £347m) with continuing signs of improvement in pipeline for Fit out

Regional Construction

- Operating profit increased 103% to £2.6m (2008 - £1.3m) on revenue of £162m (2008 - £178m)
- 77% of revenue with public sector clients; majority of activity in education sector and frameworks
- Order book of £267m (2008 - £311m), of which £140m is to be delivered in the current financial year (2008 - £160m)
- With increasing pressure on public spending, we expect a 10% reduction in revenue in the current financial year

Retail

- Operating profit of £2.5m (2008 - £3.9m) on revenue of £99m (2008 - £113m)
- 40% of revenue in food sector and 37% in retail banking where demand remains strong
- Order book of £130m (2008 - £108m), of which £77m is to be delivered in the current financial year (2008 - £67m)
- Revenue and profit weighted towards second half

Asia

- Operating profit of £0.3m (2008 - £1.0m) on revenue of £37m (2008 - £31m)
- Highly competitive environment in 2009 post collapse of Lehman Brothers has led to margin pressures which we anticipate improving in the second half
- Increased activity in Singapore and improving retail market in China
- Order book of £44m (2008 - £34m), of which £41m is to be delivered in the current financial year (2008 - £28m)

Middle East

- The joint venture with Al Habtoor Leighton Group made a positive contribution of £0.1m (2008 - loss £0.1m)
- Continuing to build a presence in Abu Dhabi
- Order book at the end of 2009 stood at £7m (2008 - £2m)

Europe

- Revenue declined 29% to £13m (2008 - £18m), generating an operating loss of £0.9m (2008 - profit £1.4m)
- Due to global economic situation during 2009 key international blue chip customers delayed or cancelled projects – market has now started to recover
- Conditional agreement to acquire Moscow based fit out company
- Record order book of £29m (2008 - £9m) and expect a positive contribution for the full year

David Lawther, Chief Executive, said:

“I am pleased to announce a robust set of results despite the difficult trading environment and an increased interim dividend.

Whilst our markets remain highly competitive, we have weathered the worst of the fallout from October 2008 and as these results demonstrate we are emerging in good health. We now feel confident that the Group is well placed to resume the growth path demonstrated from 2004 through to 2008 as the markets recover. We will continue to pursue organic growth and acquisition opportunities.”

9 March 2010

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CHIEF EXECUTIVE'S HALF YEAR STATEMENT

Results

Despite the difficult trading environment, I am pleased to report a robust set of interim results in line with expectations, an increase in the interim dividend and further good strategic progress in building our overseas businesses in key growth markets.

For the six months ended 31 December 2009, adjusted profit before tax¹ was £5.0m (2008 - £7.0m) on revenue of £484m (2008 - £562m). Adjusted earnings per share¹ decreased by 33% to 11.70p (2008 - 17.40p).

An exceptional item of £1.9m has been recorded at 31 December 2009 representing the Group's current estimate of fines and legal costs net of recoveries in respect of the Office of Fair Trading's cover pricing investigation of two subsidiaries, Propensity Group Limited and Pearce Construction (Midlands) Limited, prior to ISG's ownership. We have lodged an appeal against the fine imposed on Pearce Construction (Midlands) Limited.

Net cash as at 31 December 2009 of £32.0m was ahead of prior year (2008 - £26.8m). In the period the Group repaid £3.9m of bank borrowings and loan notes, and paid deferred consideration of £1.0m. The net cash inflow from operating activities for the period was £4.2m (2008 - outflow £0.8m). The Group continues to trade well within its banking covenants. In addition, the Group retains an undrawn working capital revolving credit facility of £10.0m which expires in 2013.

Dividends

The Board approved an increase of 5% in the level of interim dividend to 4.20p (2008 - 4.00p). The dividend will be payable on 20 April 2010 to shareholders on the register on 19 March 2010. The dividend is 2.78 times covered by earnings. The ex-dividend date will be 17 March 2010. The closing date for elections for the Dividend Re-Investment Plan is 26 March 2010. The final dividend for the previous financial year of 9.66p was paid in December 2009.

Overview

The corporate office market was heavily impacted by the global economic and banking crises during 2009. The short term impact was most pronounced in our European and Asian operations. However in the last quarter of 2009, our blue chip clients have recommenced their capital investment programmes across London Fit out, Europe, Middle East and Asia.

Throughout the period we have continued to see strong demand for our services from UK food retailers and UK bank branch roll-out programmes. This contrasts with weak demand from the UK High Street retailers.

Our Regional Construction businesses have had a strong first half. However, we are planning for the likelihood of reduced volumes and project sizes in public sector work. On top of flat private sector demand in the regions, this will increase competitive pressures.

Our strategy is to continue to support and extend the Group's three principal markets:

- For multinational corporate office and retail fit out customers the Group is able to provide a broad range of services on a multi-location basis across the UK, Europe, Middle East and Asia
- For national food retail customers the Group is able to provide a broad range of services on a multi-location basis across the UK
- For UK construction customers the Group is able to provide a network of regionally based construction businesses with significant regional presence and knowledge operating on a nationally co-ordinated basis across England and Wales.

For our multinational corporate office and retail fit out customer base as well as our national food retail customer base we will continue to identify opportunities to extend the breadth of our services both in terms of range and geography via organic growth and acquisition. We are presently delivering to key customers such as Barclays Bank, ExxonMobil, RBS, Standard Chartered Bank, Tesco, Asda, UGG, Apple and Google across a broad range of services and geographies.

¹ before exceptional items and amortisation of intangible assets

Since the period end we have signed heads of terms to acquire a Moscow based fit out company concentrating on services for international clients. We are in the process of expanding and opening new offices in China and Abu Dhabi, and continue to explore opportunities in India and Asia.

For UK construction customers we will continue to seek opportunities to extend the breadth of our offering particularly to our framework and repeat customers.

Trading

The following is a summary of revenue and volumes² for each of the Group's business segments:

6 months to 31 December	REVENUE		VOLUMES ²	
	2009 £m	2008 £m	2009 £m	2008 £m
London				
- Fit out	91	106	110	117
- Construction	82	115	82	115
	173	221	192	232
Regional Construction	162	178	162	178
Retail	99	113	99	113
Overseas				
- Asia	37	31	37	31
- Middle East	-	2	8	2
- Europe	13	18	13	18
Total	484	562	511	574

Our results demonstrate the success of the Group's strategy of diversification over the last few years, ensuring that we are not over exposed to any one particular market.

London

During the period the Group's London operations continued to be affected by the weaker demand from corporate office tenants and developers, and hence volumes² declined by 17% to £192m (2008 - £232m). Despite the volume decline, operating profit increased by 39% to £3.0m (2008 - £2.2m) largely due to the positive agreement of a number of final accounts on projects completed in the current period. This has resulted in operating margins increasing to 1.7% (2008 - 0.9%).

London Fit out

London Fit out volumes² declined by 6% to £110m (2008 - £117m). Notable projects being delivered or completed during the current period were KPMG's new UK headquarters in Canary Wharf, new London offices for Transport for London, New Look and Banco de Brasil, a data centre for EDS and laboratories for Illumina.

The business has an order book of £150m as at December 2009 (2008 - £205m), of which £83m is to be delivered in the current financial year (2008 - £122m). During the period we have successfully targeted the high end residential market and privately funded hospital trusts winning twelve projects with a total value of £50m. In addition the business has also secured major corporate office fit outs for Man Group, RBS, Telefonica O2, Lockton Insurance Group and Burges Salmon. The increased pipeline for major fit out opportunities that we noted in September 2009 is being maintained. The smaller end of the market, whilst still highly competitive, continues to improve.

Encouragingly we have been able to maintain the level of order book at circa £150m since September 2009 and we anticipate volumes being maintained in the current financial year.

London Construction

Revenue in London Construction declined by 29% to £82m (2008 - £115m) due to the reduced demand for new build and refurbishment of office space in Greater London. In the period we made good progress on the Nido Spitalfields 35 storey student accommodation tower for Blackstone, the Velodrome for the London 2012 Olympics and a mixed use scheme in Marshall Street.

² definition of volumes is given in Note 3

The business has an order book of £153m as at December 2009 (2008 - £281m), of which £77m is to be delivered in the current financial year (2008 - £105m). Recent wins include a further student accommodation scheme for Blackstone and education projects for Croydon College and Queen Mary's University.

Based on the current level of order book, the business has secured its revenue target for the current financial year. Enquiries from corporate office developers have been increasing over the past two months but we do not anticipate benefiting from this until 2011.

Regional Construction

Our Regional Construction businesses include the activities of our offices in Manchester, Bradford, Birmingham, Bristol, Exeter, Ipswich and Tonbridge. Revenue in the period decreased by 9% to £162m (2008 - £178m).

Despite the decline in revenue, operating profit increased by 103% to £2.6m (2008 - £1.3m) due to improved procurement efficiencies in the businesses, resulting in an operating margin on revenue of 1.6% (2008 - 0.7%).

During the period, 77% of revenue related to public sector clients (2008 - 52%). Our Regional Construction businesses benefit from a number of frameworks covering core sectors of affordable housing, local authorities, health, prisons and utilities. During the period these frameworks delivered £34m of revenue (2008 - £25m) and we have already secured £30m of projects (2008 - £18m) for the remainder of the current financial year, including £12m under the Aspire Defence framework, £8m under the prison framework for the National Offender Management Service and £7m under six affordable housing frameworks.

During the period, we worked on 52 education projects (2008 - 54 projects) with a total revenue of £68m (2008 - £48m) including the Suffolk Sixth Form Centre in Ipswich, Oaklands College in Yeovil, St John's School in Marlborough, St Brendan's College in Bristol and Sir John Deane's College in Cheshire. We have an education order book of £81m as at the end of December 2009 (2008 - £136m), which includes the recently won North Warwickshire and Hinckley College, Hayesfield School in Bath, National Star College in Cheltenham and The Manchester College.

Work for our private sector clients included the construction of a hotel in Solihull for The Alternative Hotel Group, the construction of a test facility in Filton for Airbus (UK) Ltd, the refurbishment of a data centre for Lloyds Banking Group in Peterborough and a project for BAE systems at Warton.

As at 31 December 2009, the total order book for the Regional Construction businesses stands at £267m (2008 - £311m), of which 77% relates to public sector works and £140m is to be delivered in the current financial year (2008 - £160m). With the increasing pressure on public sector capital spending we are anticipating that revenues will decline by circa 10% in the current financial year.

Retail

Our Retail operations, ISG Pearce Retail and ISG Cathedral, saw revenue decreasing by 12% to £99m (2008 - £113m), largely due to the continued reduced work load from the High Street retailers.

Operating profit decreased by 35% to £2.5m (2008 - £3.9m), due to margin pressures from our key clients as well as the revenue decline, resulting in an operating margin on revenue of 2.5% (2008 - 3.4%).

During the period ISG Pearce Retail, which focuses primarily on major food retail customers, undertook a total of 38 projects (2008 - 33 projects) comprising new builds, shell fit outs, extensions and refurbishments for Tesco, Asda, Sainsbury's, Marks & Spencer and Morrisons. The business experienced a reduction in refurbishment programmes by its key customers, but this has been compensated for by our ability to offer a wider range of services with an increased allocation of new build and extension projects. In particular we have just completed our first new build project for Tesco and have been allocated four further opportunities, two of which are now on site. In addition we have been allocated our first new build project with Sainsbury's, and will start two further new build projects for Asda in the second half.

During the period ISG Cathedral focused primarily on bank branch roll out frameworks undertaking 263 projects (2008 - 70 projects) for Barclays Bank, Lloyds Banking Group, RBS and HSBC. The increase in the number of projects was due to certain clients undertaking refurbishment of selective areas within branches rather than full branch refurbishments.

Despite the continued weakness of the High Street retail market, our Retail operations undertook two large projects for Primark, Best Buy's first UK store and further projects for repeat customers Descamps, Footlocker, Gucci and Carphone Warehouse.

Overall our Retail operations have an order book as at 31 December 2009 of £130m (2008 - £108m), of which £77m is to be delivered in the current financial year (2008 - £67m). With recent allocations from our major food retail clients and bank branch roll out framework clients, we are confident that revenue will be increased in the second half of the current financial year. This will weight profits towards the second half.

Asia

In our Asia operations, revenue increased by 22% to £37m (2008 - £31m), largely due to three large projects secured in Singapore. Despite this increase, operating profit declined to £0.3m (2008 - £1.0m), resulting in an operating margin on revenue of 0.8% (2008 - 3.2%).

The business experienced a highly competitive environment during 2009 in all of its markets following the collapse of Lehman Brothers with many projects being tendered aggressively. As a result margins on the work undertaken in the period are lower than normal, and we would anticipate margin improvement during the second half of the current financial year as some of the key projects are completed and final accounts settled both upstream and downstream. Since October 2009, the market has returned to a more normal state. In addition, in China we have noted that the international high end retailers have restarted their capital investment programmes.

In the period the business provided consultancy services and delivered projects for a broad range of clients in the hospitality, retail, financial, corporate and education sectors including Marina Bay Sands, Polo Ralph Lauren, Cartier, UGG, Swire Properties, Standard Chartered Bank, Bohai Bank, Barclays Capital, Citi Bank, Quantas Airways, BP, Amway, Carmel School and Kellett School.

We have continued to strengthen our management resources for the next phase of growth and we have invested in larger offices in China to support the growth.

The business is carrying forward an order book of £44m as at December 2009 (2008 - £34m). With the improved order book and continuing improving prospects for the region, we are anticipating increased revenue of approximately 25% in the current financial year, with further growth in the next financial year.

Middle East

The joint venture with Al Habtoor Leighton Group, which offers fit out and joinery services across the Middle East, was completed in June 2009. The business made a positive contribution in the period of £0.1m (2008 - loss £0.1m) primarily due to the refurbishment project of the Sheikh Zayed Sports Stadium in Abu Dhabi. The order book at the end of December 2009 is £7m (2008 - £2m). We continue to build a strong pipeline of opportunities in Dubai and Abu Dhabi.

Europe

Our European business has always operated from the shortest order book in the Group. It experienced the most severe reaction to the global economic situation during the calendar year 2009 as its key customers of international financial services and technology companies delayed or cancelled projects. As a result revenue declined by 29% to £13m (2008 - £18m) and the business produced an operating loss of £0.9m (2008 - profit £1.4m).

We retained the business's infrastructure with offices in Paris, Frankfurt, Milan, Geneva and Amsterdam, in the belief that the decline in activity levels would be short term. This has been vindicated by the work secured in the second quarter of the current financial year leading to a record order book as at December 2009 of £29m (2008 - £9m), of which £18m is to be delivered in the current financial year (2008 - £9m). We anticipate that the business will make a positive contribution for the full year. During the period we have won projects for Barclays Capital and Japanese Tobacco International in Geneva, British Council in Rome, and ExxonMobil in Hamburg and Brussels and the Marriott Group in Disneyland Paris.

With the improved order book and continuing improving prospects for the region, we are anticipating increased revenue of approximately 30% in the current financial year.

Order Book

The following is a summary of the order book for each of the Group's business segments:

	ORDER BOOK		
	As at 31 December 2009 £m	As at 30 June 2009 £m	As at 31 December 2008 £m
London			
- Fit out	150	159	205
- Construction	153	188	281
	303	347	486
Regional Construction	267	286	311
Retail	130	135	108
Overseas			
- Asia	44	42	34
- Middle East	7	6	2
- Europe	29	6	9
Total	780	822	950

At the end of December 2009, our total order book was £780m (2008 - £950m), of which £442m (2008 - £494m) is for delivery in the current financial year and £320m (2008 - £365m) for the next financial year. 25% of the order book relates to the office sector (2008 - 29%), 21% to the retail sector (2008 - 13%), 15% to the education sector (2008 - 15%), 15% to the living sector (2008 - 16%) and 13% to the hospitality and leisure sector (2008 - 15%). Our order book is heavily weighted towards the private sector at 63% (2008 - 68%), with the public sector at 37% (2008 - 32%).

Outlook

ISG as a whole has a unique offering with its blend of businesses both in the UK and overseas. With the recovery in markets overseas, our international blue chip client base are using us more widely, and we are continuing to build our overseas infrastructure to service this demand.

Demand for our London Fit out services is starting to recover. Allocations for the calendar year 2010 under the framework agreements with our food and banking retail customers are strong. Our Regional Construction businesses will have a strong current year, but face tougher markets next financial year.

In Western and Eastern Europe our blue chip international clients are now recommencing their capital investment plans and we are seeing an increased demand for our services. Our key Asian markets will deliver organic growth on the back of strengthening economic activity. As a result our overseas businesses will have higher activity levels in the second half of the current financial year, with results similarly weighted.

Whilst our markets remain highly competitive, we have weathered the worst of the fallout from October 2008 and as these results demonstrate we are emerging in good health. We now feel confident that the Group is well placed to resume the growth path demonstrated from 2004 through to 2008 as the markets recover. We will continue to pursue organic growth and acquisition opportunities.

David Lawther

Chief Executive

9 March 2010

CONDENSED CONSOLIDATED INCOME STATEMENT
for the 6 months to 31 December 2009

	Notes	Unaudited 6 months to 31 December 2009 £'000	Unaudited 6 months to 31 December 2008 £'000	Audited Year to 30 June 2009 £'000
Revenue	3	483,637	562,385	1,049,164
Cost of sales		<u>(453,619)</u>	<u>(529,480)</u>	<u>(985,071)</u>
Gross profit		30,018	32,905	64,093
Share of profits of associates and joint ventures		350	16	19
Amortisation of intangibles	9	(712)	(712)	(1,424)
Administrative expenses		<u>(24,975)</u>	<u>(25,497)</u>	<u>(50,166)</u>
Operating profit before exceptional items	3	4,681	6,712	12,522
Exceptional items	4	<u>(1,871)</u>	<u>-</u>	<u>-</u>
Operating profit after exceptional items	3	2,810	6,712	12,522
Finance income	3	70	805	872
Finance costs	3	<u>(450)</u>	<u>(1,235)</u>	<u>(1,677)</u>
Profit before tax	3	2,430	6,282	11,717
Taxation	5	<u>(1,248)</u>	<u>(1,853)</u>	<u>(3,198)</u>
Profit for the period		<u>1,182</u>	<u>4,429</u>	<u>8,519</u>
Basic earnings per share *	7	<u>3.89p</u>	<u>15.63p</u>	<u>29.67p</u>
Diluted earnings per share *	7	<u>3.81p</u>	<u>15.63p</u>	<u>29.63p</u>

* calculated using earnings from continuing operations after exceptional items (Note 7)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the 6 months to 31 December 2009

	Notes	Unaudited 6 months to 31 December 2009 £'000	Unaudited 6 months to 31 December 2008 £'000	Audited Year to 30 June 2009 £'000
Profit for the period		1,182	4,429	8,519
Other comprehensive income for the period				
Currency translation differences		<u>1,341</u>	<u>6,801</u>	<u>1,151</u>
Total comprehensive income for the period		<u>2,523</u>	<u>11,230</u>	<u>9,670</u>

CONDENSED CONSOLIDATED BALANCE SHEET

as at 31 December 2009

		Unaudited As at 31 December 2009 £'000	Unaudited As at 31 December 2008 £'000	Audited As at 30 June 2009 £'000
	Notes			
Non-current assets				
Goodwill	8	80,909	82,146	79,925
Other intangible assets	9	7,393	9,147	8,051
Property, plant and equipment		6,232	8,353	7,162
Investment in associates and joint ventures		920	68	290
Deferred tax assets		1,224	728	1,368
Trade and other receivables		6,231	5,578	3,756
		<u>102,909</u>	<u>106,020</u>	<u>100,552</u>
Current assets				
Inventories		3,162	3,897	3,156
Trade and other receivables		117,632	143,634	123,790
Due from customers for contract work		45,350	58,954	84,234
Cash and cash equivalents	10	47,226	50,831	51,190
		<u>213,370</u>	<u>257,316</u>	<u>262,370</u>
Total assets		<u>316,279</u>	<u>363,336</u>	<u>362,922</u>
Current liabilities				
Borrowings	11	(5,366)	(6,668)	(6,797)
Trade and other payables		(238,221)	(274,366)	(288,795)
Due to customers for contract work		(8,811)	(6,649)	(3,920)
Provision		(1,016)	(417)	(183)
Current tax liabilities		(519)	(2,273)	(1,317)
		<u>(253,933)</u>	<u>(290,373)</u>	<u>(301,012)</u>
Non-current liabilities				
Borrowings	11	(9,866)	(17,376)	(12,267)
Deferred tax liabilities		(1,944)	(2,287)	(2,144)
Trade and other payables		(2,384)	(5,907)	(2,060)
Provisions		(834)	-	(167)
		<u>(15,028)</u>	<u>(25,570)</u>	<u>(16,638)</u>
Total liabilities		<u>(268,961)</u>	<u>(315,943)</u>	<u>(317,650)</u>
TOTAL NET ASSETS		<u>47,318</u>	<u>47,393</u>	<u>45,272</u>
Equity				
Called up share capital		332	304	311
Share premium account		22,356	19,226	19,876
Reserves		4,079	8,675	3,041
Investment in own shares		(3,840)	(3,679)	(3,854)
Retained earnings		24,391	22,867	25,898
TOTAL EQUITY		<u>47,318</u>	<u>47,393</u>	<u>45,272</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 31 December 2009

	Share capital	Share premium	Foreign currency reserve	Investment in own shares	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 July 2008	295	17,481	1,755	(3,634)	21,145	37,042
Profit for the period	-	-	-	-	4,429	4,429
Payment of dividends	-	-	-	-	(2,648)	(2,648)
Issue of shares	9	1,745	-	-	-	1,754
Recognition of investment in own shares	-	-	-	(45)	-	(45)
Recognition of share based payments	-	-	-	-	60	60
Exchange differences arising on translation of foreign operations	-	-	6,920	-	(119)	6,801
Balance as at 31 December 2008	304	19,226	8,675	(3,679)	22,867	47,393
Profit for the period	-	-	-	-	4,090	4,090
Payment of dividends	-	-	-	-	(1,152)	(1,152)
Issue of shares	7	650	-	-	-	657
Recognition of investment in own shares	-	-	-	(175)	-	(175)
Tax credit on long term incentive plans	-	-	-	-	4	4
Recognition of share-based payments	-	-	-	-	105	105
Exchange differences arising on translation of foreign operations	-	-	(5,634)	-	(16)	(5,650)
Balance as at 30 June 2009	311	19,876	3,041	(3,854)	25,898	45,272
Profit for the period	-	-	-	-	1,182	1,182
Payment of dividends	-	-	-	-	(3,052)	(3,052)
Issue of shares	21	2,480	-	-	-	2,501
Recognition of investment in own shares	-	-	-	14	-	14
Recognition of share-based payments	-	-	-	-	60	60
Exchange differences arising on translation of foreign operations	-	-	1,038	-	303	1,341
Balance as at 31 December 2009	332	22,356	4,079	(3,840)	24,391	47,318

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the 6 months to 31 December 2009

		Unaudited 6 months to 31 December 2009	Unaudited 6 months to 31 December 2008	Audited Year to 30 June 2009
	Notes	£'000	£'000	£'000
Cash flows from operating activities				
Operating profit before exceptional items	3	4,681	6,712	12,522
Share of profits of associates and joint ventures		(350)	(16)	(19)
Amortisation of intangibles	9	712	712	1,424
Depreciation on property, plant and equipment		1,276	1,666	2,968
Loss on disposal of property, plant and equipment		3	10	94
Adjustment for share options		60	60	165
Movements in working capital:				
(Increase) / Decrease in inventories		(6)	343	1,084
Decrease in trade and other receivables		42,567	33,653	31,020
(Decrease) in trade and other payables		(42,671)	(42,602)	(39,862)
Cash generated from operations		6,272	538	9,396
Taxation		(2,102)	(1,310)	(2,546)
Net cash inflow / (outflow) from operating activities		4,170	(772)	6,850
Cash flows from investing activities				
Interest received		70	805	872
Interest paid		(230)	(1,235)	(1,110)
Dividends received from associates and joint ventures		19	343	88
Investment in joint ventures		-	-	(238)
Loan granted to joint ventures		-	-	(981)
Payments for property, plant and equipment		(706)	(1,804)	(2,442)
Proceeds from disposal of property, plant and equipment		4	-	51
Acquisition of subsidiaries		(1,971)	(2,961)	(3,629)
Net cash outflow from investing activities		(2,814)	(4,852)	(7,389)
Cash flows from financing activities				
Payments for own shares		-	(45)	(220)
Dividends paid	6	(3,052)	(2,648)	(3,800)
Issue of shares (net)		-	29	29
Payments for hire purchase contracts principals		-	(51)	(79)
Repayment of borrowings		(2,970)	(970)	(5,940)
Net cash outflow from financing activities		(6,022)	(3,685)	(10,010)
Net decrease in cash and cash equivalents		(4,666)	(9,309)	(10,549)
Cash and cash equivalents at the beginning of the period	10	51,190	60,259	60,259
Effects of exchange rate changes on the balance of cash held in foreign currencies		702	(119)	1,480
Cash and cash equivalents at the end of the period	10	47,226	50,831	51,190

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and significant accounting policies

General information

The results for the half years ended 31 December 2008 and 2009 and the balance sheets as at those dates have not been audited and do not constitute statutory accounts. The financial information for the year ended 30 June 2009 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the audit report and did not contain statements under section 498 of the Companies Act 2006.

The Group's activities and the key risks facing its future development, performance and position are set out in the half year report. The Directors have reviewed the current and projected position of the Group and have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half yearly condensed consolidated financial statements.

Statement of compliance

The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Services Authority. The Group condensed financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2009, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Accounting policies

The same accounting policies and methods of consolidation are followed in this condensed set of financial statements as applied in the Group's latest annual report and accounts for the year ended 30 June 2009 except as described below.

- Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. Transactions which may give rise to disclosure as exceptional items are material items of income or expense due to the significance of their nature or amount and include gains or losses on disposal of businesses and investments, costs of restructuring and reorganising existing businesses, litigation and regulatory settlements, and asset impairments.

During the current period, the following accounting standards were adopted by the Group:

- IAS 1 (revised) 'Presentation of Financial Statements' has been applied in the preparation of the Group's condensed financial statements. The revised standard requires the presentation of a statement of changes in equity in the primary statements with the information previously disclosed in the 'Reconciliation of Movements in Equity' note in the financial statements. In addition the Group has elected to present a separate income statement and a statement of comprehensive income. The revised standard also suggests certain changes in terminology which have been adopted in these Group condensed financial statements. The statement of recognised income and expense has been renamed statement of comprehensive income.
- IFRS 3 (revised) 'Business Combinations' and consequential amendments to IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investments in Associates' and IAS 31 'Interests in Joint Ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The main change in accounting policy resulting from the revised standards is the requirement to expense acquisition costs in the statement of financial performance when incurred. As a result, the Group has expensed acquisition costs in the current period that previously would have been capitalised within goodwill.
- The following accounting standards were adopted and either had no impact on the financial statements or resulted in changes to presentation and disclosure only:
 - IFRIC 13, 'Customer Loyalty Programmes'
 - IFRIC 15, 'Agreements for the Construction of Real Estate'
 - IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation'
 - IFRIC 17, 'Distributions of Non-cash Assets to Owners'
 - IFRIC 18, 'Transfers of Assets from Customers'
 - IAS 39 (amendment) 'Financial instruments: Recognition and Measurement'

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Seasonality

The Group's activities are generally not subject to significant seasonal variation.

3. Segmental information

Management have determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The Board considers the business from both a geographic and a product perspective. Geographically, management considers the performance of UK, Asia, Middle East and Europe. The UK is further segregated by product into London, Regional Construction and Retail.

Although the Asia, Europe and the Middle East segments do not meet the quantitative thresholds required by IFRS 8 'Operating Segments', management has concluded that this segment should be reported. All are closely monitored by the Board as potential growth regions and are expected to materially contribute to group revenue in the future.

The principal activities of each of these divisions are as follows:

- London – provision of new build, refurbishment and fit out services in London.
- Regional Construction – provision of new build, refurbishment and fit out services in UK outside London.
- Retail – provision of fit out services to banking and high street retail customers and fit out, new build and refurbishment services to national food retail customers in UK.
- Asia – provision of fit out, refurbishment, project management and commissioning management services in Asia.
- Middle East – provision of fit out, refurbishment and project management services in the Middle East, including Al Habtoor-ISG joint venture.
- Europe – provision of fit out services in mainland Europe.
- Other – consists of the Group's discontinued activity in property development.

The segmental information provided to the Board for the reportable segments for the period ended 31 December 2009, 31 December 2008 and 30 June 2009 is as follows:

a. Volumes and revenue analysis

Volumes includes revenue of the Group plus the value of work undertaken on construction management contracts undertaken by the Group and the Group's share of associates' and joint ventures' revenue.

	6 months to		6 months to		Year to	
	31 December 2009		31 December 2008		30 June 2009	
	Volumes £'000	Revenue £'000	Volumes £'000	Revenue £'000	Volumes £'000	Revenue £'000
London	192,737	172,982	232,523	221,359	447,856	379,885
Regional Construction	161,666	161,666	178,394	178,394	367,355	367,355
Retail	98,939	98,939	112,613	112,613	207,886	207,886
Asia	37,441	37,441	30,958	30,626	63,577	63,026
Middle East	8,070	-	1,690	1,690	2,909	2,289
Europe	12,609	12,609	17,703	17,703	28,710	28,710
Other	-	-	-	-	13	13
Total of all segments	511,462	483,637	573,881	562,385	1,118,306	1,049,164

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Segmental information (continued)

b. Profit analysis

The Board assesses the performance of the operating segments based on an operating profit margin and profit before tax measure. This measurement basis excludes the effects of the cost of acquisition finance, the amortisation of intangible assets, exceptional items and group activities. Group activities specifically related to head office and holding company costs. The operating profit margin has been calculated as operating profit over revenue.

	Unaudited 6 months to 31 December 2009			
	Operating profit	Operating profit margin	Net finance income/(costs)	Profit before tax
	£'000	%	£'000	£'000
London	3,010	1.7%	57	3,067
Regional Construction	2,617	1.6%	79	2,696
Retail	2,509	2.5%	26	2,535
Asia	289	0.8%	-	289
Middle East	84	-	-	84
Europe	(949)	-	14	(935)
Other	(14)	-	(21)	(35)
Segment total "Group Trading"	7,546	1.6%	155	7,701
Unallocated:				
Group activities	(2,153)	-	(62)	(2,215)
Cost of acquisition finance	-	-	(473)	(473)
Adjusted	5,393	1.1%	(380)	5,013
Amortisation of intangibles	(712)	-	-	(712)
Before exceptional items	4,681	1.0%	(380)	4,301
Exceptional items	(1,871)	-	-	(1,871)
Consolidated	2,810	0.6%	(380)	2,430

	Unaudited 6 months to 31 December 2008			
	Operating profit	Operating profit margin	Net finance income/(costs)	Profit before tax
	£'000	%	£'000	£'000
London	2,167	0.9%	778	2,945
Regional Construction	1,288	0.7%	271	1,559
Retail	3,875	3.4%	241	4,116
Asia	993	3.2%	2	995
Middle East	(114)	-	-	(114)
Europe	1,377	7.7%	179	1,556
Other	(208)	-	(48)	(256)
Segment total "Group Trading"	9,378	1.7%	1,423	10,801
Unallocated:				
Group activities	(1,954)	-	(666)	(2,620)
Cost of acquisition finance	-	-	(1,187)	(1,187)
Adjusted	7,424	1.3%	(430)	6,994
Amortisation of intangibles	(712)	-	-	(712)
Consolidated	6,712	1.2%	(430)	6,282

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Segmental information (continued)

b. Profit analysis (continued)

	Operating profit	Operating profit margin	Net finance income/(costs)	Audited Year to 30 June 2009 Profit before tax
	£'000	%	£'000	£'000
London	5,257	1.4%	876	6,133
Regional Construction	2,962	0.8%	580	3,542
Retail	6,667	3.2%	(179)	6,488
Asia	2,111	3.4%	-	2,111
Middle East	(406)	-	-	(406)
Europe	1,367	4.8%	196	1,563
Other	(739)	-	(57)	(796)
Segment total "Group Trading"	17,219	1.6%	1,416	18,635
Unallocated:				
Group activities	(3,273)	-	(650)	(3,923)
Cost of acquisition finance	-	-	(1,571)	(1,571)
Adjusted	13,946	1.3%	(805)	13,141
Amortisation of intangibles	(1,424)	-	-	(1,424)
Consolidated	12,522	1.2%	(805)	11,717

4. Exceptional items

As previously reported in the Annual Report and Accounts 2009, two of ISG's subsidiaries, Propensity Group Limited and Pearce Construction (Midlands) Limited, a dormant subsidiary of ISG Pearce Limited, were investigated by the Office of Fair Trading ("OFT") for technical breaches of competition law in earlier years prior to ISG's ownership.

Propensity Group Limited entered into a leniency agreement with the OFT in respect of the alleged infringements and submitted a response to the OFT's Statement of Objections. Pearce Construction (Midlands) Limited was issued with a Statement of Objections and has been defending its position. ISG has a £2m cash backed indemnity from the vendors of ISG Pearce Holdings Limited.

On 20 November 2009, the OFT announced the findings of its investigation and decided to fine Propensity Group Limited and Pearce Construction (Midlands) Limited for these breaches, along with 101 other UK construction companies.

The fine for Propensity Group Limited was abated due to its full co-operation with the OFT during its investigation and the fine of £98,042 has been paid.

The OFT has fined Pearce Construction (Midlands) Limited £5.2m of which £4.4m is on a joint and several basis with the company's former owner, Crest Nicholson plc. Appeals have been submitted to the Competition Appeal Tribunal in respect of the quantum of fine imposed, the methodology upon which the fine was calculated, and the inclusion of ISG Pearce Limited as an entity responsible for the infringement. Crest Nicholson plc has also lodged an appeal. As a result, the fine has not been paid and an application has been made to pay any resultant fine due over a three year period.

As at the date of issuing these accounts, no agreement has been reached with Crest Nicholson plc over the apportionment of the fine and the results of the various appeals to the OFT are not known.

The Board has considered all the information available and assessed potential outcomes relating to the above fines, the joint and several liability with Crest Nicholson plc and estimated legal costs of the appeal, and a provision has been made in these accounts.

	Unaudited 6 months to 31 December 2009 £'000	Unaudited 6 months to 31 December 2008 £'000	Audited Year to 30 June 2009 £'000
Legal fees and fines incurred	371	-	-
Provision	1,500	-	-
Total exceptional items	1,871	-	-

Given the nature of this item, the Board has considered that it should be treated as exceptional items in accordance with the Group's accounting policies included in Note 1.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Taxation

	Unaudited 6 months to 31 December 2009 £'000	Unaudited 6 months to 31 December 2008 £'000	Audited Year to 30 June 2009 £'000
UK Current tax			
Current year provision	1,414	1,282	3,370
Adjustment in respect of prior years	-	32	(33)
	<u>1,414</u>	<u>1,314</u>	<u>3,337</u>
Foreign tax			
Current year provision	(111)	742	807
Double tax relief	-	-	(8)
	<u>(111)</u>	<u>742</u>	<u>799</u>
Deferred tax			
Current year temporary differences	(55)	(203)	(938)
Total tax expense	<u><u>1,248</u></u>	<u><u>1,853</u></u>	<u><u>3,198</u></u>

Income tax for the six month period is charged at 28% (2009 - 28%), being the estimated annual effective tax rate expected for the full financial year, applied to the profit before income tax expense excluding the share of net profit/loss of equity accounted joint ventures for the six month period (which are stated net of income tax).

Exceptional items have been treated as disallowable expenses for corporation tax purposes.

6. Dividends

	Unaudited As at 31 December 2009 £'000	Unaudited As at 31 December 2008 £'000	Audited As at 30 June 2009 £'000
2009 Final paid – 9.66p per ordinary share (2008 - 9.20p)	<u>3,052</u>	<u>2,648</u>	<u>2,648</u>
2010 Interim dividend – 4.20p per ordinary share (2009 - 4.00p)	<u>1,394</u>	<u>1,216</u>	<u>1,152</u>

In accordance with IAS 10 'Events after the Reporting Date', dividends are accounted for in the period in which they are paid. Accordingly the interim dividend due in respect of the half year ended 31 December 2009 has not been included as a liability as at 31 December 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares during the period, determined in accordance with the provisions of IAS 33 'Earnings per Share'.

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 potential ordinary shares. The Group has only one category of dilutive potential ordinary shares, being share options granted where the exercise price is less than the average price of the company's ordinary shares during the period.

An alternative measure of earnings per share has also been presented below by dividing the earnings from continuing operations before exceptional items attributable to ordinary shareholders by the weighted average number of ordinary shares during the period. The Group believes that this measure of earnings from continuing operations before exceptional items is more reflective of the ongoing trading of the Group.

Adjusted basic earnings per share is calculated by dividing the earnings attributed to ordinary shareholders, before exceptional items, amortisation of intangible assets and gain / loss on disposal of associates and subsidiaries, by the weighted average number of ordinary shares during the period.

	Unaudited	Unaudited	Audited
	As at	As at	As at
	31 December	31 December	30 June
	2009	2008	2009
	£'000	£'000	£'000
Profit for the period	1,182	4,429	8,519
Post-tax exceptional items	1,871	-	-
Basic and diluted earnings attributable to ordinary shareholders	3,053	4,429	8,519
Post-tax amortisation of intangible assets	513	502	1,025
Adjusted earnings attributable to ordinary shareholders	3,566	4,931	9,544

	Unaudited	Unaudited	Audited
	As at	As at	As at
	31 December	31 December	30 June
	2009	2008	2009
	Number	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	30,486,028	28,337,212	28,709,387
Dilutive share options	532,424	8,759	40,436
Weighted average number of ordinary shares for the purpose of diluted earnings per share	31,018,452	28,345,971	28,749,823

	Unaudited	Unaudited	Audited
	As at	As at	As at
	31 December	31 December	30 June
	2009	2008	2009
	Pence per share	Pence per share	Pence per share
Basic earnings per share	3.89	15.63	29.67
Diluted earnings per ordinary share	3.81	15.63	29.63
Basic earnings per ordinary share before exceptional items	10.02	15.63	29.67
Diluted earnings per ordinary share before exceptional items	9.84	15.63	29.63
Adjusted basic earnings per ordinary share	11.70	17.40	33.24
Adjusted diluted earnings per ordinary share	11.50	17.40	33.20

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Goodwill

	£'000
Cost	
Balance at 1 July 2008	77,982
Net foreign currency exchange differences	3,626
Effect of change in fair value and deferred consideration	<u>538</u>
Balance at 31 December 2008	82,146
Net foreign currency exchange differences	(2,413)
Effect of change in fair value and deferred consideration	<u>192</u>
Balance at 30 June 2009	79,925
Net foreign currency exchange differences	984
Balance at 31 December 2009	<u>80,909</u>
Carrying amount	
As at 31 December 2008	<u><u>82,146</u></u>
As at 30 June 2009	<u><u>79,925</u></u>
As at 31 December 2009	<u>80,909</u>

Goodwill has been allocated for impairment testing purposes to five groups of cash-generating units ("CGUs") identified according to operating segments, being London, Regional Construction, Retail, Asia and Europe. The allocation of goodwill is dependent on the CGU that is expected to benefit from the business combination.

The Group tests goodwill bi-annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates for the period. The Board estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business, giving a discount rate of 10.5% (2008 – 10.1%). The Group discount rate is applied to all CGUs. The growth rate of 2.25% is based on the estimated industry growth forecasts and long-term growth in gross domestic product.

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by the Board for the next two years and extrapolates cash flows for the following three years based on the estimated growth rate of 2.25% and thereafter applied into perpetuity.

At 31 December 2009, 31 December 2008 and 30 June 2009, the carrying amounts of goodwill for CGUs were tested for impairment and deemed not to be impaired.

Given the Group's sensitivity analysis, a change in the discount rate of up to 14% would not cause impairment in any of the Group's CGUs. However, at a discount rate of 15% there would be an 8% impairment of the £28.9m carrying value of goodwill in our Regional Construction CGU.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Other intangible assets

	Customer Relationships £'000	Customer Contracts £'000	Total £'000
Cost			
Balance at 1 July 2008	10,593	956	11,549
Net foreign currency exchange differences	950	-	950
Balance at 31 December 2008	11,543	956	12,499
Net foreign currency exchange differences	(555)	-	(555)
Balance at 30 June 2009	10,988	956	11,944
Net foreign currency exchange differences	237	-	237
Balance at 31 December 2009	11,225	956	12,181
Accumulated depreciation			
Balance at 1 July 2008	1,191	956	2,147
Charge for the period	712	-	712
Net foreign exchange difference	493	-	493
Balance at 31 December 2008	2,396	956	3,352
Charge for the period	712	-	712
Net foreign exchange difference	(171)	-	(171)
Balance at 30 June 2009	2,937	956	3,893
Charge for the period	712	-	712
Net foreign currency exchange difference	183	-	183
Balance at 31 December 2009	3,832	956	4,788
Carrying amount			
As at 31 December 2008	9,147	-	9,147
As at 30 June 2009	8,051	-	8,051
As at 31 December 2009	7,393	-	7,393

10. Analysis of net cash

	Unaudited As at 31 December 2009 £'000	Unaudited As at 31 December 2008 £'000	Audited As at 30 June 2009 £'000
Cash and cash equivalents as per balance sheet	47,226	50,831	51,190
Cash and cash equivalents per the cash flow statement	47,226	50,831	51,190
Bank loans	(15,218)	(23,035)	(18,101)
Loan notes	-	(968)	(950)
Obligation under hire purchase contracts	(14)	(41)	(13)
Net cash	31,994	26,787	32,126

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Borrowings

	Unaudited As at 31 December 2009 £'000	Unaudited As at 31 December 2008 £'000	Audited As at 30 June 2009 £'000
Non-current			
Bank loans ¹	9,996	17,607	12,446
Unamortised cost of debt	(139)	(232)	(179)
Obligations under hire purchase contracts	9	1	-
	<u>9,866</u>	<u>17,376</u>	<u>12,267</u>
Current			
Bank loans ¹	5,454	5,765	5,939
Unamortised cost of debt	(93)	(105)	(105)
Loan notes ²	-	968	950
Obligations under hire purchase contracts	5	40	13
	<u>5,366</u>	<u>6,668</u>	<u>6,797</u>

¹ The Group has two principal bank loans:

- (a) a loan of £1.5m (2008 - £3.4m). The loan was taken out on 28 September 2005. Repayments commenced on 28 December 2005 and will continue until 28 September 2010. The loan carries a variable interest rate of 1.77% as at 31 December 2009.
- (b) a loan of £14.0m (2008 - £20.0m), which was drawn down between May 2007 and May 2008. Repayments commenced on 22 February 2009 and are scheduled to continue until 24 May 2013. The loan carries a variable interest rate of 1.77% as at 31 December 2009.

Bank covenants include total interest cover, net debt to earnings before interest, tax, depreciation and amortisation and total debtors to total utilisation. There have been no breaches of bank covenants during all periods. The bank loans are guaranteed by material subsidiaries of the Group by way of debenture. The Group does not have any of its property and equipment pledged as security over bank loans.

² Loan notes of £950,000 were repaid to the vendors of ISG Cathedral during the period.

Undrawn facilities comprise a joint revolving credit facility of £10.0m with Bank of Scotland and The Royal Bank of Scotland plc (2008 - £10.0m). The facility bears a floating interest rate (with reference to LIBOR) and remained undrawn throughout the current period and the prior year. This facility expires on 24 May 2013.

During the period, letters of credit with a limit of £6.5m (2008 - nil) were made available to our Asian business by their banks. At the period end, letters of credit of £4.2m were open (2008 - nil) with no drawdowns made in favour of the beneficiaries.

12. Contingent liabilities

There are Group cross guarantees from the company for all monies due to certain of the Group's banks and surety lenders. No monies were outstanding as at 31 December 2009 (2008 - nil). In the normal course of business there are contingent liabilities including the provision of bonds in respect of completed and uncompleted contracts.

Included in Note 4 'Exceptional Items' are details relating to the OFT's recent investigations into construction companies and the subsequent fines. In making a provision in these accounts, the Board has made an assumption with regard to the joint and several liability of the outstanding fines.

13. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There have been no material transactions between the Group and its associates or joint ventures during the year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Principal risk and uncertainties

The weaknesses in some of the world's major economies due to the global economic and banking crises were highlighted in the Annual Report and Accounts 2009. Some of the Group's businesses have continued to face uncertainty and highly competitive tendering during the first half of the financial year. In the last quarter of 2009, we have seen encouraging signs of some clients re-starting their capital investment programmes across London Fit out, Europe, Middle East and Asia.

In addition to the above, the Directors consider that the nature of the principal risks and uncertainties which may have a material effect on the Group's performance in the second half of the year is unchanged from those identified on page 36 of the Directors' Report and Accounts 2009. These include the impact of the current macro economic trends on the Group's clients and its supply chain with the risk of clients or key subcontractors defaulting, the ongoing financial risk including currency rate risk, the market risk of reduced demand for construction services in the private and public sector, and the risk of failing to attract and retain key staff, particularly project leaders.

15. Approval of Interim Accounts

The Interim Accounts were approved by the Board of Directors on 9 March 2010.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the Group's condensed financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting';
- the interim management report includes a fair review of important events during the first six months of their impact on the condensed group financial statements and a description of the principal risks and uncertainties for the remaining six months of the year, as required by the Disclosure and Transparency Rule 4.2.7R; and
- the interim management report includes a fair review of related parties' transactions and changes therein, as required by the Disclosure and Transparency Rule 4.2.8R.

On behalf of the Board

S D Lawther
Chief Executive

J C B Houlton
Finance Director

9 March 2010