INTERIOR SERVICES GROUP PLC
INTERIM RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Interior Services Group plc is pleased to announce an excellent set of results, delivered against an increasingly difficult economic environment in the UK and overseas. Our strategy of diversifying the business by activity, sector and geography thereby reducing our reliance on the London office sector, is now proving to bear fruit.

Results

- Revenue up 11% to £562m (2007 - £505m)
- Adjusted profit before tax[1] increased 11% to £7.0m (2007 - £6.3m)
- Profit before tax increased 8% to £6.3m (2007 - £5.8m)
- Basic earnings per share stable at 15.63p (2007 - 15.61p)
- Adjusted basic earnings per share[1] increased by 3% to 17.40p (2007 - 16.87p)
- Interim dividend of 4.00p (2007 - 4.00p)
- Net cash as at end of December 2008 £26.8m (2007 - £22.1m) with unutilised committed working capital facility of £10.0m

A diversified business

- Operating profits from businesses trading outside of London increased to 77%
- London decline offset by strong performances across other higher margin businesses
- New wins, such as the 2012 Olympic Velodrome and data centres, demonstrate ability to win business in London outside the office sector
- Regional Construction order book continues to grow with 73% public sector related
- Good ongoing visibility from our Retail frameworks, with growth in food retail and retail banking sectors
- European office market has slowed, offset by diversifying into other sectors
- Retail demand in China continues to drive the growth of the Asia business

Order book

- Order book at 31 December was £950m (2007 - £968m), of which £494m (2007 - £506m) is for delivery in the current financial year and £365m (2007 - £387m) for the next financial year

David Lawther, Chief Executive, said:

"ISG's strategy remains focused on diversifying the group by activity, sector and geography. In the UK we will continue to seek opportunities within London outside the office sector and outside London towards the public sector. Overseas we will continue to follow our core blue chip client base as they continue to make strategic investments abroad.

The recent series of economic and political events in the world is having an impact on our business. However the changes we have made to our business over the last few years and our positive net cash position have made us more resilient in the face of the current economic uncertainty."

10 March 2009

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[1] before amortisation of intangible assets

CEO HALF YEAR STATEMENT

Overview
I am pleased to announce an excellent set of results, delivered against an increasingly difficult economic environment in the UK and overseas.

The spread of our profits across our different activities underlines the group's strategy of diversification with a much greater exposure to a broader range of geographies, market sectors, clients and products. This has enabled the group to offset the decline in the London office sector by our exposure to more resilient sectors such as food retail, retail banking, technology and public sector projects in education, defence and affordable housing.

We are now able to offer fit out and project management services to clients in many of the major European, Middle Eastern and Asian cities; fit out, refurbishment and new build services to food retail, retail banking and retail fashion clients nationally across the UK; and new build and refurbishment services to public and private sector clients across England and South Wales. In addition, whilst maintaining our leading market position in the office sector, we have broadened our offering in the London market where we offer fit out, new build and refurbishment services to include public sector clients, as well as the technology sector.

Results
For the six months to 31 December 2008, adjusted profit before tax[1] increased by 11% to £7.0m (2007 - £6.3m) on revenue that increased by 11% to £562m (2007 - £505m). Adjusted earnings per share increased by 3% to 17.40p (2007 - 16.87p).

Net cash at the end of the period of £26.8m was slightly ahead of prior year (2007 - £22.1m). In the six month period there was a small net cash outflow from operating activities of £0.8m (2007 - inflow £4.4m), arising from higher client advance payments at June 2008. The group continues to trade well within its banking covenants and has no refinancing obligations as all borrowings are term loans over five years. In addition, the group retains an undrawn working capital revolving credit facility.

Dividends
The board has maintained an interim dividend of 4.00p (2007 - 4.00p). The dividend will be paid on 17 April 2009 to those shareholders on the register as at 20 March 2009. The ex-dividend date will be 18 March 2009. The closing date for elections for the Dividend Re-Investment Plan is 23 March 2009.

[1] before amortisation of intangible assets

Trading
The following is a summary of the revenue, forward order book and fee income.

	REVENUE		FORWARD ORDER BOOK		FEE INCOME[2]	
6 months to 31 December	**2008 £m**	**2007 £m**	**2008 £m**	**2007 £m**	**2008 £m**	**2007 £m**
London						
– Fit out	**106**	**161**	**205**	**182**	**16.8**	**16.5**
– Build	**115**	**127**	**281**	**376**	**11.8**	**12.9**
Regional Construction	**178**	**135**	**311**	**285**	**23.7**	**17.4**
Retail	**113**	**44**	**108**	**88**	**16.0**	**8.8**
Overseas						
– Asia	**31**	**29**	**34**	**22**	**9.0**	**7.0**
– Middle East	**2**	**1**	**2**	**-**	**0.4**	**-**
– Europe	**18**	**8**	**9**	**15**	**3.9**	**1.8**
Total	**562**	**505**	**950**	**968**	**81.6**	**64.4**

With group revenue increasing in the period by 11%, adjusted group operating profit[1] has increased by 12% to £7.4m (2007 - £6.7m) resulting in an operating margin on revenue of 1.3% (2007 - 1.3%). The improvement in performance has been driven by a combination of organic and acquisition growth.

With the decline in revenue in London, operating profits also fell to £2.2m (2007 - £3.7m) and now represent 23% (2007 - 47%) of group trading operating profit. The operating profit of our Regional Construction businesses increased to £1.3m (2007 - £0.8m) representing 14% (2007 - 11%) of group trading operating profit and includes a full six month contribution from Pearce Construction (2007 - seven weeks).

Our Retail operations generated operating profits of £3.9m (2007 - £1.7m) representing 41% (2007 - 22%) of group trading operating profit which includes a full six month contribution from Pearce Retail (2007 - seven weeks). Our overseas businesses generated operating profits of £2.3m (2007 - £1.6m) representing 24% (2007 - 21%) of group trading operating profit and includes a full six month contribution from Europe (2007 - three months).

In respect of the order book of £950m at the end of December 2008, only 28% of the activity relates to the corporate office sector (2007 - 46%) with 41% relating to education, affordable housing and government sectors (2007 - 19%) and 20% to the retail and leisure sector (2007 - 22%).

London
In our Annual Report for 2008, we anticipated a slow down in the office market and reduced the volume target for our London businesses in the current year by 20%. The businesses are currently trading in line with this target. Revenue in the period declined by 23% to £221m (2007 - £288m). Operating profit decreased by 41% to £2.2m (2007 - £3.7m) resulting in an operating margin on revenue of 1.0% (2007 - 1.3%). The decline in profitability is not only due to the reduction in revenue but also in the current climate a conservative commercial view being taken on a number of completed projects.

[1] before amortisation of intangible assets
[2] definition for fee income is given in note 4

London Fit out
London Fit out revenue has declined 34% to £106m (2007 - £161m). Notable project delivery successes were the completion of the fit out of the common areas of the new St Pancras Eurostar terminal, the new London offices for the Financial Services Authority and Mayer Brown International, new offices for Unilever in Leatherhead and the second phase of the refit of Shell House on the South Bank. In addition, we started work on a £75m data centre fit out in the North East of England and we have also been working on the pre-construction phase of the circa £50m fit out of KPMG's new UK headquarters building in Canary Wharf, which will start on site in May 2009.

With an order book of £205m as at December 2008 (2007 - £182m), of which £76m is to be delivered in 2009/10, the business has secured its target for the year ended 30 June 2009. With the continuing decline in the pipeline of major fit out opportunities and the highly competitive nature of the smaller office fit out market we anticipate revenue in 2009/10 to decline from 2008/09 levels. Our resource levels are being reduced to reflect this lower level of activity.

London Build
As expected, revenue in London Build has declined by 9% to £115m (2007 - £127m) due to the reduced demand for new build and refurbishment of office space in the City of London. We are making good progress on Nido Spitalfields 32 storey student accommodation tower for Blackstone which is due for completion in August 2010. In February 2009 we started on site on the Velodrome for the London 2012 Olympics and continue to pursue further related works.

With an order book of £281m (2007 - £376m), of which £110m is to be delivered in 2009/10 and £67m thereafter, the business has secured fully its target for the year ended 30 June 2009. With the decline in the pipeline of office new build and refurbishment opportunities, we would anticipate revenue in 2009/10 to be lower than 2008/09 levels.

Regional Construction
Our Regional Construction businesses which include the activities of our offices based in Manchester, Bradford, Birmingham, Bristol, Ipswich and Maidstone, performed well despite the reduction in private sector work. Revenue in the period increased by 32% to £178m (2007 - £135m). The results include a full six month contribution from Pearce Construction (2007 - seven weeks). On a like for like basis, revenue for the Regional Construction businesses grew by 5%.

Operating profit increased by 53% to £1.3m (2007 - £0.8m), resulting in an operating margin on revenue of 0.7% (2007 - 0.6%).

During the period, 59% of revenue related to public sector clients (2007 - 35%), half of which was on education projects including Gateway College in Leicestershire, St John's School in Marlborough, St Brendan's College in Bristol and Sir John Deane's College in Cheshire. Across our Regional Construction businesses we now have the benefit of 22 public sector frameworks covering affordable housing, local authorities and prisons. These delivered a quarter of the revenue related to public sector clients.

As at 31 December 2008, the order book for the Regional Construction businesses stands at £311m (2007 - £285m), of which 73% relates to public sector works. Since the half year, the order book has increased to £350m. Of the order book, £135m is for delivery in the next financial year, of which the largest project is the £50m South West Ipswich and South Suffolk Sixth Form Centre which started on site in December 2008, with completion scheduled for summer 2010.

Retail
Overall our Retail operations, Pearce Retail and ISG Cathedral, performed ahead of expectations during the period, with revenue increasing by 154% to £113m (2007 - £44m). The results include a full six month contribution from Pearce Retail (2007 - seven weeks). On a like for like basis the revenue for our Retail operations grew by 23% year on year.

Operating profit increased by 122% to £3.9m (2007 - £1.7m), resulting in an operating margin on revenue of 3.4% (2007 - 3.9%).

During the period Pearce Retail, which focuses primarily on major food retail clients, undertook a total of 33 projects comprising new builds, shell fit outs, extensions and refurbishments for Tesco, Asda, Marks & Spencer, Sainsbury's and Morrisons.

For the calendar year 2009, Pearce Retail has already been allocated by its major food retail clients contracts totalling approximately £140m across 40 different locations including extensions and refurbishing existing units as well as new build work. Based on these successful allocations, revenue for the financial year ending 30 June 2009 is anticipated to be approximately 20% higher than the previous year.

During the period ISG Cathedral focused primarily on bank branch roll-out frameworks undertaking 70 projects for Lloyds TSB, RBS, HSBC, HBOS and Barclays Bank, including Barclays' flagship branch projects in Manchester and London Piccadilly. It has recently been successfully appointed to a new four year framework agreement with Barclays.

In addition it undertook seven projects for high street fashion retail clients at Westfield, White City including Tiffany & Co, La Senza and Monsoon, completed its 100th store for T-Mobile in the period and undertook refurbishment works on two hotel projects for The Doyle Collection.

For the calendar year 2009, ISG Cathedral has already been allocated 50 projects by HSBC and Barclays. In addition, following successful completion of the 2008 programme for Lloyds TSB, further important allocations are expected.

Overall our Retail operations have an order book as at 31 December 2008 of £108m (2007 - £88m), of which £41m is for delivery in the next financial year. With recent allocations from our major food retail clients and bank branch roll-out framework clients, we are confident of maintaining current activity levels throughout 2009. Typically, as a result of the pre-Christmas peak delivery period, we anticipate profits being weighted towards the first half of the financial year.

Asia
In our Asia operations, revenue increased by 5% to £31m (2007 - £29m). The business contributed an operating profit of £1.0m (2007 - £0.8m), representing 11% (2007 - 10%) of group trading operating profit, resulting in an operating margin on revenue of 3.2% (2007 - 2.7%).

During the period the business enjoyed higher activity levels from its offices in China (Beijing, Tianjin and Shanghai) with revenue up 47%, a higher proportion of project management work in Hong Kong and a growing commissioning management activity. These factors partially offset the reduced activity levels in Singapore, due to the timing of large fit out opportunities. Overall this resulted in a decline in revenue in local currency terms of 10%.

In the period the business provided consultancy services and delivered projects for a broad range of clients in the retail, financial and corporate sectors including Apple, Emporio Armani, UGG, Mandarin Oriental, Swire Properties, Standard Chartered Bank, Bohai Bank, Morgan Stanley, JP Morgan, Fidelity, Merrill Lynch, Shell, ExxonMobil and Deloitte.

With an order book of £34m as at December 2008 (2007 - £22m) and the securing of two fit out opportunities totalling £12m in Singapore since period end, we anticipate a similar level of activity in the second half of the year.

Middle East
During the period we have continued to resource the joint venture with Al Habtoor Leighton Group (HLG) which is to provide fit out and joinery services across the Middle East. We anticipate completing the joint venture by April 2009, and it making a positive contribution in the first half of the next financial year on the back of providing fit out services across the region to projects already secured in HLG's £6bn order book and to our multinational clients investing in the region.

Europe
With the acquisition of the remaining 80% of our European operations in September 2007, its contribution to the group's results increased substantially, with revenue increasing by 121% to £18m (2007 - £8m). On a like for like basis in local currency terms the business showed a growth in revenue in the period of 15%. The business contributed an operating profit of £1.4m (2007 - £0.8m), representing 15% (2007 - 11%) of group trading operating profit, resulting in an operating margin on revenue of 7.8% (2007 - 10.6%). The lower margin reflects a trend towards larger projects and increased investment in the business's infrastructure.

In the period the business delivered projects for RBS, the Accor Group and Iron Mountain in Paris; Cardinal Health, Yahoo and Ace Insurance in Geneva; Adobe in Koln and Google and General Reinsurance in Milan. In addition to its existing offices in Paris, Frankfurt, Milan and Zurich, the business is now delivering a number of projects in Eastern Europe in Moscow and Bulgaria for international clients, and has opened an office in Amsterdam.

As at December 2008, the business has a reduced order book of £9m (2007 - £15m) reflecting the quieter commercial office market in Paris and the completion of a number of projects in Geneva. Since the period end the business has agreed a strategic partnership with a leading international petrochemical client, where we anticipate working on five projects totalling £20m in the next twelve months in Europe and the Middle East.

Outlook
At the end of December 2008, our total order book was £950m (2007 - £968m), of which £494m (2007 - £506m) is for delivery in the current financial year and £365m (2007 - £387m) for the next financial year. The business continues to position itself towards more resilient regions and sectors.

In the UK we will continue to seek opportunities within London outside the office sector and outside London towards the public sector. Where we anticipate a decrease in demand, we are being proactive in keeping our resource base in line.

Our Retail frameworks continue to give us visibility through the calendar year, where our clients are committed to maintaining their current capital investment programs in both the food and retail banking sectors.

In our Asia business demand continues to be driven from China. In the Middle East our joint venture partner's existing order book across the Middle East will enable the business to grow in the longer term. In Europe we are making progress in diversifying into other sectors offsetting the decline in the financial services office sector, with core clients in the petrochemical and technology sectors continuing to make strategic investments.

The recent series of economic and political events in the world are having an impact on our business. Many of our corporate clients have become more cautious in their decision making and this has led to some projects being delayed or cancelled. However the changes we have made to our business over the last few years have made us more resilient in the face of the current economic uncertainty. We now have a well established track record serving a number of more resilient sectors and blue chip clients.

We anticipate that with the exception of our first half weighted Retail operations, current activity levels will be maintained in the second half of the year.

David Lawther
Chief Executive
10 March 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

for the 6 months to 31 December 2008

	Notes	**Unaudited 6 months to 31 December 2008 £'000**	Unaudited 6 months to 31 December 2007 £'000	Audited Year to 30 June 2008 £'000
Gross value of work performed	4	**573,881**	521,091	1,110,333
Less: relating to construction management		**(11,164)**	(13,509)	(18,356)
Less: share of associates' and joint ventures' revenue		**(332)**	(2,211)	(1,901)
Revenue	4	**562,385**	505,371	1,090,076
Cost of sales		**(529,480)**	(478,534)	(1,025,692)
Gross profit		**32,905**	26,837	64,384
Share of profits of associates and joint ventures		**16**	156	227
Amortisation of intangibles	9	**(712)**	(455)	(1,448)
Administrative expenses		**(25,497)**	(20,291)	(49,479)
Operating profit	4	**6,712**	6,247	13,684
Finance income		**805**	584	1,346
Finance costs		**(1,235)**	(996)	(2,405)
Profit before tax	4	**6,282**	5,835	12,625
Taxation	5	**(1,853)**	(1,634)	(2,641)
Profit for the period		**4,429**	4,201	9,984
Basic earnings per share	7	**15.63p**	15.61p	36.44p
Diluted earnings per share	7	**15.63p**	15.41p	36.06p

CONDENSED CONSOLIDATED BALANCE SHEET

as at 31 December 2008

	Notes	**Unaudited As at 31 December 2008 £'000**	Restated Unaudited As at 31 December 2007 £'000	Audited As at 30 June 2008 £'000
Non-current assets				
Goodwill	8	**82,146**	76,958	77,982
Other intangible assets	9	**9,147**	10,254	9,402
Property, plant and equipment		**8,353**	7,038	8,014
Investment in associates and joint ventures		**68**	(67)	121
Deferred tax assets		**728**	-	782
Trade and other receivables		**5,578**	4,277	4,412
		106,020	98,460	100,713
Current assets				
Inventories		**3,897**	4,127	4,240
Trade and other receivables		**202,588**	195,965	237,407
Cash and cash equivalents	10	**50,831**	48,690	60,259
		257,316	248,782	301,906
Total assets		**363,336**	347,242	402,619
Non-current liabilities				
Borrowings	11	**(17,376)**	(21,757)	(19,086)
Deferred tax liabilities		**(2,287)**	(5,592)	(2,544)
Trade and other payables		**(5,907)**	(2,093)	(7,112)
		(25,570)	(29,442)	(28,742)
Current liabilities				
Borrowings	11	**(6,668)**	(4,857)	(5,909)
Trade and other payables		**(281,015)**	(279,685)	(329,161)
Provision		**(417)**	(285)	(383)
Current tax liabilities		**(2,273)**	(2,822)	(1,382)
		(290,373)	(287,649)	(336,835)
Total liabilities		**(315,943)**	(317,091)	(365,577)
TOTAL NET ASSETS		**47,393**	30,151	37,042
Equity				
Called up share capital	12	**304**	294	295
Share premium account	12	**19,226**	17,458	17,481
Reserves	12	**8,675**	234	1,755
Investment in own shares	12	**(3,679)**	(3,550)	(3,634)
Retained earnings	12	**22,867**	15,715	21,145
TOTAL EQUITY		**47,393**	30,151	37,042

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the 6 months ended 31 December 2008

Exchange differences arising on translation of foreign operations	12	**(119)**	190	2,752
Net income recognised directly in equity		**(119)**	190	2,752
Profit for the year		**4,429**	4,201	9,984
Total recognised income and expense		**4,310**	4,391	12,736

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the 6 months to 31 December 2008

	Notes	**Unaudited 6 months to 31 December 2008 £'000**	Unaudited 6 months to 31 December 2007 £'000	Audited Year to 30 June 2008 £'000
Cash flows from operating activities				
Operating profit		**6,712**	6,247	13,684
Share of profits of associates and joint ventures		**(16)**	(156)	(227)
Amortisation of intangibles	9	**712**	455	1,448
Depreciation on property, plant and equipment		**1,666**	915	2,076
Loss / (gain) on disposal of property, plant and equipment		**10**	12	(32)
Adjustment for share options	12	**60**	42	86
Movements in working capital:				
Decrease / (increase) in inventories		**343**	(1,617)	(1,830)
Decrease / (increase) in trade and other receivables		**33,653**	2,954	(21,026)
(Decrease) / increase in trade and other payables		**(42,602)**	(3,244)	27,448
Cash generated from operations		**538**	5,608	21,627
Taxation		**(1,310)**	(1,219)	(1,183)
Net cash (outflow) / inflow from operating activities		**(772)**	4,389	20,444
Cash flows from investing activities				
Interest received		**805**	584	1,346
Interest paid		**(1,235)**	(996)	(2,405)
Dividends received from associates and joint ventures		**343**	367	209
Payments for property, plant and equipment		**(1,804)**	(848)	(2,926)
Proceeds from disposal of property, plant and equipment		**-**	-	79
Acquisition of subsidiaries		**(2,961)**	(19,593)	(19,629)
Net cash acquired with subsidiaries		**-**	19,682	20,139
Net cash outflow from investing activities		**(4,852)**	(804)	(3,187)
Cash flows from financing activities				
Payments for own shares	12	**(45)**	(920)	(1,004)
Dividends paid	6	**(2,648)**	(2,414)	(3,434)
Issue of shares (net)		**29**	-	-
Payments for hire purchase contracts principals		**(51)**	(77)	(138)
Proceeds from borrowings		**-**	12,126	9,960
Repayment of borrowings		**(970)**	(3,926)	(3,387)
Net cash (outflow) / inflow from financing activities		**(3,685)**	4,789	1,997
Net (decrease) / increase in cash and cash equivalents		**(9,309)**	8,374	19,254
Cash and cash equivalents at the beginning of the period	10	**60,259**	40,290	40,290
Effects of exchange rate changes on the balance of cash held in foreign currencies	12	**(119)**	26	715
Cash and cash equivalents at the end of the period	10	**50,831**	48,690	60,259

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 2007 and 2008 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 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. 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 237(2) or (3) of the Companies Act 1985.

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.

Accounting policies

The same accounting polices 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 2008.

At the date of authorisation of these financial statements, International Financial Reporting Standards (IFRS) 8 'Operating Segments' was in issue but not yet effective and has not been applied in these interim financial statements. The directors anticipate that the adoption of this standard in future periods will have no material impact on the financial statements of the group except for additional disclosures in relation to IFRS 8.

2. Restatement of comparative balances

As was stated in note 33 on page 75 of the 2008 annual report and accounts, the fair value adjustments arising on the acquisition of IASA Holding SAS (IASA) and Pearce Group Limited were provisional, which was in accordance with IFRS 3 'Business Combinations'. The fair value exercise has now been completed and the final acquisition balance sheet and related fair value adjustments are consolidated in the balance sheet of these financial statements.

In accordance with IFRS 3 'Business Combinations' the affected financial statement balances have been restated. None of the restatements have had an impact on gross profit or profit from operations. There was no impact on recognised income or expense as stated.

3. Seasonality

The group's activities are generally not subject to significant seasonal variation, with the exception of our Retail operations whose activity is weighted towards the first half of the financial year.

4. Business and geographical segments

a. Business segments

For management purposes, the group is organised into six operating divisions - London, Regional Construction, Retail, Asia, Middle East and Europe. These divisions are the basis on which the group reports its primary segment information.

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 retail and leisure fit out and refurbishment services in UK.
Asia	- provision of fit out and project management services in Asia.
Middle East	- provision of fit out and project management services in the Middle East.
Europe	- provision of specialist fit out services in Europe, mainly France and Germany.

Gross value of work performed ("GVWP" or "Volumes"), includes revenue of the group plus volumes undertaken on construction management contracts and the group's share of associates' and joint ventures' revenue. GVWP, revenue, operating profit and profit before taxation may be analysed as follows:

	Unaudited 6 months to 31 December 2008		Unaudited 6 months to 31 December 2007		Audited Year to 30 June 2008	
	GVWP	**Revenue**	GVWP	Revenue	GVWP	Revenue
	£'000	**£'000**	£'000	£'000	£'000	£'000
London	**232,523**	**221,359**	301,214	287,705	587,895	569,539
Regional Construction	**178,394**	**178,394**	135,372	135,372	301,635	301,635
Retail	**112,613**	**112,613**	44,336	44,336	137,103	137,103
Asia	**30,958**	**30,626**	29,600	29,147	51,227	50,678
Middle East	**1,690**	**1,690**	473	473	1,044	1,044
Europe	**17,703**	**17,703**	9,766	8,008	31,411	30,059
Other	**-**	**-**	330	330	18	18
Total of all segments	**573,881**	**562,385**	521,091	505,371	1,110,333	1,090,076

	Unaudited 6 months to 31 December 2008		Unaudited 6 months to 31 December 2007		Audited Year to 30 June 2008	
	Operating profit	**Profit before tax**	Operating profit	Profit before tax	Operating profit	Profit before tax
	£'000	**£'000**	£'000	£'000	£'000	£'000
London	**2,167**	**2,945**	3,664	4,631	7,926	9,329
Regional Construction	**1,288**	**1,559**	842	878	2,258	2,830
Retail	**3,875**	**4,116**	1,747	1,901	3,936	4,350
Asia	**993**	**995**	775	775	1,726	1,788
Middle East	**(114)**	**(114)**	6	6	47	47
Europe	**1,377**	**1,556**	847	885	3,086	3,218
Other	**(208)**	**(256)**	-	(23)	(422)	(402)
Segment total "Group Trading"	**9,378**	**10,801**	7,881	9,053	18,557	21,160
Group activities	**(1,954)**	**(2,620)**	(1,179)	(1,776)	(3,425)	(4,885)
Cost of acquisition finance	**-**	**(1,187)**	-	(987)	-	(2,202)
Adjusted	**7,424**	**6,994**	6,702	6,290	15,132	14,073
Amortisation of intangibles	**(712)**	**(712)**	(455)	(455)	(1,448)	(1,448)
Consolidated	**6,712**	**6,282**	6,247	5,835	13,684	12,625

4. Business and geographical segments (continued)

b. Geographical segments

GVWP, revenue, operating profit and profit before tax may be analysed as follows:

	Unaudited 6 months to 31 December 2008		Unaudited 6 months to 31 December 2007		Audited Year to 30 June 2008	
	GVWP	**Revenue**	GVWP	Revenue	GVWP	Revenue
	£'000	**£'000**	£'000	£'000	£'000	£'000
United Kingdom	**523,530**	**512,366**	481,252	467,743	1,026,651	1,008,295
Asia	**30,958**	**30,626**	29,600	29,147	51,227	50,678
Middle East	**1,690**	**1,690**	473	473	1,044	1,044
Europe	**17,703**	**17,703**	9,766	8,008	31,411	30,059
Total of all segments	**573,881**	**562,385**	521,091	505,371	1,110,333	1,090,076

	Unaudited 6 months to 31 December 2008		Unaudited 6 months to 31 December 2007		Audited Year to 30 June 2008	
	Operating profit	**Profit before tax**	Operating profit	Profit before tax	Operating profit	Profit before tax
	£'000	**£'000**	£'000	£'000	£'000	£'000
United Kingdom	**7,122**	**8,364**	6,253	7,387	13,698	16,107
Asia	**993**	**995**	775	775	1,726	1,788
Middle East	**(114)**	**(114)**	6	6	47	47
Europe	**1,377**	**1,556**	847	885	3,086	3,218
Segment total "Group Trading"	**9,378**	**10,801**	7,881	9,053	18,557	21,160
Group activities	**(1,954)**	**(2,620)**	(1,179)	(1,776)	(3,425)	(4,885)
Cost of acquisition finance	**-**	**(1,187)**	-	(987)	-	(2,202)
Adjusted	**7,424**	**6,994**	6,702	6,290	15,132	14,073
Amortisation of intangibles	**(712)**	**(712)**	(455)	(455)	(1,448)	(1,448)
Consolidated	**6,712**	**6,282**	6,247	5,835	13,684	12,625

Fee income, which is considered to be a key indicator, is derived as follows:

	Unaudited 6 months to 31 December 2008	Unaudited 6 months to 31 December 2007	Audited Year to 30 June 2008
	£'000	£'000	£'000
Revenue	**562,385**	505,371	1,090,076
Trade contractor costs recharged	**(480,835)**	(440,923)	(939,810)
Fee income	**81,550**	64,448	150,266

Fee income represents monies that are received from clients for the construction and project management services that the group provides and excludes the amounts paid to trade contractors and suppliers.

5. Income tax expense

	Unaudited 6 months to 31 December 2008 £'000	Unaudited 6 months to 31 December 2007 £'000	Audited Year to 30 June 2008 £'000
Current tax expense			
UK corporation tax	**1,282**	1,173	2,675
Foreign current tax	**742**	637	1,573
Adjustment in respect of prior years	**32**	-	(1,082)
	2,056	1,810	3,166
Deferred tax expense			
Current year	**(203)**	(176)	(525)
Total income tax expense	**1,853**	1,634	2,641

Income tax for the six month period is charged at 29% (2008 - 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).

6. Dividends

	Unaudited As at 31 December 2008 £'000	Unaudited As at 31 December 2007 £'000	Audited As at 30 June 2008 £'000
2008 Final paid - 9.20p per ordinary share (2007 - 8.20p)	**2,648**	2,253	2,253
2009 Interim dividend - 4.00p per ordinary share (2008 - 4.00p)	**1,216**	1,122	2,700

In accordance with IAS 10, 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 2008 has not been included as a liability as at 31 December 2008.

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.

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.

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

	Unaudited	Restated Unaudited	Audited
	As at	As at	As at
	31 December 2008	31 December 2007	30 June 2008
	£'000	£'000	£'000
Profit for the period	**4,429**	4,201	9,984
Basic and diluted earnings attributable to ordinary shareholders	**4,429**	4,201	9,984
Post-tax amortisation of intangible assets	**502**	341	1,021
Adjustment relating to release of prior-year UK corporation tax provision	**-**	-	(1,082)
Adjusted earnings attributable to ordinary shareholders	**4,931**	4,542	9,923
	Number	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	**28,337,212**	26,916,118	27,398,773
Dilutive share options	**8,759**	340,265	287,496
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**28,345,971**	27,256,383	27,686,269
	Pence per share	Pence per share	Pence per share
Basic earnings per ordinary share	**15.63**	15.61	36.44
Diluted earnings per ordinary share	**15.63**	15.41	36.06
Adjusted basic earnings per ordinary share	**17.40**	16.87	36.22
Adjusted diluted earnings per ordinary share	**17.40**	16.66	35.84

8. Goodwill

	Goodwill £'000
Cost	
Balance at 1 July 2007	48,895
Acquisitions through business combinations	27,417
Net foreign currency exchange differences	723
Adjustment in respect of prior period	(77)
Balance at 31 December 2007	76,958
Net foreign currency exchange differences	1,018
Adjustment in respect of prior period	6
Balance at 30 June 2008	77,982
Net foreign currency exchange differences	3,626
Adjustment in respect of prior period	538
Balance at 31 December 2008	**82,146**
Carrying amount	
As at 31 December 2007	76,958
As at 30 June 2008	77,982
As at 31 December 2008	**82,146**

Adjustment in respect of prior period represents the fair value adjustments arising on the acquisition of IASA and Pearce Group Limited, finalised in accordance with IFRS 3 'Business Combinations'. The fair value exercise has now been completed and the final acquisition balance sheet and related fair value adjustments are consolidated in the balance sheet of these financial statements.

Goodwill has been allocated for impairment testing purposes to five groups of cash-generating units ("CGUs"), 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. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs, which range from 10-12%. The growth rates are based on industry growth forecasts and long-term growth in gross domestic product.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next period and extrapolates cash flows for the following five periods based on estimated growth rates of between 2% and 5%. The rates do not exceed the average long-term growth rate for the relevant markets. The rates used to discount the cash flows in both 2008 and 2007 for all CGUs have been based on the group's weighted average cost of capital.

At 31 December 2008, 30 June 2008 and 31 December 2007, the carrying amounts of goodwill for CGUs were impairment tested and deemed not to be impaired.

9. Other intangible assets

	Customer Relationships £'000	Customer Contracts £'000	Total £'000
Cost			
Balance at 1 July 2007	3,063	580	3,643
Acquisitions through business combinations	7,226	376	7,602
Net foreign currency exchange differences	163	-	163
Balance at 31 December 2007	10,452	956	11,408
Net foreign currency exchange differences	141		141
Balance at 30 June 2008	10,593	956	11,549
Net foreign currency exchange differences	950	-	950
Balance at 31 December 2008	**11,543**	**956**	**12,499**
Accumulated depreciation			
Balance at 1 July 2007	119	580	699
Charge for the period	360	95	455
Balance at 31 December 2007	479	675	1,154
Charge for the period	712	281	993
Balance at 30 June 2008	1,191	956	2,147
Charge for the period	712	-	712
Net foreign currency exchange difference	493	-	493
Balance at 31 December 2008	**2,396**	**956**	**3,352**
Carrying amount			
As at 31 December 2007	9,973	281	10,254
As at 30 June 2008	9,402	-	9,402
As at 31 December 2008	**9,147**	**-**	**9,147**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Analysis of net cash

	Unaudited	Unaudited	Audited
	As at	As at	As at
	31 December 2008	31 December 2007	30 June 2008
	£'000	£'000	£'000
Cash and cash equivalents as per balance sheet	**50,831**	48,690	60,259
Cash and cash equivalents per the cash flow statement	**50,831**	48,690	60,259
Bank loans	**(23,035)**	(24,019)	(23,935)
Loan notes	**(968)**	(2,442)	(968)
Obligation under hire purchase contracts	**(41)**	(153)	(92)
Net cash	**26,787**	22,076	35,264

11. Borrowings

	Unaudited	Unaudited	Audited
	6 months to	6 months to	Year to
	31 December 2008	31 December 2007	30 June 2008
	£'000	£'000	£'000
Non-current			
Bank loans [1]	**17,607**	20,609	18,213
Unamortised cost of debt	**(232)**	(337)	(105)
Loan notes [2]	**-**	1,478	968
Obligations under hire purchase contracts	**1**	7	10
	17,376	21,757	19,086
Current			
Bank loans [1]	**5,765**	3,852	6,111
Unamortised cost of debt	**(105)**	(105)	(284)
Loan notes [2]	**968**	964	-
Obligations under hire purchase contracts	**40**	146	82
	6,668	4,857	5,909

[1] The group has two principal bank loans:

(a) a loan of £3.4m (2008 - £4.4m). 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 3.46% as at 31 December 2008.

(b) a loan of £20.0m (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 3.46% as at 31 December 2008.

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. The group does not have any of its property and equipment pledged as security over bank loans.

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.

[2] Of the £968,000 loan notes, £950,000 (2008 - £950,000) are payable to the vendors of ISG Cathedral and may be redeemed semi-annually at the company's option, up to July 2009 when the remaining balance is payable. Interest is payable semi-annually at a fixed rate of 7%. The £18,000 loan notes are payable to certain vendors of Pearce and may be redeemed semi-annually at the holders' option, up to November 2009 when the remaining balance is payable. Interest is payable semi-annually at a variable base rate of 2% at 31 December 2008.

12. Reconciliation of movements in equity

	Share capital £'000	Share premium £'000	Foreign currency reserve £'000	Investment in own shares £'000	Retained earnings £'000	Total £'000
Balance as at 1 July 2007	277	12,513	(290)	(2,630)	13,912	23,782
Profit for the period	-	-	-	-	4,201	4,201
Payment of dividends	-	-	-	-	(2,414)	(2,414)
Issue of shares	17	4,945	-	-	-	4,962
Recognition of investment in own shares	-	-	-	(920)	-	(920)
Recognition of share based payments	-	-	-	-	42	42
Exchange differences arising on translation of foreign operations	-	-	524	-	(26)	498
Balance as at 31 December 2007	294	17,458	234	(3,550)	15,715	30,151
Profit for the period	-	-	-	-	5,783	5,783
Payment of dividends	-	-	-	-	(1,020)	(1,020)
Issue of shares	1	23	-	-	-	24
Recognition of investment in own shares	-	-	-	(84)	-	(84)
Recognition of share-based payments	-	-	-	-	44	44
Exchange differences arising on translation of foreign operations	-	-	1,521	-	623	2,144
Balance as at 30 June 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**

13. Contingent liabilities

There are group cross guarantees from the company for all monies due to certain of the group's banks and surety lenders. In the normal course of business there are contingent liabilities including the provision of bonds in respect of completed and uncompleted contracts.

As reported in last year's financial statements, in March 2006 the Office of Fair Trading ("OFT") visited the offices of Totty Construction, a subsidiary of the Propencity Group, along with many other construction companies, in relation to potential breaches of competition law in earlier years prior to ISG's ownership. The Propencity Group has entered into a leniency agreement with the OFT in respect of the alleged infringements and in June 2008 submitted a response to the OFT's Statement of Objections. The group remains unable to estimate the size of any potential liability and as a result no provision has been made in these accounts.

Similarly Pearce Construction (Midlands) Limited, a subsidiary of the Pearce Group, has been issued with a Statement of Objections by the OFT. The business is defending its position and the group has received an indemnity from the vendors of the Pearce Group, which will serve to mitigate risk in this matter.

14. 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.

15. Principal risk and uncertainties

The weaknesses emerging in some of the world's major economies which have occurred during the first half of the year have increased uncertainties, which have affected some of the group's businesses. These macro economic trends, together with liquidity issues arising from the "credit crunch" will increase pressure on some of the group's customers and its supply chain.

Other than the risks referred to 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 27 of the Directors' Report and Accounts 2008. These include the impact of the external business environment including government policy and customer risks; strategic risks over tendering, acquisitions and investments; organisational and management risks including information technology and human resources; and delivery and operational risks encompassing asset and service delivery risk, supply chain risk and health, safety and environmental risks**.**

16. Approval of interim accounts

The Interim Accounts were approved by the Board of Directors on 10 March 2009.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed group 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	J C B Houlton
Chief Executive	Finance Director

10 March 2009