



# May Gurney Integrated Services plc

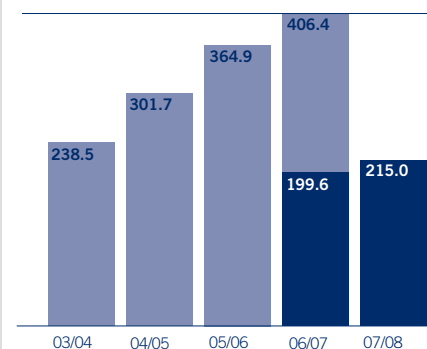
Half-yearly Report 2007

# Welcome to May Gurney

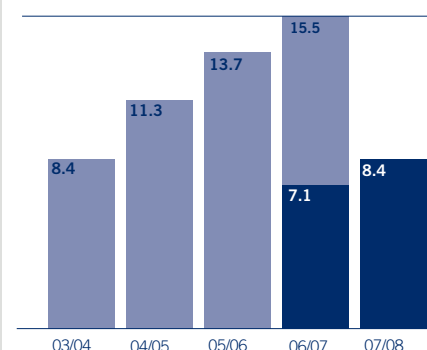
May Gurney is a dynamic integrated support and construction services company providing maintenance and enhancement services to the highways, rail, utilities and general infrastructure markets, primarily with public sector and regulated sector customers, across the UK. The company focuses on long-term relationships, has 3,850 employees and delivers solutions through two primary business segments – Maintenance Services and Engineering & Project Services.

May Gurney floated on the AIM market of the London Stock Exchange in June 2006.

Revenue (£m)



Underlying EBITA\* (£m)



- |  |   |
|--|---|
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## Using information technology to improve performance

The front cover shows Martin Bosson, based in West Sussex, with May Gurney's Works Order Management System (WOMS) that uses advanced mobile technologies (GPS Telematics).

\*Underlying EBITA is Group operating profit before amortisation and non-recurring items.

# Highlights

EBITA is up by 18 % to £8.4 million and margins have grown to 3.9%:

- 
- First half revenues up to £215 million (2006: £199.6 million)
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- Underlying profit before tax has increased by 24% to £8.9 million (2006: £7.2 million)
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- Net cash increased to £23.6 million at the end of September (2006: £19.5 million)
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- Recent acquisitions completed that complement our strong and established presence in utilities and provide entry into the telecoms market
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- Forward order book - including framework contracts - maintained at over £1 billion, continuing to give excellent visibility of earnings
- 
- Interim dividend up 66% to 1.5p per share (2006: 0.9p per share)
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# Half-yearly statement

# £215m

**Group revenue**  
to 30 September 2007  
(2006: £199.6m)

# £8.4m

**Underlying EBITA\***  
to 30 September 2007  
(2006: £7.1m)

## Overview

May Gurney has achieved another period of sustained growth during the six months ended 30 September 2007. Revenues have increased to £215 million (2006: £199.6 million), underlying EBITA is up by 18% to £8.4 million (2006: £7.1million) and margins have grown to 3.9% (2006: 3.6%).

Maintenance Services, which comprises the sectors of Highway Services, Waste Services and Utility Services performed particularly well, with improvements across all financial KPIs. This business segment is the key growth area for the business, as we continue to focus more on long-term contracts and move away from short-term project based work.

## Acquisitions

We acquired FDT Holdings Limited (FDT) in July 2007 and integration is proceeding well. FDT specialises in the provision of inspection and maintenance services to preserve the longevity, safety and value of assets in the mobile telecommunications industry and highways engineering sectors. This acquisition delivers on our strategy for building the business, complements our strong and established presence in the utilities and highways maintenance markets and establishes us in the telecoms market place.

Since the interim balance sheet date, we have made two additional acquisitions – Willows Plant Limited (Willows), the north-west based gas utility maintenance contractor, which allows us an excellent opportunity to secure a long-term and substantial position in the gas maintenance market and, in addition, we are further strengthening our presence within the waste market and are in the process of acquiring the Southern Household Waste Recycling Centre (HWRC) business of Environmental Waste Controls Limited (EWC).

## Strategy

Our growth strategy remains focussed on organic growth in mainstream activities by continuing the development of long-term customer relationships in the public and regulated sectors, combined with our plans for earnings enhancing acquisitions, aimed at adding value to our core services.

\*Underlying EBITA is Group operating profit before amortisation and non-recurring items.

# 8.83p

Underlying earnings per share<sup>1</sup>  
(2006: 8.01p)

## Financial results

### Turnover

Revenues in the business have increased to £215 million (2006: £199.6 million). Encouragingly, this success has been driven by the Maintenance Services segment, which is the main focus for the long-term growth of the business.

### Margins

Margins for the overall business have improved to 3.9% (2006: 3.6%). Maintenance Services margins have increased due to a growing proportion of higher added value, higher margin work being delivered and also due to the fact that the comparative period in 2006 included more significant contract mobilisation costs. Margins in Engineering & Project Services have also increased as we continue to focus on quality of work rather than quantity.

First half profit before tax is a record £8.1 million, up from last year's figure of £6.8 million on the back of margin and volume improvements as well as from the strong £23.6 million net cash<sup>2</sup> position in the business. Underlying profit before tax (excluding amortisation, property transactions and IPO costs) is up by 24% to £8.9 million (2006: £7.2 million).<sup>3</sup>

### Earnings per share

Underlying earnings per share increased by 10% to 8.83 pence per share. Underlying earnings per share is calculated by adding back shares held by employee trusts to the weighted average number of shares, and by excluding amortisation and exceptional amounts such as gains on property disposals and IPO costs.

### Cash and working capital

The business continues to maintain a strong cash position with net cash of £23.6 million at 30 September 2007. The small working capital outflow in the first half of the year was in line with the growth of the business, while the ongoing cash position was maintained at a level sufficient to generate net interest of £0.5 million despite the cash outflows relating to the acquisition of FDT.

The recent acquisitions of Willows and the Southern EWC business will reduce net cash by approximately £10 million in the second half of the financial year.

### Balance Sheet

We continue to invest in fixed assets where secured contracts mean that we have a high level of confidence in utilisation and returns. We are also increasingly investing in information technology to facilitate operational effectiveness on our long-term maintenance contracts.

Our working capital position is influenced by the seasonal and monthly cycles that apply in our chosen sectors. The quality of our long-term relationships and the maintenance nature of much of our work means that we can generally manage this volatility despite the day-to-day fluctuation in our cash position, due to the timing of large receipts from customers. We therefore retain higher levels of funding facilities than are needed on an ongoing basis. However, as the majority of our customers are from the public or regulated sectors, we are able to manage our debt positions well.

<sup>1</sup>Basic earnings per share is 8.69p (2006: 8.32p).

<sup>2</sup>Cash at bank less loans, loan notes and finance lease obligations.

<sup>3</sup>Operating profit is £7.6 million (2006: £6.7 million).

# £140.1m

Maintenance Services revenue  
to 30 September 2007

Our pension scheme remains fully funded at the half year on the basis of the IAS 19 actuarial assumptions. The scheme is closed to new entrants and the asset structure in the scheme attempts to minimise the risk of future deficits. The next actuarial review is in March 2008 and this is likely to include a change in mortality assumptions.

We retain a deferred tax asset on the balance sheet, representing the potential future corporation tax relief arising on the future exercise of existing share option arrangements. Based on the share price at the balance sheet date and the anticipated underlying tax rate of 30%, the related deferred tax asset was £2.7 million.

We continue to monitor the current proposed changes to the Capital Gains Tax regime with interest, given its potential impact to our shareholder base.

Our balance sheet remains well structured and is a sound platform for the increasingly long-term contracts that we are securing with our principal customers. It should also facilitate May Gurney's participation in the ongoing consolidation of the industry.

### Dividends

An interim dividend of 1.5 pence per share (2006: 0.9 pence per share) will be paid on 11 January 2008 to shareholders on the register at 14 December 2007. In line with expectations, it is envisaged that the dividend will represent approximately one third of the expected total annual dividend.

### Segmental performance

**Maintenance Services:** Revenues generated in the first half of £140.1 million (2006: £120 million) were driven by strong growth in both Highway Services and Utility Services through existing long-term contracts, contract renewals and extensions.

Margins have been improved to 4.0% (2006: 3.5%).

### Highway Services

Additional funding has been obtained by our county council customers to support future housing developments and their associated infrastructure, and this has assisted organic growth in the existing highways services contracts. The Norfolk Strategic Partnership has also successfully passed its stage one review, enabling a possible extension of the contract from 2009. In addition to existing long-term contracts, there continues to be a strong pipeline of future opportunities.

Our street lighting business, Cartledge, has also performed well - the contract for Thurrock Council has been renewed for a further six years, backed up by a continuous flow of other opportunities.

We continue to invest in technology and equipment to meet our customers' efficiency and sustainability targets. This includes investment in our Works Order Management System (WOMS), which uses advanced mobile technologies (GPS telematics).

# £74.9m

Engineering & Project Services revenue  
to 30 September 2007

## Waste Services

Opportunities continue to emerge in the waste services market and we are in the process of acquiring the Southern EWC business covering the management of household waste recycling centres for Norfolk County Council and Gloucestershire County Council. We see this as very much an acquisition which will provide an opportunity for growth as the government continues to set ambitious targets for waste treatment and recycling.

There are regulatory-driven fundamental shifts and changes in the UK waste market. In October 2007 the EU Landfill Directive (1999) pre-treatment requirements were updated and landfill levies are planned to rise by £8/tonne per annum from April 2008, all of which will stimulate councils' needs to recycle and seek alternative waste treatment solutions. In addition, DEFRA estimates that £11 billion needs to be spent on waste infrastructure to meet EU municipal waste landfill diversion targets. We therefore recognise that there are many opportunities in this sector, which remains fragmented, and we believe that we can add value to the quality of the services delivered in a range of waste contracts.

## Utility Services

Our strategy has been to continue to grow the specialist maintenance part of this business. In the last reporting period we acquired AC Chesters and this has been successfully integrated and re-branded as May Gurney. The combined business is receiving more and larger opportunities from its largest customer, Severn Trent Water. Following this, in July 2007, we also acquired FDT Holdings to increase our expertise in inspection and maintenance in the mobile telecommunications market, further developing our market offering.

As a result, we have seen both organic and acquisition growth in specialist maintenance work. In addition, the MEICA (Mechanical Electrical Instrumentation Controls Automation) contract for South West Water was renewed for an additional five years at £5 million per annum.

During 2008/9 and 2009/10, we anticipate a reduction in the amount of clean water rehabilitation work we carry out as these regulatory programmes come to an end. Whilst some of this reduction may be countered with increases in investment in waste water networks, the primary compensation will come from growth in gas. We are confident that our current contract for National Grid in the North West will be extended for a further 6 months and in anticipation of a larger Alliance contract we have (after the period end) acquired Willows. Willows is a gas utilities contractor, based in the North West, which carries out a wide range of services for National Grid. This means that we now have annualised revenues of approximately £35 million in a range of gas utility services primarily in the North West and the West Midlands.

**Engineering & Project Services:** Revenues generated in the first half of £74.9 million (2006: £79.6 million) are in line with our expectations. Margins have improved to 3.7% (2006: 3.5%), as a result of a changing mix of workload.

## Infrastructure Services

Good delivery has been achieved across all projects and geotechnical works with a number of industry awards being achieved for best practice. There are further opportunities for growth in flood protection programmes for the Environment Agency, as the government is committed to increasing expenditure by £200 million per annum to £800 million per annum by 2011. In the short term, we are not expecting growth in major projects due to the long lead-in period and the fact our business focus is not on larger motorway widening contracts that do not match our risk profile. However, a number of schemes are being developed within our existing framework contracts for development in 2009/10 and delivery thereafter.

With regard to the Norfolk Waste Treatment project, known as 'Contract A' – following extensive discussions between the parties it became clear that the partners could not agree a suitable allocation of risk. Consequently, May Gurney is unlikely to play a part in this project, should it eventually proceed. The withdrawal from this major infrastructure project is likely to mean that revenues in the infrastructure services sector decline in the short term, largely offset by an increase in margins due to the high quality work that we retain.

Opportunities available and the prospect for providing integrated services to our other business sectors mean that we remain optimistic about long term future prospects in the infrastructure services sector.

### **Rail Services**

We have seen good performance from our work on the High Level Bridge in Newcastle and other structures contracts – particularly in the emergency works as a result of flooding in Yorkshire. We remain cautious about the prospects in Rail as we are in the process of re-bidding our existing Network Rail property contract and the Type C Signalling work has proved slower in generating consistent revenues than we had hoped. However, Network Rail's Strategic Business Plan (2007) outlines £10 billion on enhancements between 2009/10 and 2013/14, which should provide significant opportunities for growth which we are well positioned to take advantage of in due course.

## **People**

Our people are the backbone of our company and in the first half we successfully introduced our Share Save scheme enabling all employees with a minimum of one year's service to share in the financial success of the Company. The scheme, which was over subscribed, recently received a prestigious 'ifs ProShare' commendation.

In addition, we have won a National Training Award, the highest accolade in the world of training. The awards are run by UK Skills on behalf of the Department of Innovation, Universities and Skills, and recognise 'exceptional achievement through training and development'.

Our commitment to training and personal development is underpinned by the several individual awards won by our people. These include the Civil Engineering Contractors Association (CECA) award for the Most Promising Apprentice, the National Construction College award for Apprentice of the Year and the Graduate of the Year award at the East of England Construction Training Awards.

People recruitment and retention continue to be a core focus in the marketplace for skills that is challenging for everyone.



INVESTORS IN PEOPLE

## Awards and recognition

- Float of the Year at the FT & Investors Chronicle AIM Investment Awards
- M&A AIM IPO of the Year
- British Construction Industry Award – Best Practice
- A National Training Award for our management courses
- Historic Bridge & Infrastructure Award for the High Level Bridge
- A National Green Apple Environmental Award (for the second year running)
- A commendation at the ifs ProShare Awards for our Share Save scheme
- Best Supplier Partner for South Staffs Water
- UKSTT Award for National Grid
- IHT Health & Safety at Work Award for Making A Difference
- Three National Construction College Awards, including Construction Apprentice of the Year
- Two awards at the East of England Construction Training Awards, including Graduate of the Year
- Operative of the Year at the ASLEC Industry Awards

## Sustainability

The economics of good business co-exist with care for the environment. We work with both suppliers and partners to develop new materials for sustainable construction and to implement innovative recycling processes. The River Witham project won the 2007 British Construction Industry Award for 'best practice', having recycled a million discarded tyres to form bales for embankment stabilisation. In addition our utilities sector has won a national Green Apple environmental award for the second year running.

A staff-run Environment Champions campaign at our head office was short listed for the EDP Business Awards 2007. The 9-month programme, which targeted staff awareness of maximising recycling opportunities and minimising energy usage, resulted in a 28% reduction in waste to landfill. The campaign is currently being rolled out to our offices and depots nationwide.

## Forward order book

The forward order book – including framework contracts – has been maintained at £1 billion. We will continue to be selective in bidding for new opportunities and have a strong pipeline of attractive long-term maintenance contracts, particularly in highways, waste, utilities and rail.

## Outlook

Prospects for the business remain positive. We will continue to focus on long-term contracts with an emphasis on maintenance services. Our recent acquisitions in telecommunications, waste and gas enable us to offer even wider services to our local authority and regulated industry customers.

Over the coming years we aim to extend our portfolio of local government services and build upon our core services through further bolt-on acquisitions using the inherent scalability of our business model.

The markets we operate in are under continuing pressure to achieve higher quality services where efficiency and sustainability are key requirements. These markets will continue to go through change which will bring excellent opportunities for the private sector to add value. With our increasing capability of providing wider services and the range of skills available through our direct delivery model we are confident of our prospects for the future.

### Tim Ross

Chairman

### David Sterry OBE

Chief Executive

# Group income statement

for the 6 months ended 30 September 2007	Note	6 months to 30 September 2007 £m	6 months to 30 September 2006 £m	12 months to 31 March 2007 £m
<b>Group revenue</b>		<b>215.0</b>	199.6	406.4
Cost of sales		<b>(194.9)</b>	(183.1)	(369.1)
Gross profit		<b>20.1</b>	16.5	37.3
Administrative expenses		<b>(11.7)</b>	(9.4)	(21.8)
<b>Group operating profit before amortisation and non-recurring items</b>		<b>8.4</b>	7.1	15.5
Other expenses				
– Intangible assets amortisation		<b>(0.8)</b>	(0.6)	(1.3)
– Costs in connection with the listing of shares on AIM		–	(1.1)	(1.1)
Other income				
– Profit on disposal of property, plant and equipment		–	0.2	0.2
– Profit on disposal of joint ventures		–	1.1	1.1
Share of post tax profits from joint ventures		–	–	0.1
<b>Operating profit</b>		<b>7.6</b>	6.7	14.5
Finance income	2	<b>0.7</b>	0.7	1.4
Finance costs	2	<b>(0.2)</b>	(0.6)	(0.7)
<b>Profit before taxation</b>		<b>8.1</b>	6.8	15.2
Taxation	3	<b>(2.5)</b>	(2.0)	(4.5)
<b>Profit for the period from continuing operations</b>		<b>5.6</b>	4.8	10.7
<b>Earnings per share (in pence)</b>	4			
<b>Total and from continuing operations</b>				
Basic earnings per share		<b>8.69p</b>	8.32p	17.70p
Diluted earnings per share		<b>8.25p</b>	7.43p	16.21p

# Group statement of recognised income and expense

for the 6 months ended 30 September 2007	<b>6 months to 30 September 2007 £m</b>	6 months to 30 September 2006 £m	12 months to 31 March 2007 £m
Actuarial losses on defined benefit pension schemes	<b>(0.3)</b>	(0.5)	(0.9)
Tax on actuarial losses on defined benefit pension schemes	<b>0.1</b>	0.1	0.3
Expenditure recognised directly in equity	<b>(0.2)</b>	(0.4)	(0.6)
Profit for the period	<b>5.6</b>	4.8	10.7
Total recognised income and expense for the period	<b>5.4</b>	4.4	10.1

# Group balance sheet

at 30 September 2007	Note	30 September 2007 £m	30 September 2006 £m	31 March 2007 £m
<b>Non-current assets</b>				
Property, plant and equipment	6	13.1	11.7	12.1
Goodwill		25.4	20.2	22.6
Other intangible assets		5.4	4.3	5.1
Other investments		0.5	1.0	0.5
Deferred tax asset		3.0	4.7	5.1
		47.4	41.9	45.4
<b>Current assets</b>				
Inventories		2.7	1.6	2.1
Trade and other receivables		91.4	81.2	67.7
Cash and cash equivalents		29.5	23.2	26.9
		123.6	106.0	96.7
<b>Total assets</b>		<b>171.0</b>	<b>147.9</b>	<b>142.1</b>
<b>Current liabilities</b>				
Trade and other payables		(103.2)	(93.5)	(79.3)
Current tax liabilities		(1.6)	(0.2)	(2.1)
Obligations under finance leases		(1.4)	(1.0)	(1.1)
		(106.2)	(94.7)	(82.5)
<b>Non-current liabilities</b>				
Obligations under finance leases		(4.5)	(2.7)	(3.4)
Provisions		(0.2)	(0.3)	(0.3)
		(4.7)	(3.0)	(3.7)
<b>Total liabilities</b>		<b>(110.9)</b>	<b>(97.7)</b>	<b>(86.2)</b>
<b>Net assets</b>		<b>60.1</b>	<b>50.2</b>	<b>55.9</b>
<b>Equity</b>				
Share capital	7	3.5	3.5	3.5
Share premium account	7	13.2	13.2	13.2
Merger relief reserve	7	1.9	1.9	1.9
Other reserves	7	1.5	1.1	1.2
Retained earnings	7	40.0	30.5	36.1
<b>Total equity</b>		<b>60.1</b>	<b>50.2</b>	<b>55.9</b>

These financial statements were approved by the Board on 3 December 2007.

**David Sterry**  
Director

# Group cash flow statement

for the 6 months ended 30 September 2007	6 months to 30 September 2007 £m	6 months to 30 September 2006 £m	12 months to 31 March 2007 £m
<b>Cash generated from operations</b>			
Group operating profit before amortisation and non-recurring items	8.4	7.1	15.5
Non cash items	1.7	0.8	2.1
Working capital movement	(0.6)	(2.8)	(2.7)
	9.5	5.1	14.9
Corporation tax paid	(1.4)	(2.8)	(3.7)
Interest received	0.6	0.7	1.2
Interest paid	(0.2)	(0.6)	(0.7)
	8.5	2.4	11.7
<b>Investing activities</b>			
Purchase of property, plant and equipment	(3.2)	(2.8)	(4.9)
Proceeds from sale of property, plant and equipment	0.3	0.6	1.2
Acquisition of subsidiary, net of cash acquired	(3.1)	–	(3.8)
Disposal of share in joint venture	–	2.0	2.0
	(6.0)	(0.2)	(5.5)
<b>Financing activities</b>			
Proceeds from issue of ordinary shares net of placing costs	–	13.6	13.6
Costs in connection with the listing of shares on AIM	–	(0.9)	(0.9)
Cash advance to jointly controlled entity	–	–	(0.5)
Proceeds from sale of own shares by ESOT	0.3	0.1	0.1
Ordinary dividends paid	(1.3)	–	(0.6)
New finance leases	2.0	1.4	2.8
Payment of finance lease obligations	(0.6)	(0.4)	(1.0)
Repayments of bank loans and redemption of loan notes	(0.3)	(16.8)	(16.8)
Lump sum contribution in respect of defined benefit pension scheme	–	(3.5)	(3.5)
	0.1	(6.5)	(6.8)
Increase/(decrease) in cash and cash equivalents	2.6	(4.3)	(0.6)
Opening cash and cash equivalents	26.9	27.5	27.5
Closing cash and cash equivalents	29.5	23.2	26.9
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash and cash equivalents	2.6	(4.3)	(0.6)
Increase in finance leases	(1.4)	(1.0)	(1.8)
Decrease in debt	–	16.8	16.8
<b>Increase in net funds in the period</b>	1.2	11.5	14.4
Opening net funds	22.4	8.0	8.0
<b>Closing net funds</b>	23.6	19.5	22.4

# Basis of preparation and accounting policies

The information for the year ended 31 March 2007 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 unqualified.

The half-yearly financial statements are the unaudited, half-yearly Group financial statements. This half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The financial statements have been prepared under the measurement principles of IFRS, using accounting policies and methods of computation, as set out in the 2007 May Gurney Integrated Services Plc Annual Report and Accounts, and applied consistently. In these accounts, as detailed in note 34 of the prior year accounts, the policy for deferred tax in relation to intangible assets recognised on business combinations was changed. Accordingly, the prior year comparatives for the six months ending 30 September 2006 have been restated in these half-yearly financial statements.

# Notes to the report and accounts

## 1. Segmental analysis

For management purposes, the Group is currently organised into three segments – Maintenance Services, Engineering and Project Services, and Property. Revenue is mostly derived from contract work.

for the period ended 30 September 2007	Maintenance Services £m	Engineering and Project Services £m	Property £m	Group £m
<b>Revenue</b>				
Total revenue	141.7	76.4	–	<b>218.1</b>
Less: between segments	(1.6)	(1.5)	–	<b>(3.1)</b>
External revenue	140.1	74.9	–	<b>215.0</b>
Sales between segments are charged at prevailing market prices.				
<b>Result</b>				
Group operating profit before amortisation and non-recurring items	5.6	2.8	–	<b>8.4</b>
Intangible assets amortisation	(0.8)	–	–	<b>(0.8)</b>
Share of post tax profit from joint ventures and associates				–
Costs of AIM flotation				–
Profit on disposal of non-current assets				–
Finance income				<b>0.7</b>
Finance costs				<b>(0.2)</b>
<b>Profit before taxation</b>				<b>8.1</b>
Taxation				<b>(2.5)</b>
<b>Profit for the period</b>				<b>5.6</b>

As the Group's activities are almost entirely domestic, no geographical segmental analysis is required.

for the period ended 30 September 2006	Maintenance Services £m	Engineering and Project Services £m	Property £m	Group £m
<b>Revenue</b>				
Total revenue	120.2	82.2	–	202.4
Less: between segments	(0.2)	(2.6)	–	(2.8)
External revenue	120.0	79.6	–	199.6
Sales between segments are charged at prevailing market prices.				
<b>Result</b>				
Group operating profit before amortisation and non-recurring items	4.2	2.8	0.1	7.1
Intangible assets amortisation	(0.6)	–	–	(0.6)
Costs of AIM flotation				(1.1)
Profit on disposal of non-current assets				1.3
Finance income				0.7
Finance costs				(0.6)
<b>Profit before taxation</b>				<b>6.8</b>
Taxation				<b>(2.0)</b>
<b>Profit for the period</b>				<b>4.8</b>

## 1. Segmental analysis (continued)

for the year ended 31 March 2007	Maintenance Services £m	Engineering and Project Services £m	Property £m	Group £m
<b>Revenue</b>				
Total revenue	255.6	161.9	–	417.5
Less: between segments	(2.6)	(8.5)	–	(11.1)
External revenue	253.0	153.4	–	406.4
Sales between segments are charged at prevailing market prices.				
<b>Result</b>				
Group operating profit before amortisation and non-recurring items	9.4	6.0	0.1	15.5
Intangible assets amortisation	(1.3)	–	–	(1.3)
Share of post tax profit from joint ventures and associates				0.1
Costs of AIM flotation				(1.1)
Profit on disposal of non-current assets				1.3
Finance income				1.4
Finance costs				(0.7)
<b>Profit before taxation</b>				15.2
Taxation				(4.5)
<b>Profit for the year</b>				10.7

## 2. Finance income and costs

for the 6 months ended 30 September 2007	6 months to 30 September 2007 £m	6 months to 30 September 2006 £m	12 months to 31 March 2007 £m
<b>Finance income</b>			
Interest receivable from short-term bank deposits	0.6	0.6	1.1
Other interest	0.1	0.1	0.2
Finance income in relation to defined benefit pension scheme	–	–	0.1
	0.7	0.7	1.4
<b>Finance costs</b>			
Interest payable on bank loans	–	(0.5)	(0.5)
Other interest	(0.1)	–	–
Finance charges payable under finance leases	(0.1)	(0.1)	(0.2)
	(0.2)	(0.6)	(0.7)

### 3. Taxation

for the 6 months ended 30 September 2007	6 months to 30 September 2007 £m	6 months to 30 September 2006 £m	12 months to 31 March 2007 £m
<b>Current tax</b>			
Corporation tax on profits for the period	2.8	1.0	3.1
Under provision in respect of prior periods	–	–	1.0
Total current tax	2.8	1.0	4.1
<b>Deferred tax</b>			
Origination and reversal of timing differences	(0.2)	–	0.6
Tax effect of intangible assets amortisation	(0.2)	(0.2)	(0.4)
Retirement benefit obligation	0.1	1.2	1.3
Over provision in respect of prior periods	–	–	(1.1)
Group deferred tax	(0.3)	1.0	0.4
Total tax charge for the period	2.5	2.0	4.5

The taxation charge for the six months ended 30 September 2007 has been calculated at 30% (2006: 30%) of underlying profit before tax and intangible asset amortisation. This represents the estimated effective rate of tax for the period.

### 4. Earnings per share

for the 6 months ended 30 September 2007	6 months to 30 September 2007 £m	6 months to 30 September 2006 £m	12 months to 31 March 2007 £m
Profit for the period	5.6	4.8	10.7
Basic/Diluted earnings	5.6	4.8	10.7
<b>Adjustments to basic earnings</b>			
Intangible assets amortisation	0.8	0.6	1.3
Non-recurring profit on disposal of fixed assets	–	(0.2)	(0.2)
Non-recurring profit on disposal of joint venture	–	(1.1)	(1.1)
Non-recurring costs of AIM flotation	–	1.1	1.1
Tax on non-recurring items	(0.2)	0.1	(0.2)
Underlying earnings	6.2	5.3	11.6
<b>Number of shares</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	64,455,314	57,667,457	60,465,010
Effect of dilutive potential ordinary shares	3,461,138	6,905,081	5,552,475
Weighted average number of ordinary shares for the purposes of diluted earnings per share	67,916,452	64,572,538	66,017,485
	<b>pence</b>	<b>pence</b>	<b>pence</b>
Underlying earnings per share	8.83	8.01	16.95
Basic earnings per share	8.69	8.32	17.70
Diluted earnings per share	8.25	7.43	16.21

Underlying earnings per share, before non-recurring items, has been disclosed to give a clearer understanding of the Group's underlying trading performance. It has been calculated using the underlying earnings figures above and an adjusted weighted average number of ordinary shares which includes those shares held by the Group Employee Share Ownership Trust.

Diluted earnings per share is the basic earnings per share after allowing for the dilutive effect of the conversion into ordinary shares of the number of options outstanding during the period.

## 5. Dividends

for the 6 months ended 30 September 2007	6 months to 30 September 2007 £m	6 months to 30 September 2006 £m	12 months to 31 March 2007 £m
Amounts recognised as distributions to equity holders in the period:			
Final dividend paid for the year ended 31 March 2007 of 2.1 pence per share	1.3	–	–
Interim dividend paid for the year ended 31 March 2007 of 0.9 pence per share	–	–	0.6

The proposed interim dividend of 1.5 pence per share has not been approved at the balance sheet date and so has not been included as a liability in these financial statements. The dividend will be paid on 11 January 2008 to holders of ordinary shares on the register at the close of business on 14 December 2007.

The Trustee of the May Gurney Group Limited Employee Share Ownership Trust has waived its right to receive any dividends in respect of shares held in the Trust.

## 6. Property, plant and equipment

Fixed assets of £3.2 million were purchased in the period comprising £0.1 million of property and £3.1 million of plant and equipment. Disposals of £0.3 million related to plant and equipment. The depreciation charge for the period of £1.9 million was the only other significant influence on the book value of assets.

Future capital expenditure authorised by the directors but not provided for in these financial statements amounts to £1.6 million (31 March 2007: £1.4 million, 30 September 2006: £0.6 million).

## 7. Group statement of changes in shareholders' equity

for the period ended 30 September 2007	Share capital £m	Share premium account £m	Merger relief reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 31 March and 1 April 2006	0.6	–	1.9	3.5	19.3	25.3
Total recognised income for the period	–	–	–	–	4.2	4.2
Issue of four shares for every one held	2.5	–	–	(2.5)	–	–
New shares issued	0.4	13.2	–	–	–	13.6
Proceeds from disposal of own shares	–	–	–	0.1	–	0.1
Share-based payments	–	–	–	–	5.7	5.7
Balance at 30 September 2006 – as previously reported	3.5	13.2	1.9	1.1	29.2	48.9
Prior year adjustment to deferred tax on intangible assets acquired	–	–	–	–	1.3	1.3
Balance at 30 September 2006 – as restated	3.5	13.2	1.9	1.1	30.5	50.2
Total recognised income for the period	–	–	–	–	5.7	5.7
Proceeds from disposal of own shares	–	–	–	0.1	–	0.1
Share-based payments	–	–	–	–	0.5	0.5
Dividend paid	–	–	–	–	(0.6)	(0.6)
Balance at 31 March 2007	3.5	13.2	1.9	1.2	36.1	55.9
Total recognised income for the period	–	–	–	–	5.4	5.4
Proceeds from disposal of own shares	–	–	–	0.3	–	0.3
Share-based payments	–	–	–	–	(0.2)	(0.2)
Dividend paid	–	–	–	–	(1.3)	(1.3)
<b>Balance at 30 September 2007</b>	<b>3.5</b>	<b>13.2</b>	<b>1.9</b>	<b>1.5</b>	<b>40.0</b>	<b>60.1</b>

The debit to equity in the period in respect of share-based payments relates to £0.3 million income statement charge reversal and £0.5 million deferred tax relief on the potential future exercise of existing share options.

## 8. Acquisition of subsidiary

On 25 July 2007, the Group acquired 100% of the issued share capital of FDT Holdings Limited for an estimated consideration of £3.7 million. The company's principal activity is the provision of inspection and maintenance services of assets in the mobile telecommunications industry and highways engineering sectors. This transaction has been accounted for by the purchase method of accounting.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination £m	Fair value adjustments £m	Fair value £m
<b>Net assets acquired:</b>			
Property, plant and equipment	0.1	–	0.1
Goodwill	1.4	(1.4)	–
Intangible assets	–	1.1	1.1
Stock	0.1	–	0.1
Trade receivables	1.5	–	1.5
Trade payables	(1.3)	–	(1.3)
Deferred tax	–	(0.3)	(0.3)
Bank loan	(0.3)	–	(0.3)
	1.5	(0.6)	0.9
Goodwill			2.8
<b>Total consideration</b>			<b>3.7</b>
<b>Purchase consideration:</b>			
Cash paid			2.9
Direct costs relating to the acquisition			0.2
Deferred consideration contingent on certain key contract wins			0.6
			<b>3.7</b>
<b>Net cash outflow arising on acquisition:</b>			
Cash consideration paid			(3.1)
Cash and cash equivalents acquired			–
			<b>(3.1)</b>

The goodwill arising on the acquisition of FDT Holdings Limited, which is provisional due to the potential contingent consideration as noted above, is attributable to the anticipated profitability of the Group's services in the new markets and the anticipated future operating synergies from the combination.

FDT Holdings Limited contributed £1.0 million revenue and £nil profit to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2007, total Group revenue for the period would have been £217.4 million, and profit for the period would have been £5.7 million.

## **9. Employee benefits**

The Group operates a defined benefit pension scheme (May Gurney Defined Benefit Pension Scheme) for salaried employees and supervisory foremen. The assets of the scheme are held separately from those of the Group and are invested in managed funds. Full details of the defined benefit liability are disclosed in the Group's annual report and accounts.

The balance sheet position as presented at 31 March 2007 has not been remeasured at the interim reporting date as the level of actuarial gains and losses in the period is not considered to be material. The pension scheme deficit remains at £nil.

## **10. Post balance sheet event**

On 18 October 2007, the Group acquired 100% of the issued share capital of Willows Plant Limited, the North West based gas utility maintenance contractor.

The Group paid initial consideration of £4.6 million in cash, with further contingent consideration of up to £10.0 million payable dependent upon securing substantial further work above the current turnover levels of Willows Plant Limited.

Net assets acquired were £0.1 million, subject to adjustment. An exercise to review the fair value of the assets acquired is underway, full details of which will be provided in the Group 2008 report and accounts. Anticipated costs relating to the transaction of £0.3 million will be capitalised.

# Independent review report to May Gurney Integrated Services plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusion we have formed.

## Directors' responsibilities

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

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

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## Grant Thornton UK LLP

Auditor  
London

3 December 2007

# Corporate directory

## Company registration number

4321657

## Directors

Tim Ross MA(Oxon) (Hons) FIQ (Non-executive Chairman)  
David Sterry OBE BSc (Hons) CEng MICE, FIHT (Chief Executive)  
Richard Dean BSc (Hons) CEng MICE  
Michael Dunn BSc FCA (Finance Director)  
Ian Findlater LLB (Hons) MRICS  
David Galloway FCA (Non-executive)

## Secretary

Allyson Ablett ALS (Law&Econ)

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This half-yearly report is available at [www.maygurney.co.uk](http://www.maygurney.co.uk)

**Designed and produced by Radley Yeldar**

**May Gurney Integrated Services plc**

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