

Interim Report 2009

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Putting you first

“We are delighted to announce another set of excellent results. Connaught is well positioned in two highly defensive and fragmented markets where we have built a strong competitive position from which to grow share through our integrated services and efficiency-led approach. We have a well established brand and experienced management team and are well placed to deliver high quality earnings growth over the long term.”

Mark Tincknell, Chairman



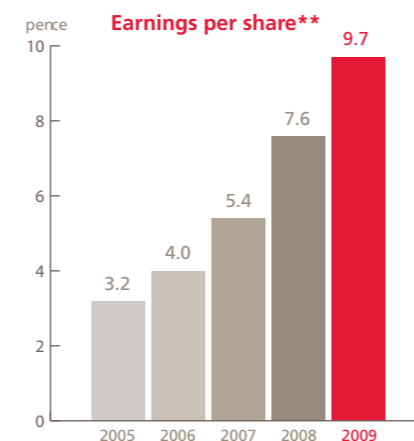
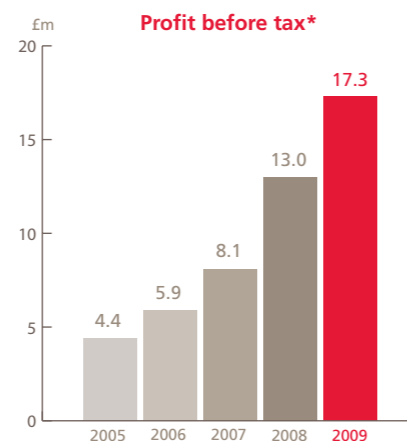
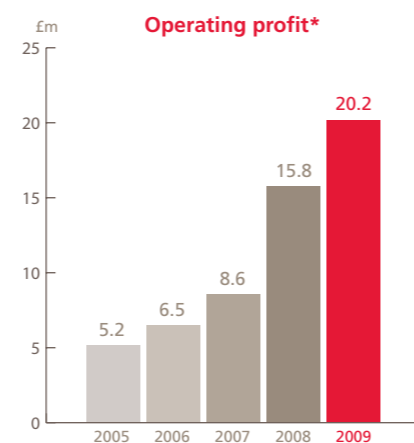
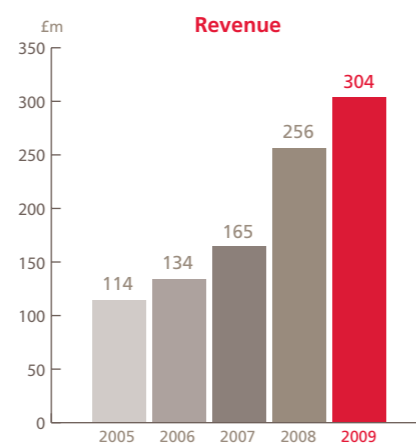
Operational Highlights

- Revenue up 19% to £304m (H1 2008: £256m) driven by strong organic growth of 17%
 - Social Housing revenues up 18% to £243.6m (H1 2008: £205.6m), entirely organic growth
 - Compliance revenues up 21% to £60.2m (H1 2008: £49.9m), with organic growth of 11%
- Operating profit* up 28% to £20.2m (H1 2008: £15.8m)
 - Social Housing operating profit* up 22% to £13.7m (H1 2008: £11.2m)
 - Compliance operating profit* up 26% to £8.2m (H1 2008: £6.5m)
- Group operating margins increased to 6.6% (H1 2008: 6.2%) driven by service mix and economies of scale
- Half year net debt in line with management expectations at £99m, with a rolling twelve-month operating profit to operating cash conversion of 62%
- Following another strong social housing order intake of £385m the Group's order book now stands at £2.7bn (H1 2008: £2.5bn) with the pipeline at £3.6bn (H1 2008: £3.3bn). 99% of 2009 and 92% of 2010 market consensus social housing revenues are already in the secured order book, providing excellent earnings visibility and underpinning future growth prospects

* before amortisation of acquisition intangibles

Financial Highlights

	Six months ended 28 February 2009	Six months ended 29 February 2008	% Change
Revenue	£304m	£256m	+19%
Operating profit*	£20.2m	£15.8m	+28%
Profit before tax*	£17.3m	£13.0m	+33%
Profit before tax	£13.5m	£9.7m	+39%
Diluted earnings per share*	9.7p	7.6p	+28%
Diluted earnings per share	7.6p	5.6p	+36%
Interim dividend per share	1.09p	0.925p	+18%



* before amortisation of acquisition intangibles
** diluted, before amortisation of acquisition intangibles

Chairman's Statement



Mark Tincknell, Chairman

Overview

Connaught has continued its strong growth in the first half of the year, reporting another set of excellent results with diluted earnings per share* increasing 28% to 9.7p.

Connaught is a robust and balanced business with a disciplined strategic approach focused upon the long-term visibility, cash generative and defensive nature of its earnings. The Group remains well placed to continue to deliver long-term reliable growth despite the uncertain economic background.

The Board proposes an interim dividend of 1.09p, an increase of 18%, which reflects the Board's confidence in future growth. The interim dividend will be paid on 3 July to shareholders who are on the register as at 5 June 2009.

* before amortisation of acquisition intangibles

Social Housing

Connaught's Social Housing business provides integrated property and estate maintenance services to Local Authorities, Arm's Length Management Organisations and Registered Social Landlords throughout the UK.

Results

The results for the six months reflect the underlying resilience of the social housing market and Connaught's position as market leader.

- Revenues up 18% to £243.6m (H1 2008: £205.6m), driven entirely by organic growth
- Operating profit* up 22% to £13.7m (H1 2008: £11.2m)
- Operating margin* up from 5.5% in H1 2008 to 5.6% in H1 2009, driven by operational efficiency and economies of scale
- Order intake of £385m
- Excellent earnings visibility with 99% of 2009 and 92% of 2010 market consensus revenues in the secured order book

The market

The market fundamentals for social housing maintenance and repair work remain favourable. Social housing is a large, defensive market worth £10.5bn per annum, with over 5 million households in social housing and 1.7 million on waiting lists, the highest level in two decades. The social housing maintenance and repair market is driven by the Government's firm commitment to improve and maintain the quality of social housing stock. The work is funded direct from the social housing rental

roll, which is ring fenced through the Housing Revenue Account.

Social Landlords are also under increasing pressure to reduce costs, following the Gershon efficiency review in 2004, and 'Best Value' service delivery is now the priority. With property maintenance and repair representing the biggest single element at over 40% of social landlords' operating cost base, there has naturally been significant focus on this area. This has led to longer, larger, more integrated contracts as social landlords seek to generate cost savings by streamlining their supplier base. This trend towards larger contracts is being further driven by client consolidation.

Connaught's market-leading position

The social housing market remains fragmented but there is a clear ongoing consolidation trend with the top 10 players' share increasing from 13% in 2004 to 22% today. As the leading integrated services provider and one of a few competitors able to fulfil the larger, multi-service contracts increasingly being offered by social landlords Connaught is well positioned to continue to grow share over the long term.

Over recent years Connaught has developed a unique and differentiated proposition for customers, based around efficiency, through its unrivalled service mix and market-leading IT, a clear focus on the tenant experience and the socio-economic impact of its community, academy and environmental programmes. As a result, Connaught has emerged as the partner of choice for social landlords seeking to deliver efficiencies and improvements in their property maintenance.

Connaught's growth in social housing is being driven in three key areas:

- Integrated services contracts have been gaining real momentum with ten major wins over the last eighteen months, including the following in the current year:
 - A2 Dominion, £117m over 12 years
 - William Sutton Homes, £45m over 5 years
 - One Vision Housing, £36m over 5 years
 - Homes in Sedgemoor, £36m over 10 years
 - Town & Country, £30m over 10 years
- Organic development with existing clients from a single service to multi-service partnerships is a further driver of long-term growth and in the first half represents over 20% of our order intake
- In addition Connaught is leveraging its market-leading platform to develop other revenue streams in complementary markets such as defence, student accommodation, and environmental services. Contract wins in these markets include:
 - A defence accommodation maintenance contract with Modern Housing worth £18m over two years
 - A partnership with Unite Group plc to maintain student accommodation across the UK worth £25m over the first five years, and an ongoing partnership to promote a joint management and maintenance service to the higher education market
 - Further development of our environmental business with contract wins worth £25m in estate and grounds maintenance

Our order book in social housing has progressed significantly over the last five years with multi and integrated services contracts now representing 71%, new markets 11%, single service contracts 8%, and decent homes only 10% (compared with 85% in 2004). The platform for long-term sustainable growth is stronger than ever before.

Compliance

Connaught's Compliance business is the leading provider of safety, health and risk management solutions. The business supplies a range of services unique to the UK market combining both advisory and servicing capabilities to provide a fully integrated solution for customers.

Results

Compliance has had a very good start to the year, with strong organic growth and margin progression, reflecting the underlying strength of the compliance market and the benefits of Connaught's multi-service and integrated approach.

- Compliance revenues up 21% to £60.2m (H1 2008: £49.9m), with 11% organic revenue growth
- Operating profit* up 26% to £8.2m (H1 2008: £6.5m)
- Operating margin* up from 13% in H1 2008 to 13.7% in H1 2009, driven by operational leverage and enhanced service mix

The market

Compliance is a highly fragmented and defensive market. It is worth £5.7 bn per annum, where the top ten players currently share only 15% and the majority of companies are single service providers.

The non-discretionary nature of the market is driven by the strict regulatory framework, the threat of prosecution and the risk to businesses of reputational damage from non-compliance. The Corporate Manslaughter Act, which came into force in 2008, has heightened awareness and further reinforced the compliance obligations of companies and their directors.

The current economic climate is encouraging clients to consolidate their compliance needs in partnership with a single, multi-service provider. Many existing suppliers are finding it increasingly difficult to meet the changing needs of clients, while Connaught, as a fully integrated provider, is well positioned to capitalise on this trend.

Connaught's market-leading position

Connaught is the clear market leader in compliance with a unique approach which meets the growing demand from customers for a trusted partner, providing risk management assurance, integrated IT services and consistent UK-wide in-house service delivery.

We have a high quality, diversified customer base for whom compliance expenditure remains a very small proportion of operating costs. We remain very confident about the outlook for Compliance, with our growth opportunity being in three main areas:

- Existing clients – there is significant organic growth potential by extending our services with existing clients and 69% of our top 350 customers currently buy just one compliance service. Multi-service clients on average spend five times that of a single service customer.

- New major accounts – in the first half the Group has expanded its major account contract base by 18% with over 75% of order intake in four key target sectors: public sector, utilities, manufacturing and care homes & charities. Significant contract wins include:
 - Public sector: Crown Estates, Ministry of Justice, Royal Mail, Forensic Science Service, LB Camden, Devon CC, West Yorkshire Police and four NHS Trusts
 - Utilities: British Gas, BT, EDF and Metronet
 - Manufacturing: Nestlé, Dairy Crest and Premier Foods
 - Care homes & Charities: Salvation Army, Voyage Care Homes and Agility UK

- Social Housing – in addition we have continued to demonstrate success in cross selling with eleven existing Social Housing clients adding Compliance services to their partnerships in the first half.

The contract portfolio is in good shape with the majority of clients in secure sectors and a strong commitment to maintain their compliance programme.

Connaught is extremely well positioned as the early mover in a highly fragmented but consolidating market with considerable long-term growth potential.

Acquisitions

Over the last two years we have created our Compliance business through acquisition. The integration of National Britannia, bought in October 2007, is now complete and the integration of other recent bolt-on acquisitions is progressing very well. All acquired businesses have been rebranded "Connaught", surplus sites have been

closed and IT integration will be fully completed by the end of 2009.

Caerphilly is now established as the operational hub for Compliance, providing back office and customer-facing services across the division, which has created the platform for further margin progression through operational leverage.

Connaught remains focused primarily on organic growth, supplemented by carefully selected acquisitions to establish a national capability in all key services and to extend specific sector or service expertise.

Corporate responsibility

Connaught's aim is to be recognised by all its stakeholders as a "Force 4 Good", creating happier, safer and better places to live, work and play.

The Group has a central role at the heart of the communities it serves, introducing a range of initiatives designed to have positive social, economic and environmental benefits for the people and businesses in these communities.

The business is dedicated to minimising its impact on the environment and leading its competitors in the drive to reduce environmental impact. As well as a commitment to driving down its own waste and emission levels through its environmental business, Connaught works to create cleaner, safer and more sustainable communities.

The Compliance division is fundamental in Connaught's drive to help its customers create safer, more enjoyable places to work. Occupational health and safety is also central to the Group's culture, a fact highlighted by the recent award of its 17th prestigious RoSPA Gold Award for health and safety.

People

Connaught currently employs over 8,000 people and is dedicated to attracting, developing and retaining the best talent in the industry.

Connaught's culture and values underpin how the Group does business and are integral to its success.

Through their actions every day our staff ensure that Connaught's culture and values are put into action and that they will continue to form the bedrock on which our future success will be built.

Outlook

Connaught remains confident about its position and the outlook for both Social Housing and Compliance. The Group is well positioned in large, defensive, fragmented markets which are naturally consolidating. We have built a strong competitive position from which to grow share through our integrated services and efficiency-led approach.

We have started to develop adjacent markets in defence and student accommodation and environmental services, utilising our well established brand and experienced management team.

The Group's long-term visibility of earnings is supported by a £2.7 bn order book and a £3.6 bn pipeline, underpinning confidence in future growth. Connaught is in good shape to deliver consistent and sustained earnings growth for many years to come.

* before amortisation of acquisition intangibles

Condensed Consolidated Half-yearly Income Statement

for the six months ended 28 February 2009

	Note	Unaudited 28 February 2009 6 months £m	Unaudited 29 February 2008 6 months £m	31 August 2008 12 months £m
Revenue	4	303.8	255.5	552.9
Cost of sales		(254.3)	(213.5)	(474.8)
Gross profit		49.5	42.0	78.1
Administrative expenses		(33.1)	(29.5)	(51.2)
Operating profit before amortisation of acquisition intangible assets and exceptional item	4	20.2	15.8	35.9
Amortisation of acquisition intangible assets		(3.8)	(3.3)	(7.0)
Exceptional item - reorganisation costs		-	-	(2.0)
Operating profit		16.4	12.5	26.9
Finance costs		(4.7)	(4.4)	(6.7)
Finance income		1.8	1.6	1.5
Profit before tax		13.5	9.7	21.7
Tax expense	6	(3.9)	(2.8)	(6.5)
Profit for period attributable to equity shareholders		9.6	6.9	15.2
Earnings per ordinary share				
Basic	8	7.8p	5.9p	12.8p
Diluted	8	7.6p	5.6p	12.2p

All operations are classified as continuing.

Statement of Recognised Income and Expense

	Note	Unaudited 28 February 2009 6 months £m	Unaudited 29 February 2008 6 months £m	31 August 2008 12 months £m
Net profit		9.6	6.9	15.2
Share options				
Share based payments - deferred tax		-	-	1.2
		9.6	6.9	16.4

Condensed Consolidated Half-yearly Balance Sheet

as at 28 February 2009

	Note	Unaudited 28 February 2009 £m	Unaudited 29 February 2008 £m	31 August 2008 £m
Non-current assets				
Goodwill	5	150.0	140.2	147.6
Acquisition intangible assets		29.2	33.9	27.3
Other intangible assets		12.3	5.1	9.9
Property, plant and equipment		9.7	8.2	6.3
Trade and other receivables		16.5	8.1	12.6
Deferred tax asset		-	1.1	-
		217.7	196.6	203.7
Current assets				
Inventories		17.3	6.6	13.8
Trade and other receivables		129.4	127.5	118.1
Current tax asset		-	1.9	-
Cash and cash equivalents		49.5	33.1	50.0
		196.2	169.1	181.9
Total assets		413.9	365.7	385.6
Current liabilities				
Borrowings	9	(19.1)	(15.2)	(16.8)
Trade and other payables		(124.7)	(126.5)	(132.8)
Current tax liabilities		(0.5)	(3.2)	-
Derivative financial instruments	10	(5.6)	-	-
		(149.9)	(144.9)	(149.6)
Non-current liabilities				
Borrowings	9	(129.6)	(99.4)	(104.1)
Deferred tax liabilities		(3.9)	(5.3)	(5.1)
		(133.5)	(104.7)	(109.2)
Total liabilities		(283.4)	(249.6)	(258.8)
Net assets	11	130.5	116.1	126.8
Shareholders' equity				
Ordinary shares		2.5	2.4	2.5
Share premium		80.5	79.0	80.2
Retained earnings		45.3	29.5	37.9
Other reserves		6.2	5.2	6.2
Hedge reserve		(4.0)	-	-
Equity shareholders' funds	11	130.5	116.1	126.8

Condensed Consolidated Half-yearly Cash Flow Statement

for the six months ended 28 February 2009

	Unaudited 28 February 2009 6 months £m	Unaudited 29 February 2008 6 months £m	31 August 2008 12 months £m
Reconciliation of net profit to net cash flow from operating activities			
Net profit	9.6	6.9	15.2
Tax	3.9	2.8	6.5
Amortisation of intangibles and depreciation	4.8	4.5	9.8
Exceptional reorganisation costs	-	-	2.0
Interest income	(1.8)	(1.6)	(1.5)
Finance charge	4.7	4.4	6.7
Other non cash changes	0.4	0.2	0.9
(Increase)/decrease in inventories	(3.5)	0.2	(6.2)
(Increase) in trade and other receivables	(10.8)	(22.7)	(19.6)
Decrease/(increase) in payables	(8.8)	0.9	11.9
Cash (used in)/generated from continuing operation	(1.5)	(4.4)	25.7

Cash generated from continuing operating activities excluding operating cash impact of acquisitions	2.6	4.5	26.5
Operating cash impact of acquisitions	(4.1)	(8.9)	(0.8)

Cash flows from operating activities			
Cash (used in)/generated from operations	(1.5)	(4.4)	25.7
Interest received	1.7	1.6	1.5
Interest paid	(4.7)	(4.8)	(6.7)
Taxation paid	(4.0)	(1.2)	(5.6)
Net cash (used in)/generated from operating activities	(8.5)	(8.8)	14.9

Cash flows from investing activities			
Acquisition of businesses/subsidiaries	(10.3)	(110.4)	117.8)
Development expenditures	(4.8)	(0.6)	(7.5)
Proceeds from sale of property, plant and equipment	0.4	-	5.2
Purchase of intangible assets	-	(0.1)	-
Purchase of fixed assets	(4.0)	(2.4)	(4.8)
Net cash used in investing activities	(18.7)	(113.5)	(124.9)

	Unaudited 28 February 2009 6 months £m	Unaudited 29 February 2008 6 months £m	31 August 2008 12 months £m
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	0.3	58.0	60.3
(Purchase) of treasury shares	(1.1)	(1.0)	(1.0)
Net proceeds from issue of new bank loan	27.7	71.9	93.5
Finance lease principal payments	(0.2)	(0.1)	(0.3)
Repayment of borrowings	-	-	(15.2)
Dividends paid to shareholders	-	-	(2.9)
Net cash generated from financing activities	26.7	128.8	134.4
Net (decrease)/increase in cash and cash equivalents	(0.5)	6.5	24.4
Cash and cash equivalents at 1 September	50.0	25.6	25.6
Cash and cash equivalents at end of period	49.5	32.1	50.0

Analysis of Net Debt

	Unaudited 28 February 2009 6 months £m	Unaudited 29 February 2008 6 months £m	31 August 2008 12 months £m
Cash and cash equivalents	49.5	32.1	50.0
Loan notes	-	(2.6)	-
Finance leases	(0.8)	(1.2)	(0.8)
Interest bearing loans and borrowings	(147.9)	(109.8)	(120.2)
Net Debt	(99.2)	(81.5)	(71.0)

Notes to Condensed Consolidated Half-yearly Financial Information

1 General information

Connaught plc is a public limited company incorporated in the UK. The address of the registered office is Connaught House, Grenadier Road, Exeter Business Park, Exeter EX1 3QF. The Company has its primary listing on the London Stock Exchange. This condensed consolidated half-yearly financial information was approved for issue on 21 April 2009. These interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985 (Section 434 of the Companies Act 2006). Statutory accounts for the year ended 31 August 2008 were approved by the Board of Directors on 24 October 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985 (Section 498 of the Companies Act 2006).

2 Basis of preparation and accounting policies

This condensed consolidated half-yearly financial information for the half-year ended 28 February 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 August 2008 which have been prepared in accordance with IFRSs' as adopted by the European Union.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 August 2008, as described in those financial statements. The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 August 2009.

IFRIC 12, 'Service concession arrangements', effective for annual periods beginning on or after 1 January 2008. Management do not expect this to be relevant for the Group.

IFRIC 13, 'Customer loyalty programmes' addresses how companies, that grant their customers loyalty award credits (often called 'points') when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. Management do not expect this to be relevant for the Group.

IFRIC 14: 'The limit on a defined benefit asset, minimum funding requirements and their interaction' was issued on 6 July 2007. This interpretation provides guidance on the extent to which a pension scheme surplus should be recognised as an asset. Based on current actuarial advice, this interpretation is not expected to reduce the assets recognised at 31 August 2008 in respect of pension schemes.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial half year ending 28 February 2009:

IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. Management do not currently foresee any changes to the group's business segments.

IFRIC 15: 'Agreements for the construction of real estate' was issued on 3 July 2008. The Group is not involved in the construction or sale of residential real estate. However a review of contract accounting is being undertaken to establish whether or not the same principles apply to any transactions undertaken by the Group. The impact of adopting this interpretation will be determined once this review has been completed.

IFRIC 16: 'Hedges of a net investment in a foreign operation' was issued on 3 July 2007. A review of the Group's net investment hedging indicated that this interpretation is not likely to affect the accounting treatment.

IFRIC 17: 'Distributions of non-cash assets to shareholders', when accounting for non-cash distributions to shareholders, entities will need to recognise the difference between the fair value and the carrying amount of the distributed asset to the income statement upon distribution. This will make distributions of non-cash assets more attractive because of the positive effect it will have on their income statement.

IFRIC 18: 'Transfers of assets from customers', effective for transfers of assets from customers received on or after 1 July 2009. IFRIC 18 relates to agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. Effective for transfers of assets from customers received on or after 1 July 2009. Management do not expect this to be relevant for the Group.

4 Segmental analysis

	Social Housing £m	Compliance £m	Central £m	Total £m
Half year ended 28 February 2009				
Segment revenue	243.6	60.2	-	303.8
Operating profit before amortisation of acquisition intangible assets	13.7	8.2	(1.7)	20.2
Amortisation of acquisition intangible assets	(1.6)	(2.2)	-	(3.8)
Operating profit	12.1	6.0	(1.7)	16.4
Finance costs	(0.4)	(0.2)	(4.1)	(4.7)
Interest receivable	0.3	0.2	1.3	1.8
Profit before tax	12.0	6.0	(4.5)	13.5
Tax	-	-	(3.9)	(3.9)
Segment result	12.0	6.0	(8.4)	9.6
Segment assets	176.9	83.6	-	260.5
Goodwill attributable	31.8	117.1	-	148.9
Unallocated assets	-	-	4.5	4.5
Total assets	208.7	200.7	4.5	413.9
Segment liabilities	148.8	79.6	-	228.4
Unallocated liabilities	-	-	55.0	55.0
Total liabilities	148.8	79.6	55.0	283.4

Half year ended 29 February 2008

Segment revenue	205.6	49.9	-	255.5
Operating profit before amortisation of acquisition intangible assets	11.2	6.5	(1.9)	15.8
Amortisation of acquisition intangible assets	(1.6)	(1.7)	-	(3.3)
Operating profit	9.6	4.8	(1.9)	12.5
Finance costs	(1.6)	(0.1)	(2.7)	(4.4)
Interest receivable	0.1	0.2	1.3	1.6
Profit before tax	8.1	4.9	(3.3)	9.7
Tax	(3.2)	(0.3)	0.7	(2.8)
Segment result	4.9	4.6	(2.6)	6.9
Segment assets	131.7	84.4	-	216.1
Goodwill attributable	33.5	104.7	2.0	140.2
Unallocated assets	-	-	9.4	9.4
Total assets	165.2	189.1	11.4	365.7
Segment liabilities	135.1	36.5	-	171.6
Unallocated liabilities	-	-	78.0	78.0
Total liabilities	135.1	36.5	78.0	249.6

(continued overleaf)

Notes to Condensed Consolidated Half-yearly Financial Information (continued)

4 Segmental analysis (continued)

	Social Housing £m	Compliance £m	Central £m	Total £m
Year ended 31 August 2008				
Segment revenue	446.9	105.9	0.1	552.9
Operating profit before amortisation of acquisition intangible assets	25.4	13.8	(3.3)	35.9
Amortisation of acquisition intangible assets	(3.3)	(3.5)	(0.2)	(7.0)
Exceptional items	-	(2.0)	-	(2.0)
Operating profit	22.1	8.3	(3.5)	26.9
Finance costs	(3.6)	(0.3)	(2.8)	(6.7)
Interest receivable	0.9	0.6	-	1.5
Profit before tax	19.4	8.6	(6.3)	21.7
Tax	(3.1)	(4.7)	1.3	(6.5)
Segment result	16.3	3.9	(5.0)	15.2
Segment assets	155.9	69.0	-	224.9
Goodwill attributable	32.9	114.7	-	147.6
Unallocated assets	-	-	13.1	13.1
Total assets	188.8	183.7	13.1	385.6
Segment liabilities	154.5	60.8	-	215.3
Unallocated liabilities	-	-	43.5	43.5
Total liabilities	154.5	60.8	43.5	258.8

5 Acquisitions

During the half year, the Group completed two acquisitions.

On 15 September 2008, the Group acquired 100% of the share capital of the Lowe Group Ltd, trading as NECTA, for the consideration of £7.4m including a deferred cash consideration of £0.8m. In the period to 28 February 2009 Lowe Group Ltd contributed £5.9m to the Group consolidated revenue and £0.5m to operating profit before amortisation of acquisition intangibles. If the Lowe Group had been part of the Group for the full 6 months to 28 February 2009, then it would have contributed £6.4m in revenue and £0.6m in operating profit.

On 26 November 2008, the Group acquired certain assets from the administrators of Predator Pest Control Plc for the cash consideration of £0.5m. In the period to 28 February 2009 Predator contributed £0.3m to the Group consolidated revenue and £0.1m to operating profit before amortisation of acquisition intangibles. Pre-acquisition information has not been disclosed as the assets acquired relate to parts of the former Predator Pest Control Plc and it would be impracticable to attribute revenue and operating profit to these assets.

5 Acquisitions (continued)

	Necta £m	Predator £m	Fair value to Group £m
Property, plant and equipment	1.8	0.5	2.3
Trade and other receivables	0.4	-	0.4
Current liabilities	(1.2)	-	(1.2)
Net identifiable tangible assets and liabilities	1.0	0.5	1.5
Provisional intangible assets	2.9	-	2.9
Total identifiable assets and liabilities	3.9	0.5	4.4
Provisional goodwill on acquisitions	3.9	0.1	4.0
	7.8	0.6	8.4
Discharged by:			
Cash consideration	6.6	0.5	7.2
Deferred consideration cash	0.8	0.1	0.9
Costs of acquisition	0.4	-	0.3
	7.8	0.6	8.4

A preliminary valuation of the intangible assets has been undertaken for purposes of the half year accounts. This preliminary valuation will be finalised during the second half of the year. The intangible assets identified comprise customer relationships, trade names and software.

The strategy of the Group has been to create a "hub" of customer relationships which will benefit the entire group and provide synergistic long-term benefits to all group businesses. Accordingly, the goodwill identified on acquisitions represents the benefits of the assembled workforce and also those synergistic benefits which are expected to accrue from the "hub" of customer relationships and from which all group businesses are expected to benefit.

Finalisation of fair value adjustments relating to prior year acquisitions

Provisional fair values were attributed to the tangible assets and liabilities as at 31 August 2008. Changes between provisional fair values of the net assets acquired at 31 August 2008 and the anniversary of acquisition are shown below.

	National Britannia £m	Others £m	Fair value to Group £m
Provisional fair value of net identifiable tangible assets at 31 August 2008	96.8	17.2	114.0
Re-assessment of trade receivables, work in progress and current liabilities	(0.5)	(0.4)	(0.9)
Estimated final fair value of net identifiable tangible assets	96.3	16.8	113.1
Goodwill at 31 August 2008			
Re-assessment of trade receivables, work in progress and current liabilities	0.5	0.4	0.9
Re-classification of intangible assets	(2.5)	-	(2.5)
Additional costs of acquisition	-	-	-
Changes to goodwill	(2.0)	0.4	(1.6)

Notes to Condensed Consolidated Half-yearly Financial Information (continued)

6 Taxation

The taxation charge is calculated by applying the Directors' best estimate of the annual tax rate to the profit for the period. Taxation has been provided for the six months ended 28 February 2009 at an effective tax rate of 29.0% (2008: 29.7%). The tax rate of 29.0% includes the estimated tax effect of timing differences applicable to the Group for the six months ended 28 February 2009.

7 Dividend

The final dividend for 2008 of 1.755 pence per share (2007: 1.46 pence per share) was paid on 6 March 2009 to holders on the register on 6 February 2009 and an interim dividend of 1.09 pence per share (2008: 0.925 pence per share) will be paid on 3 July 2009 to holders on the register on 5 June 2009.

8 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares during the period. The diluted earnings includes effects of all potentially dilutive ordinary shares.

	Unaudited 28 February 2009 6 months £m	Unaudited 29 February 2008 6 months £m	Audited 31 August 2008 12 months £m
Earnings			
Earnings for basic and diluted earnings per share	9.6	6.9	15.2
Number of shares			
Basic	122,059,635	115,443,007	118,512,926
Diluted	126,481,901	120,898,378	124,290,896
Earnings per share			
Basic earnings per share	7.8p	5.9p	12.8p
Diluted earnings per share	7.6p	5.6p	12.2p
Adjusted earnings per share			
Basic earnings per share	7.8p	5.9p	12.8p
Business performance adjustments:			
Amortisation of acquisition intangibles	3.1p	2.9p	5.9p
Tax effect of amortisation of acquisition intangible assets	(0.8p)	(0.9p)	(1.7p)
Exceptional reorganisation costs	-	-	1.7p
Tax effect of exceptional reorganisation costs	-	-	(0.4p)
Adjusted earnings per share	10.1p	7.9p	18.3p
Adjusted diluted earnings per share			
Diluted earnings per share	7.6p	5.6p	12.2p
Business performance adjustments:			
Amortisation of acquisition intangibles	3.0p	2.7p	5.6p
Tax effect of amortisation of acquisition intangible assets	(0.9p)	(0.7p)	(1.5p)
Exceptional reorganisation costs	-	-	1.6p
Tax effect of exceptional reorganisation costs	-	-	(0.4p)
Adjusted diluted earnings per share	9.7p	7.6p	17.5p

9 Analysis of debt

	At 28 February 2009 £m	At 29 February 2008 £m	At 31 August 2008 £m
Obligations under finance leases and hire purchase contracts			
Less than 1 year	0.4	0.9	0.3
1 to 5 years	0.4	0.3	0.4
5 years +	-	-	-
	0.8	1.2	0.7
Bank loans			
Less than 1 year	18.7	10.8	16.5
1 to 5 years	129.2	99.0	103.7
5 years +	-	-	-
	147.9	109.8	120.2
Loan notes			
Less than 1 year	-	2.5	-
1 to 5 years	-	0.1	-
	-	2.6	-

10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising any resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash-flow hedges are recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement. The Group's hedging facility is with RBS (Royal Bank of Scotland) which became active on 18 February 2008. In respect of the 6 months to 28 February 2009, a loss of £0.1m (H1 2008: gain £0.1m) was recognised in the income statement under administrative expenses on financial instruments where hedge accounting is not being applied.

11 Statement of changes in total equity

	At 28 February 2009 £m	At 29 February 2008 £m	At 31 August 2008 £m
Opening shareholders' funds	126.8	52.7	52.7
Recognised income for the period	9.6	6.9	15.2
Dividends	(2.2)	(1.8)	(2.9)
Issue of ordinary shares	0.2	59.3	60.6
Sale of shares	0.1	-	-
Purchase of shares	-	(1.0)	(0.3)
Share based payments charge	-	-	1.5
Hedge reserve	(4.0)	-	-
Closing shareholders' funds	130.5	116.1	126.8

Notes to Condensed Consolidated Half-yearly Financial Information (continued)

12 Contingent liability – OFT enquiry

On 17 April 2008, the Office of Fair Trading (OFT) issued a Statement of Objections arising from its wide ranging investigation into tender activities across the construction sector.

The Group has provided the OFT with a response to the Statement of Objections and is fully co-operating with the OFT. The Statement of Objections relates to three contracts dated between 2000 and 2003 and does not refer to current trading. At the present time the Group has not received a decision from the OFT and therefore an assessment of any financial impact is not possible.

13 Status of accounts

The interim results for the 6 months ended 28 February 2009 and 29 February 2008 are unaudited. The figures for the year ended 31 August 2008 have been extracted from the latest published financial statements of the Group which have been filed at Companies House and on which the auditors gave an unqualified report.

14 Risks

The principal financial and non-financial risks facing the Group are disclosed within the Operations Review (pages 14 to 17) and Finance Review (pages 19 to 21) of the Group's Report and Accounts for the year ended 31 August 2008, a copy of which is available at the Company's website, www.connaught.plc.uk

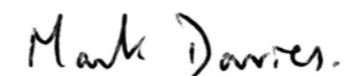
Statement of Directors' Responsibilities

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The Directors of Connaught Group are listed in the Connaught Group Annual Report for 31 August 2008.

A list of current Directors is maintained on the Company's website: www.connaught.plc.uk

By order of the Board



Mark Davies
Chief Executive

21 April 2009



Stephen Hill
Finance Director

21 April 2009

These interim results are being sent to all shareholders. Copies may also be obtained from the Company Secretary at the Registered Office of the Company: Connaught House, Grenadier Road, Exeter Business Park, Exeter EX1 3QF