

preliminary results 2004



OVERVIEW – HIGHLIGHTS

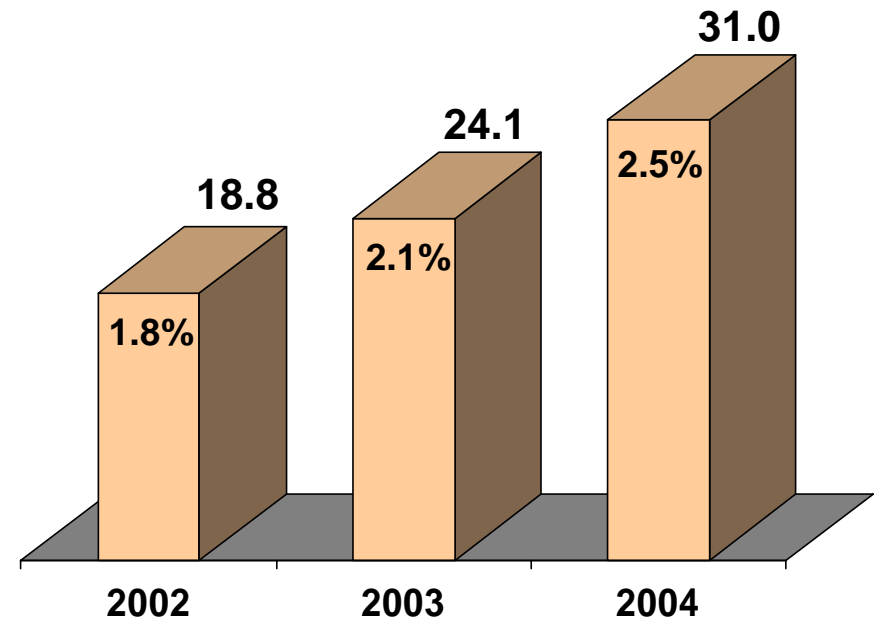
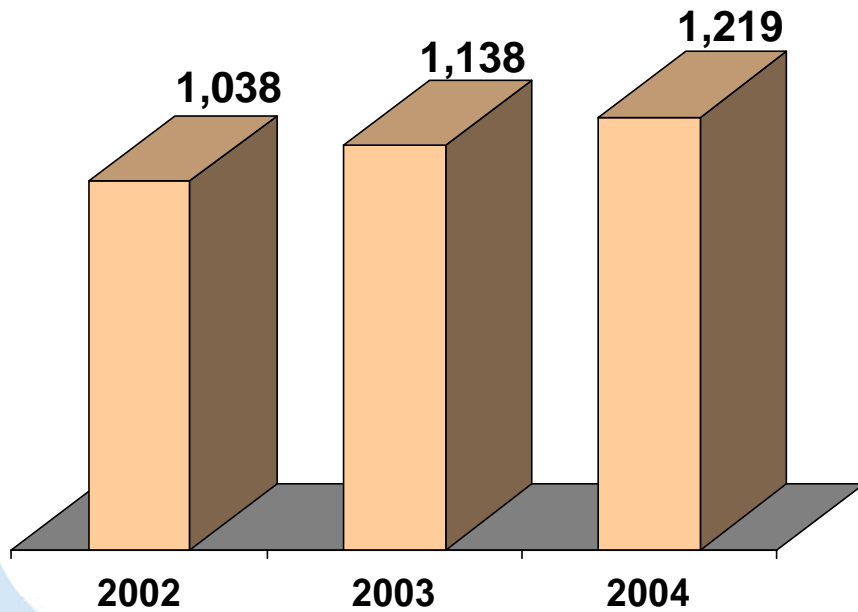
- ❖ Another record year with profit before tax up 34%
- ❖ Strong growth in Affordable Housing and Fit Out
- ❖ Earnings per share up 20%
- ❖ Net cash balances increased significantly by £59m to £73m
- ❖ Record year end order book of £2.26bn (2003: £1.63bn), reflecting full workload under frameworks
- ❖ Dividend increased by 12% to 18.5p

OVERVIEW – FINANCIAL HISTORY

£m

Turnover

Profit before tax
and amortisation



OVERVIEW – SEGMENTAL ANALYSIS

£m	Full Year 2004	Full Year 2003	
❖ Fit Out	11,238	8,407	+34%
❖ Construction	1,301	599	+117%
❖ Infrastructure Services	7,841	9,241	-15%
❖ Affordable Housing	13,445	8,920	+51%
	<u>33,825</u>	<u>27,167</u>	+25%
❖ Group Activities	(3,874)	(2,006)	
❖ Amortisation	(3,101)	(3,191)	
❖ OPERATING PROFIT	<u>26,850</u>	<u>21,970</u>	+22%
❖ Joint Ventures	268	132	
❖ Interest	822	(1,182)	
❖ PBT	<u>27,940</u>	<u>20,920</u>	+34%
❖ PBTA	<u>31,041</u>	<u>24,111</u>	+29%

OVERVIEW – CORPORATE STRUCTURE

Fit Out

UK's leading office fit out business.



Construction

National business with strong track record in healthcare, education and light industrial sectors.



Infrastructure Services

Core activities in water, electricity, gas and transportation sectors. Specialises in tunnelling, civil engineering and utilities work.



Affordable Housing

The UK's leading provider of affordable housing. Specialises in mixed tenure developments.



FIT OUT

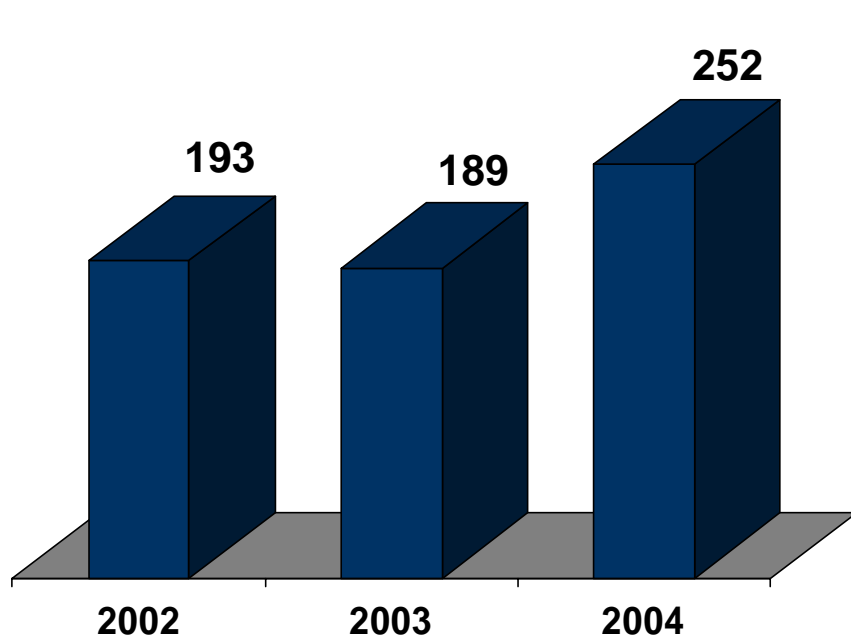
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Fit Out

FIT OUT – TRADING HIGHLIGHTS

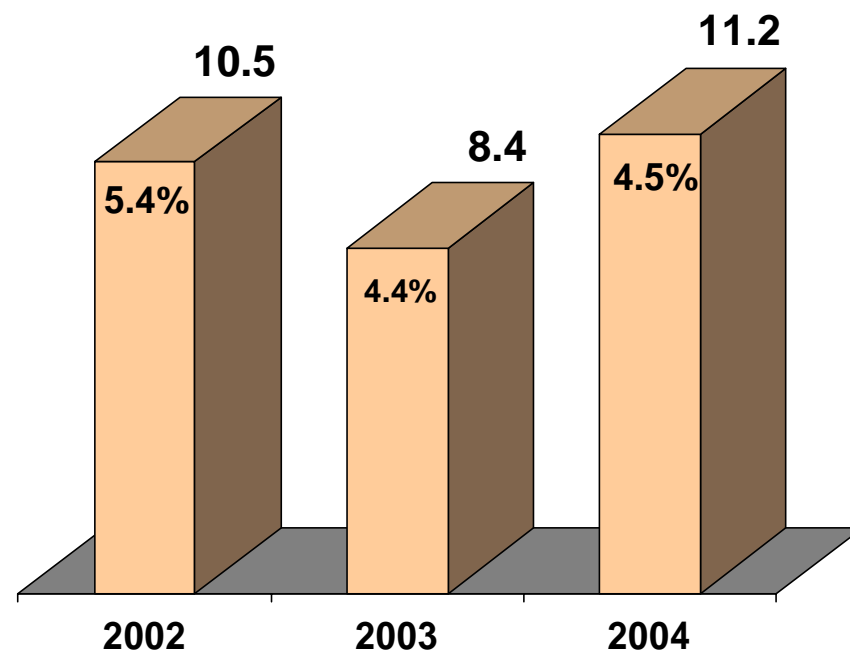
- ❖ Turnover increased by 33%, profit increased by 34%
- ❖ 4.5% margin consistent with long term margin
- ❖ Taken market share
- ❖ Some growth in underlying market
- ❖ Geographic expansion in Midlands and North of England
- ❖ Fitting out of new space increasing

FIT OUT – FINANCIAL HISTORY

£m



■ Turnover



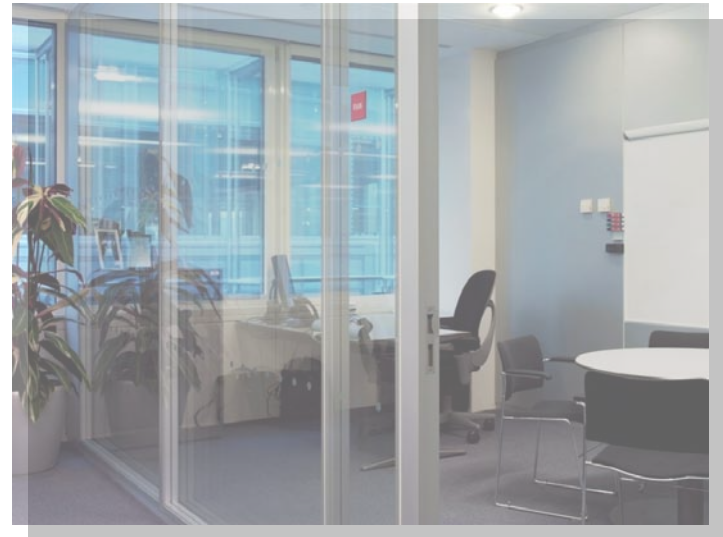
■ Operating Profit

FIT OUT – PROJECTS



Client: DTZ International Property Advisers
Project: 7 week 20,000 sq ft design and fit out
Contract value: £1.5m
Location: Birmingham

Client: Accenture
Project: 100,000 sq ft 30 week shell and core fit out
Contract value: £13.0m
Location: Fenchurch Street, London



FIT OUT – PROSPECTS

- ❖ Commercial property sector set for further growth
- ❖ Targeting growth in new geographic markets
- ❖ New large project team launched
- ❖ Vivid Interiors increasing market profile and anticipating significant growth in 2005
- ❖ Order book of £98m is 27% up on last year

CONSTRUCTION

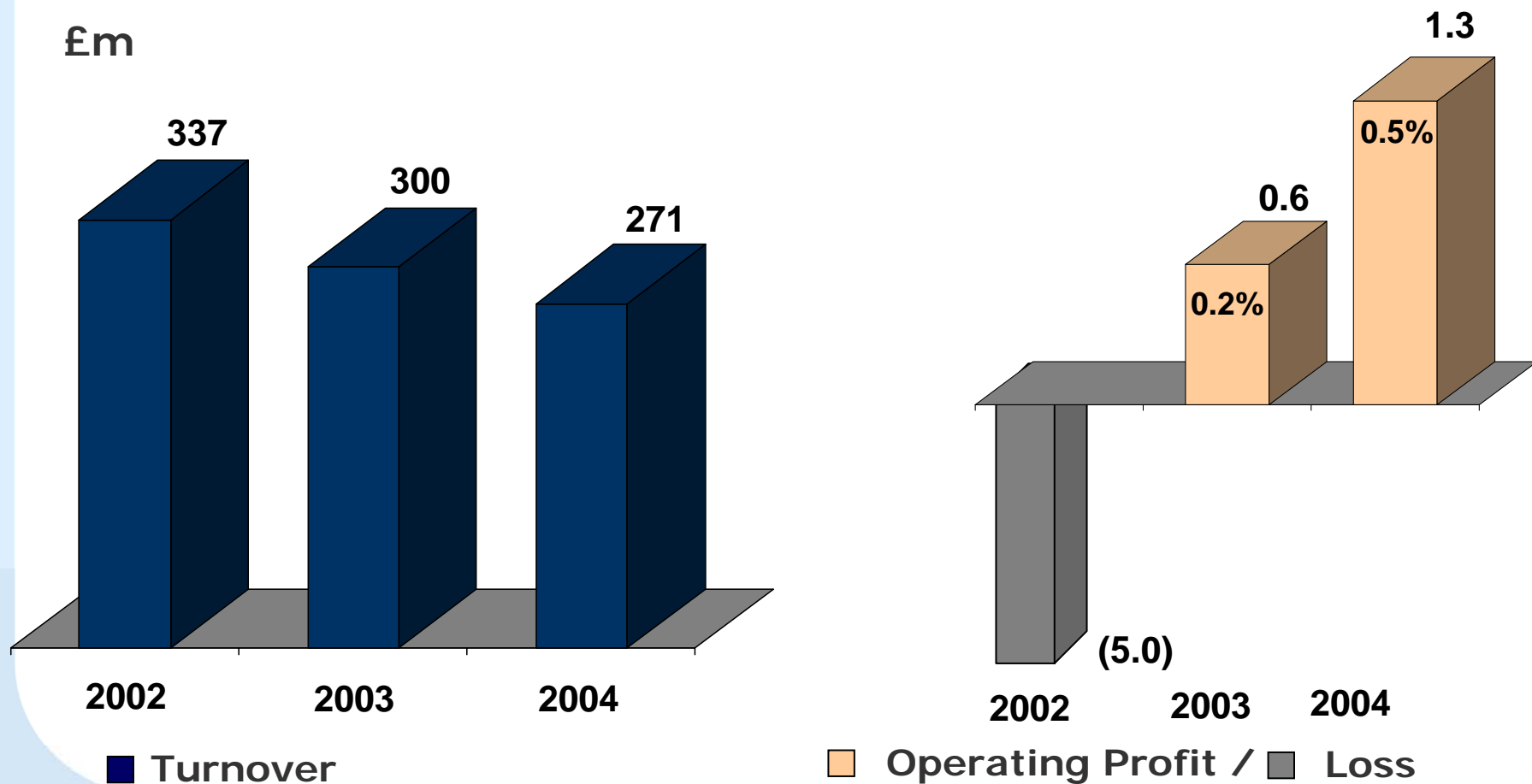


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CONSTRUCTION – TRADING HIGHLIGHTS

- ❖ Turnover of £271m (2003: £300m) reflects continued focus on key sectors
- ❖ Margin enhanced with profit of £1.3m (2003: £0.6m)
- ❖ Increasing proportion of workload from key clients and framework agreements (40%)
- ❖ Construction phase on two NHS LIFTs (Camden & Islington and Barnsley). First 3 projects for Barnsley successfully delivered
- ❖ Recently financially closed East Hants NHS LIFT, preferred bidder on Doncaster NHS LIFT
- ❖ 3 new offices at Southampton, Hatfield and Reigate

CONSTRUCTION – FINANCIAL HISTORY



CONSTRUCTION – PROJECTS

Client: University of Southampton
Project: New student and academic facilities including the new Hartley Library
Contract value: Several contracts totalling £20m



Client: Barnsley Community Solutions
Project: Barnsley NHS LIFT
Framework value: £50m over five years

CONSTRUCTION – PROSPECTS

- ❖ Continued focus on margin
- ❖ Fourth wave of NHS LIFT
- ❖ Consolidate 3 new offices
- ❖ Order book increased by 16% to £197m (2003: £170m)

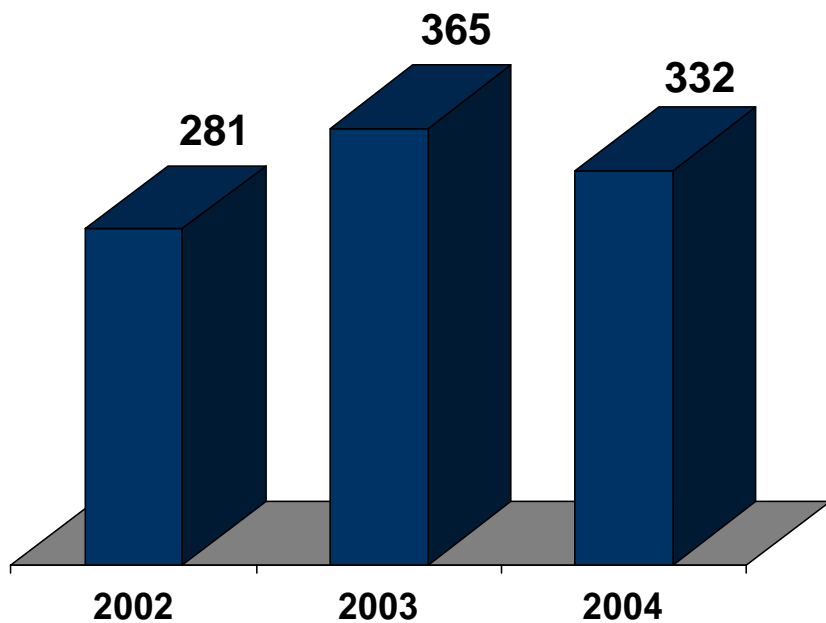
INFRASTRUCTURE SERVICES

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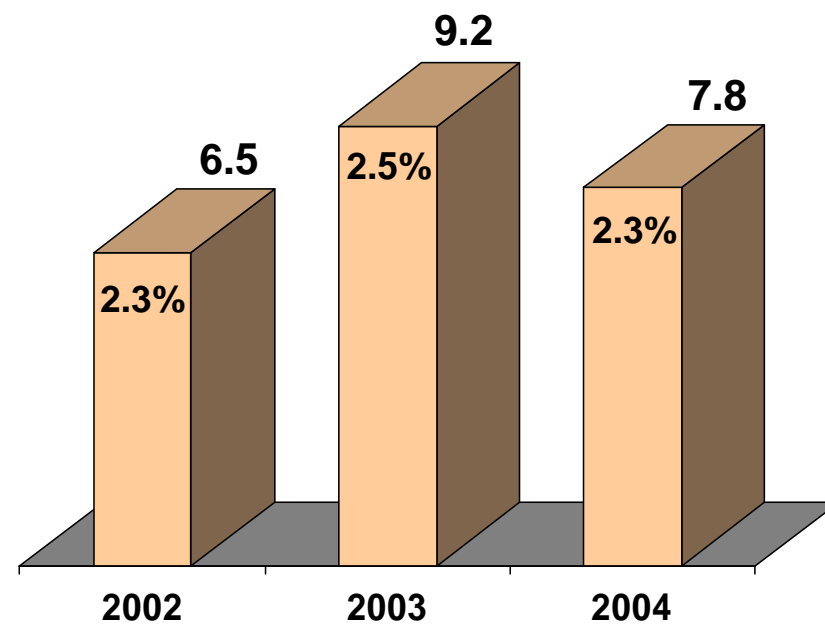
INFRASTRUCTURE SERVICES – TRADING HIGHLIGHTS

- ❖ Turnover down 9%, operating profit down 15%
- ❖ Major projects nearing completion: -
 - Channel Tunnel Rail Link (Thurrock to Dagenham)
 - Terminal 5 Tunnels
- ❖ Newport SDR completed
- ❖ AMP4 successes – Severn Trent and Yorkshire
- ❖ National Grid Transco major success in gas market

INFRASTRUCTURE SERVICES – FINANCIAL HISTORY



■ Turnover



■ Operating Profit

INFRASTRUCTURE SERVICES – PROJECTS



Client: Angus Council
Project: A92 Dundee to Arbroath dual carriageway upgrade
Contract value: £52m PFI

Client: National Grid Transco
Project: West Midlands Alliance gas renewal scheme
Framework value: Eight year £35m per annum



INFRASTRUCTURE SERVICES – PROSPECTS

- ❖ Volumes anticipated to be lower in 2005
- ❖ Significant longer term prospects
- ❖ New opportunities in rail and gas sectors
- ❖ Order book at £626m (2003: £695m)

AFFORDABLE HOUSING

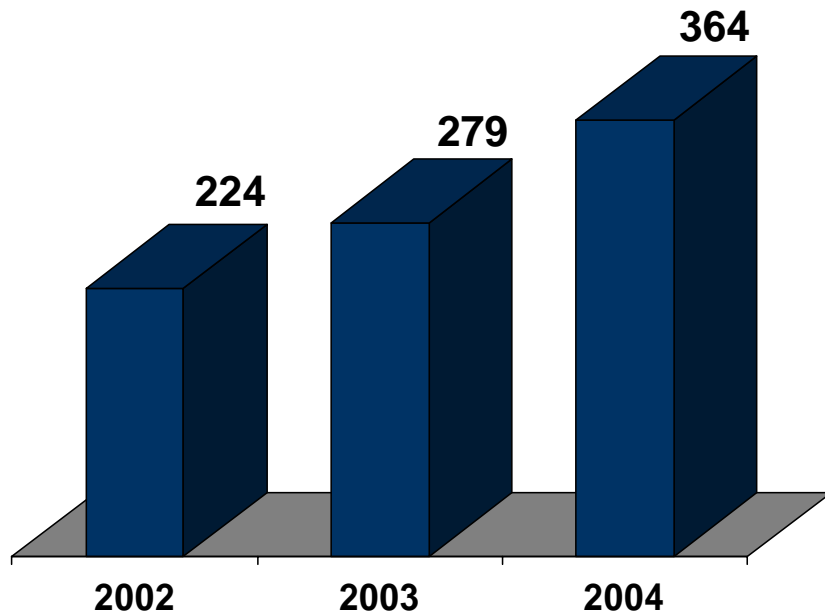


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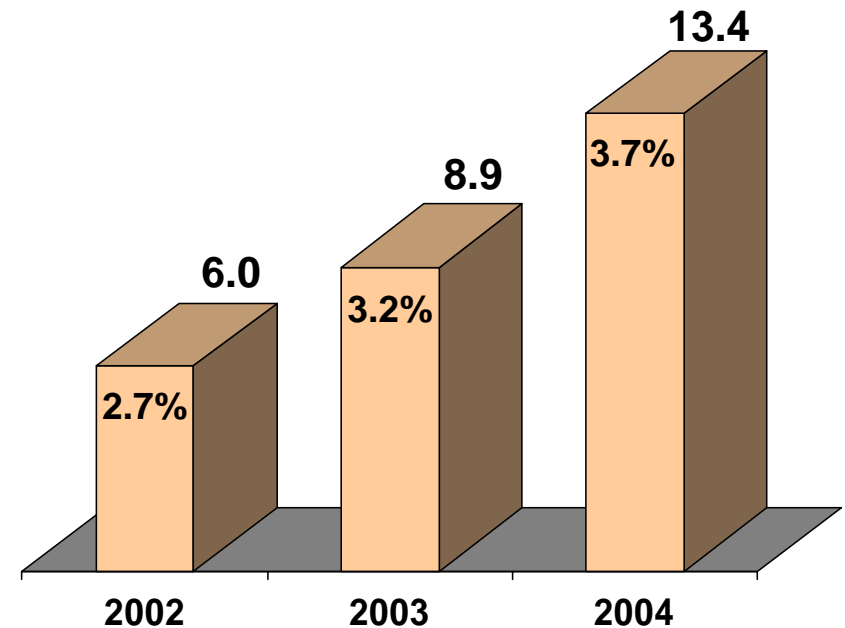
AFFORDABLE HOUSING – TRADING HIGHLIGHTS

- ❖ Another record result with turnover up 31%, profit up 51%
- ❖ Work mix maintained between new build housing and refurbishment
- ❖ Decent Homes and Sustainable Communities programmes key drivers of growth
- ❖ Continued success in mixed tenure regeneration solutions

AFFORDABLE HOUSING – FINANCIAL HISTORY



■ Turnover



■ Operating Profit

AFFORDABLE HOUSING - PROJECTS



Client: New East Manchester
Project: 550 mixed tenure homes
Contract value: £60m

Client: Sunderland Housing Group
Project: 5 year 7,000 home kitchen & bathroom refurbishment programme
Contract value: £25m



AFFORDABLE HOUSING - PROSPECTS

- ❖ Market leading position in long term growth market
- ❖ Anticipate further growth at a similar rate
- ❖ Growth driven by Decent Homes and Sustainable Communities programmes and by stock transfers
- ❖ Combination of Lovell's track record and range of skills (mixed tenure and refurbishment) provides significant market advantage
- ❖ Order book ahead at £1,343m (2004 equiv: £818m, 2003: £688m); recognition of framework orders

FINANCIALS

- **Summary**
- **Balance Sheet**
- **Cash Flow**
- **Order Book**
- **IAS**

FINANCIALS - SUMMARY

£m	Full Year 2004	Full Year 2003
❖ Turnover	1,219.3	1,137.5
❖ Profit before tax and amortisation	31.0	24.1
❖ Profit before tax	27.9	20.9
❖ Effective tax rate before amortisation	32%	25%
❖ Tax charge	9.9	6.0
❖ Profit after tax	18.0	14.9
❖ Net assets	93.2	78.9
❖ Adjusted EPS (excl. amortisation)	50.70p	43.78p
❖ Dividend per share	18.50p	16.50p

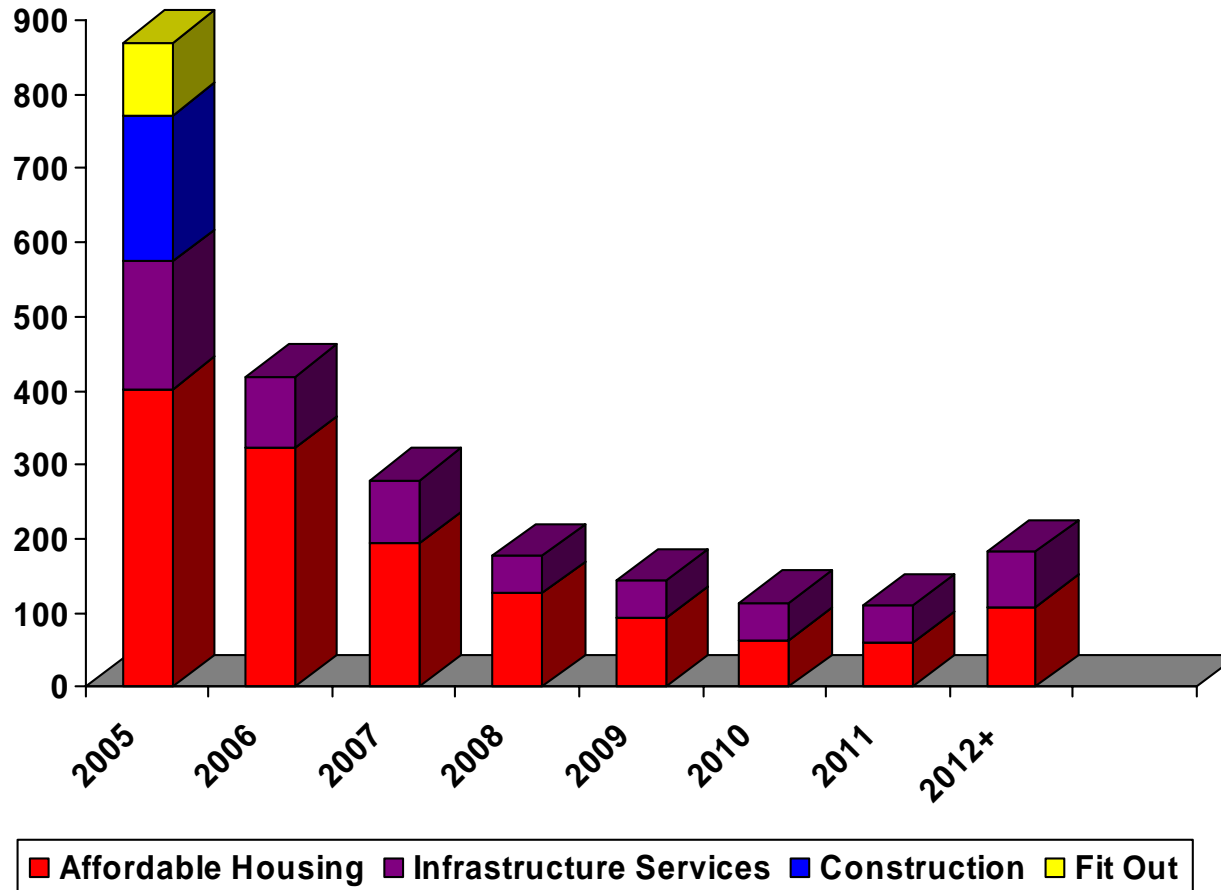
FINANCIALS – BALANCE SHEET

£m	Full Year 2004	Full Year 2003
❖ Fixed assets		
- Intangible	52.9	53.0
- Tangible	24.1	19.3
❖ Current assets		
- Stocks	60.8	65.4
- Debtors	204.0	195.5
- Cash at bank	<u>73.4</u>	<u>14.6</u>
	338.2	275.5
❖ Current liabilities	<u>320.3</u>	<u>267.3</u>
❖ Total assets less current liabilities	94.9	80.5
❖ Long-term liabilities	<u>1.7</u>	<u>1.6</u>
❖ Net assets	<u>93.2</u>	<u>78.9</u>

FINANCIALS – CASH FLOW

£m	Full Year 2004	Full Year 2003
❖ Operating profit	26.9	22.0
❖ Depreciation	3.5	4.3
❖ Amortisation	3.1	3.2
❖ Movement in working capital	<u>45.2</u>	<u>(6.7)</u>
❖ Cash inflow from operations	78.7	22.8
❖ Net investment in fixed assets	(3.8)	6.2
❖ Purchase of business	(3.4)	(6.8)
❖ Dividends	(7.1)	(6.4)
❖ Taxation	(6.1)	(6.9)
❖ Interest/JV dividend	<u>1.1</u>	<u>(0.9)</u>
❖ Cash inflow before financing	59.4	8.0
❖ Cash outflow from financing	<u>(0.6)</u>	<u>(0.2)</u>
❖ Net cash flow	<u>58.8</u>	<u>7.8</u>
❖ Net cash balances	<u><u>73.4</u></u>	<u><u>14.6</u></u>

FINANCIALS – ORDER BOOK



FINANCIALS – IMPACT OF IAS

- ❖ Goodwill no longer amortised, subject to impairment review
- ❖ Pension deficit recognised
- ❖ Share-based incentives charged to P&L
- ❖ Dividends recognised when paid
- ❖ Deferred taxation recognised in full

FUTURE – PROSPECTS

- ❖ Good start to the year
- ❖ Excellent prospects driven by Affordable Housing and Fit Out
- ❖ Order book to £2.26bn

“The Group has never been in better shape and we look forward to another successful year”