

interim results 2005



OVERVIEW – HIGHLIGHTS

- ❖ Record first half with profit before tax up 39% to £18.2m
- ❖ Margin at 3.0% (2004: 2.2%)
- ❖ Strong performances from Fit Out and Affordable Housing
- ❖ Earnings per share up 36%
- ❖ Interim dividend increased by 33% to 7.0p
- ❖ Record order book of £2.9bn (2004 equiv: £2.1bn)

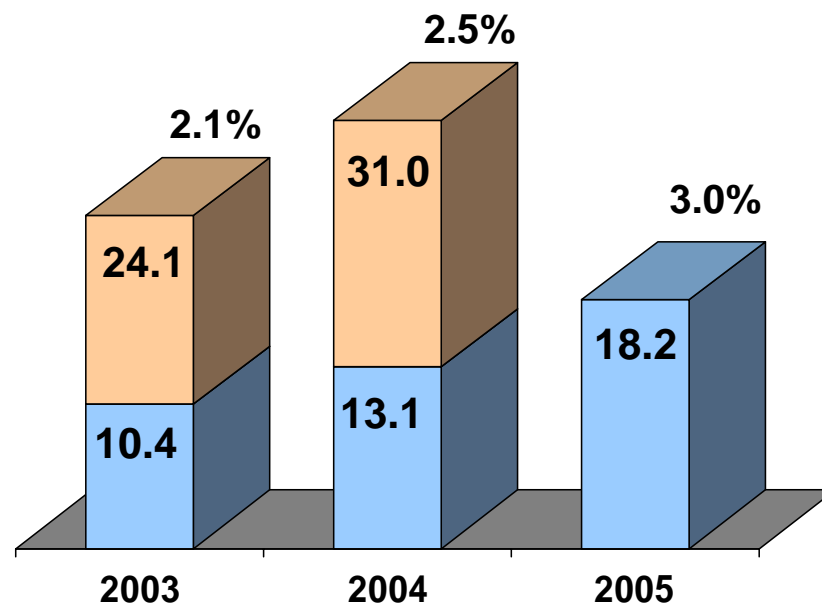
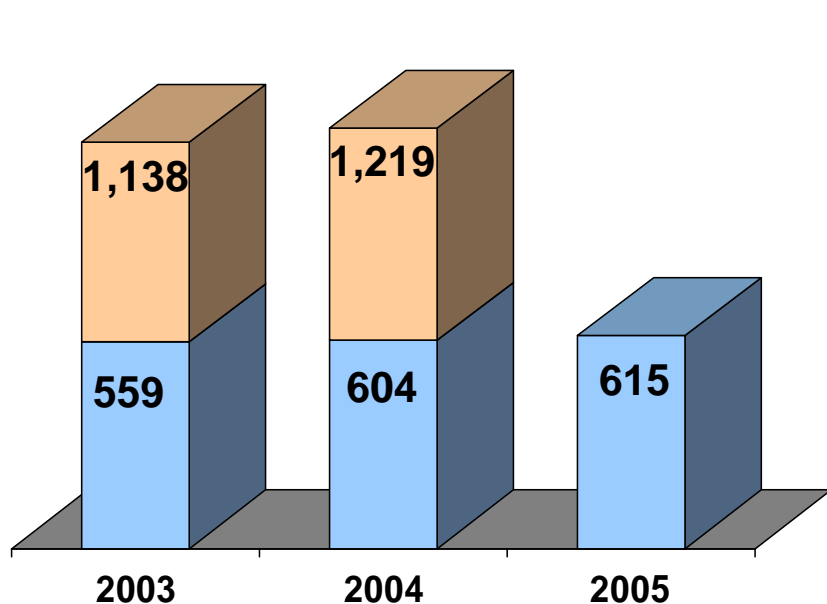
Note: The 2005 figures and comparatives are prepared on an IFRS basis

OVERVIEW – FINANCIAL HISTORY

£m

Turnover

Profit before tax *



* Excludes JV property gains

OVERVIEW – SEGMENTAL ANALYSIS

| £m | Six months to 30 June 2005 | Six months to 30 June 2004 | |
|---------------------------|-------------------------------|-------------------------------|-------------|
| ❖ Fit Out | 7,886 | 5,583 | +41% |
| ❖ Construction | 1,274 | 597 | +113% |
| ❖ Infrastructure Services | 2,753 | 2,910 | -5% |
| ❖ Affordable Housing | <u>7,723</u> | <u>5,674</u> | +36% |
| | 19,636 | 14,764 | +33% |
| ❖ Group Activities | (2,354) | (1,850) | |
| ❖ Joint Ventures | <u>122</u> | <u>54</u> | |
| ❖ OPERATING PROFIT | 17,404 | 12,968 | +34% |
| ❖ Interest | <u>801</u> | <u>160</u> | |
| ❖ PBT | <u>18,205</u> | <u>13,128</u> | +39% |

OVERVIEW – CORPORATE STRUCTURE

Fit Out

UK's leading office fit out business comprising Overbury and Morgan Lovell. Also Vivid Interiors.



Construction

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



Infrastructure Services

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

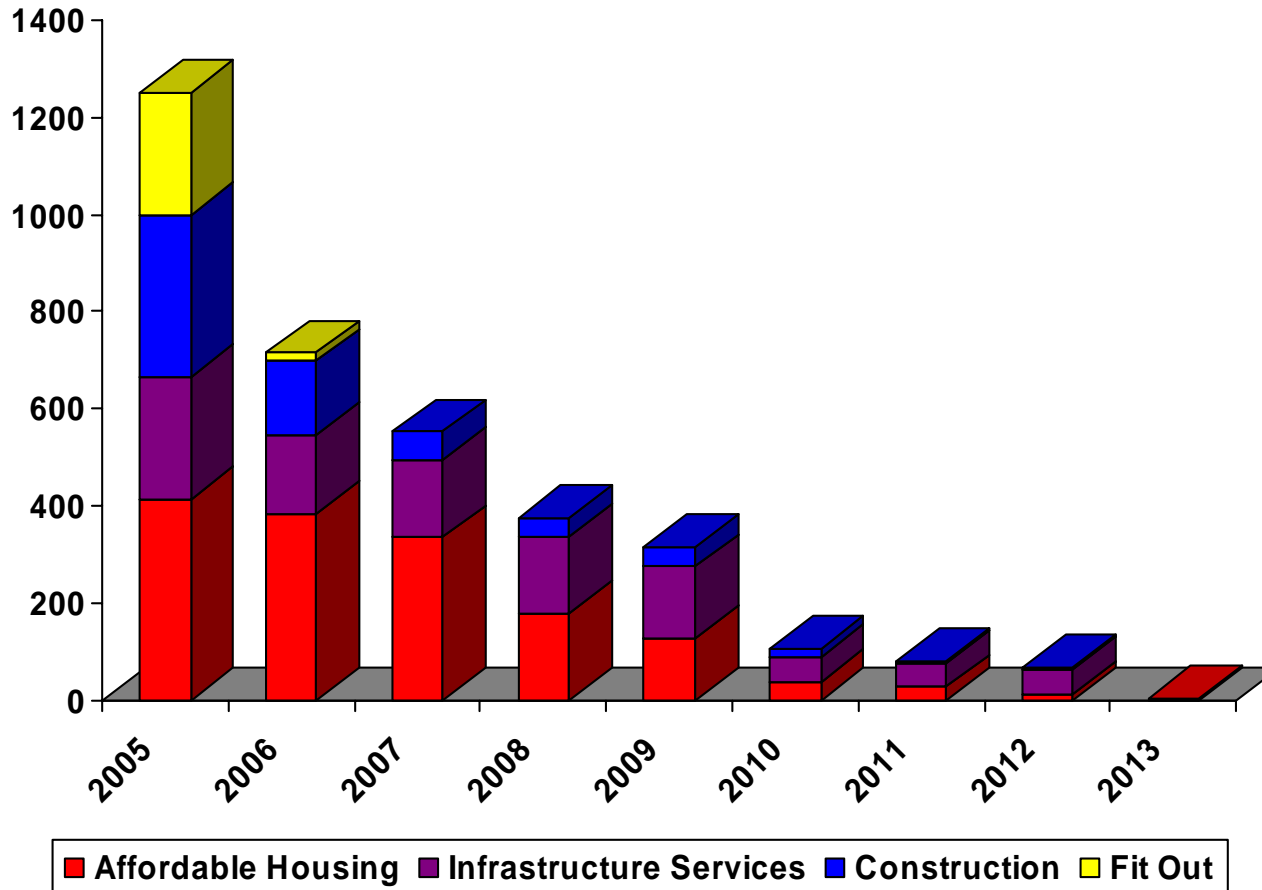


Affordable Housing

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



FINANCIALS – ORDER BOOK



FIT OUT

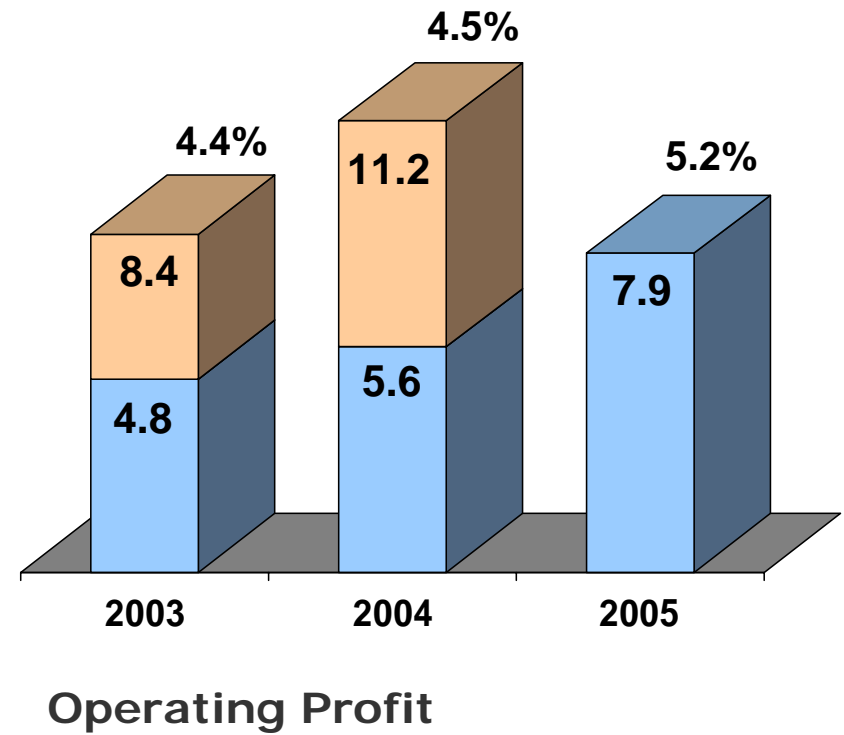
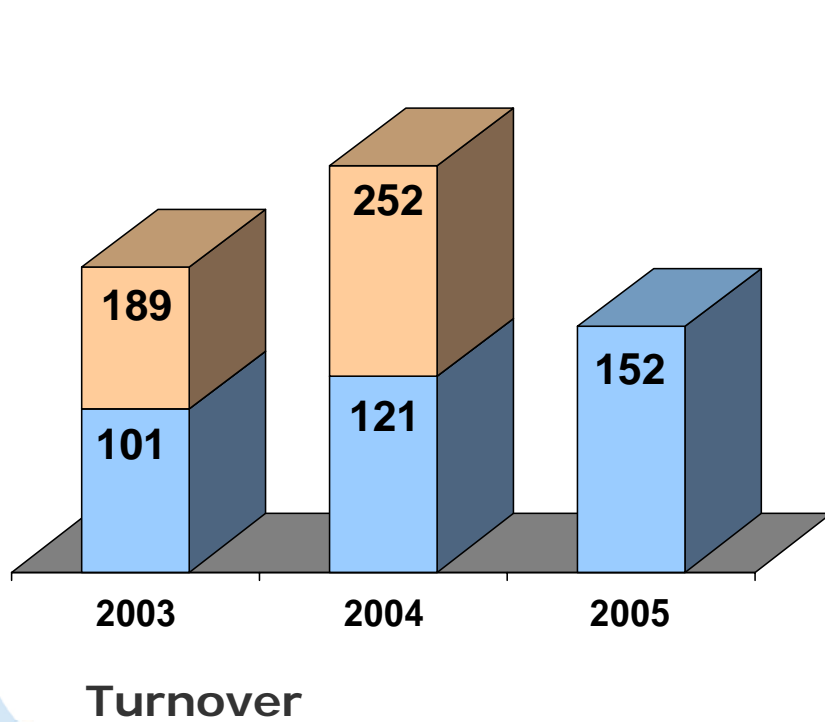
MORGAN  SINDALL
Fit Out

FIT OUT – TRADING HIGHLIGHTS

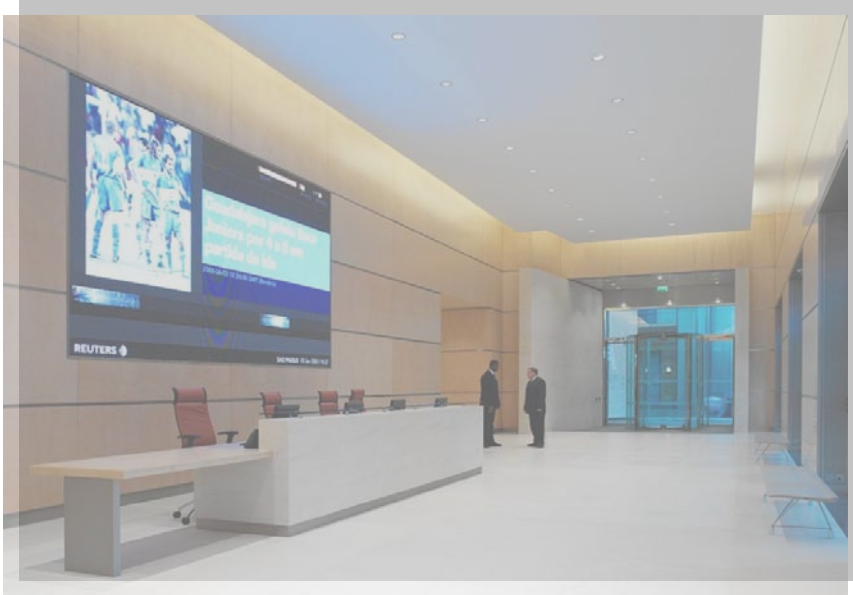
- ❖ Record result with turnover increased by 26%, profit increased by 41%
- ❖ Margin improved to 5.2%
- ❖ Growth driven by
 - increased market share
 - growth in North West and Midlands
 - successful launch of large project team
- ❖ Growth in underlying market

FIT OUT – FINANCIAL HISTORY

£m

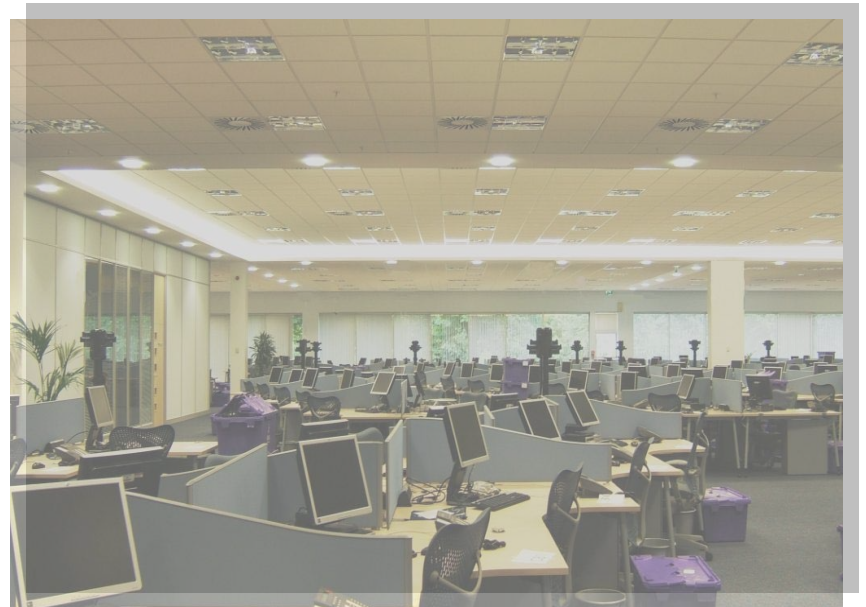


FIT OUT – PROJECTS



Client: Reuters
Project: 34 week fit out of 11 storey HQ
Contract value: £23m
Location: Canary Wharf, London

Client: Hewlett Packard
Project: 9 week fit of 35,000 sq ft
Contract value: £1.5m
Location: Erskine, Glasgow



FIT OUT – PROSPECTS

- ❖ Continued improvement in commercial property sector
- ❖ Further growth in North West, Midlands and large projects
- ❖ Vivid Interiors opportunities in hotel, retail, leisure and entertainment sectors
- ❖ Order book of £117m is up 19% on start of year

CONSTRUCTION



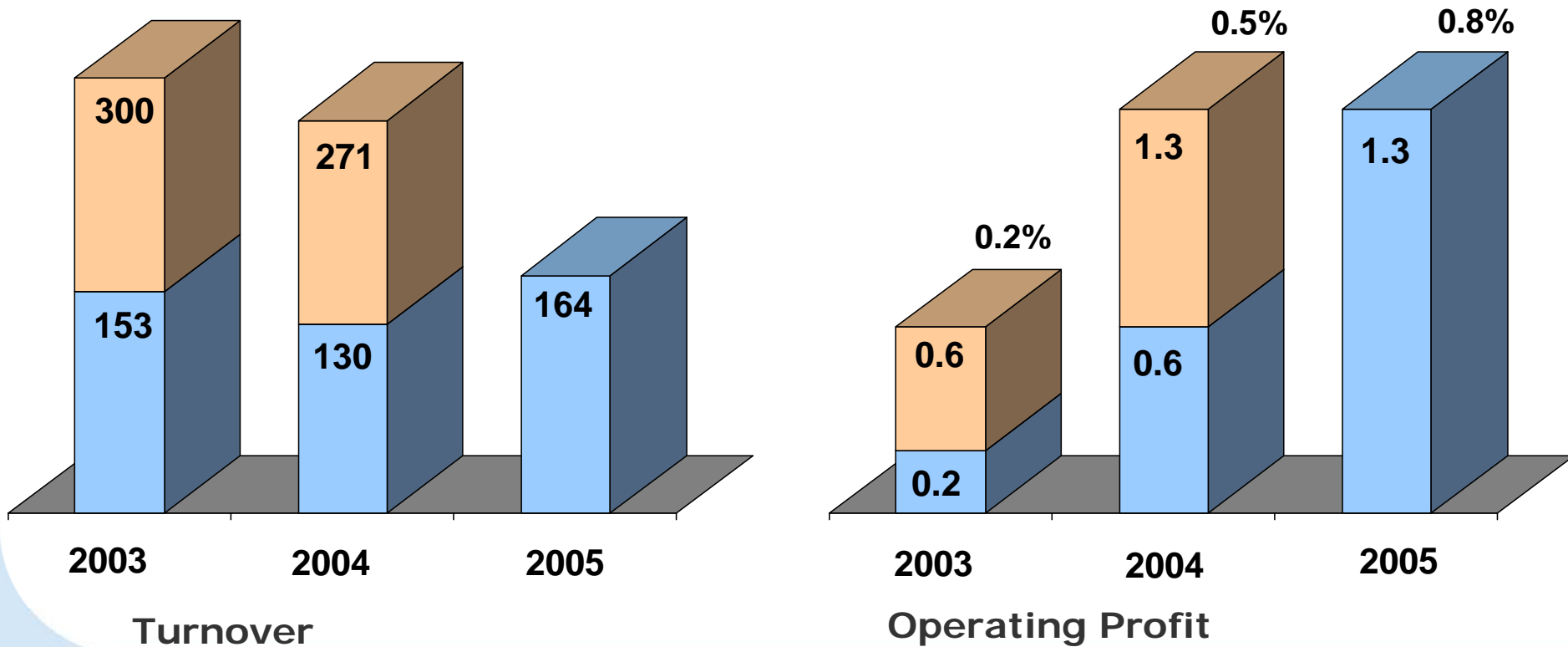
bluestone

CONSTRUCTION – TRADING HIGHLIGHTS

- ❖ Margin increased to 0.8% with profit of £1.3m (2004: £0.6m)
- ❖ Turnover of £164m (2004: £130m) reflects impact of new offices and underlying growth
- ❖ Increasing proportion of workload from chosen sectors
- ❖ Greater workload from key clients and frameworks
- ❖ Financial close achieved on East Hants LIFT

CONSTRUCTION – FINANCIAL HISTORY

£m



CONSTRUCTION – PROJECTS

Client: Camden Primary Care Trust
Project: Camden & Islington LIFT
Contract value: £50m over 5 years



Client: Devon County Council Framework
Project: Schools, libraries and care centre upgrades
Framework value: £200m programme over 5 years (one of six companies)

CONSTRUCTION – PROSPECTS

- ❖ Continued focus on margin
- ❖ Fourth wave of NHS LIFT
- ❖ Emergency Services opportunities
- ❖ Order book increased to £482m (2004: £218m)

INFRASTRUCTURE SERVICES

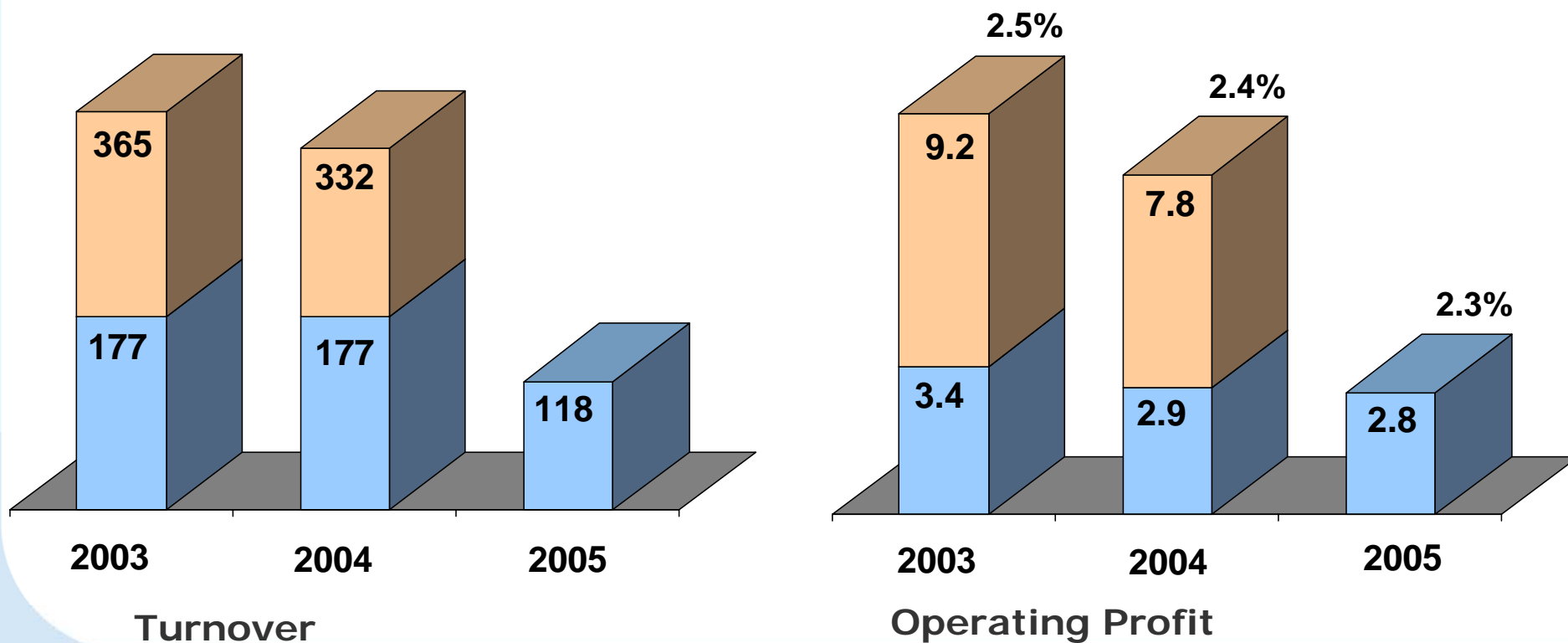
morgan  est

INFRASTRUCTURE SERVICES – TRADING HIGHLIGHTS

- ❖ Operating profit down 5% at £2.8m on anticipated lower volumes
- ❖ Margin at 2.3% is maintained in line with longer term margins
- ❖ Major projects drawing to successful close: -
 - Channel Tunnel Rail Link (Thurrock to Dagenham)
 - Terminal 5 tunnels
- ❖ Key contract win at United Utilities (£450m)
- ❖ National Grid fully operational (£320m)

INFRASTRUCTURE SERVICES – FINANCIAL HISTORY

£m



INFRASTRUCTURE SERVICES – PROJECTS



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

Client: United Utilities
Project: Network renewal and maintenance of water, wastewater and electricity supplies
Framework value: £450m over 5 years



INFRASTRUCTURE SERVICES – PROSPECTS

- ❖ Change in balance of business to utilities from major projects
- ❖ Further opportunities in gas utility market
- ❖ Medium term prospects healthy
- ❖ Order book at £911m (2004: £436m)

AFFORDABLE HOUSING

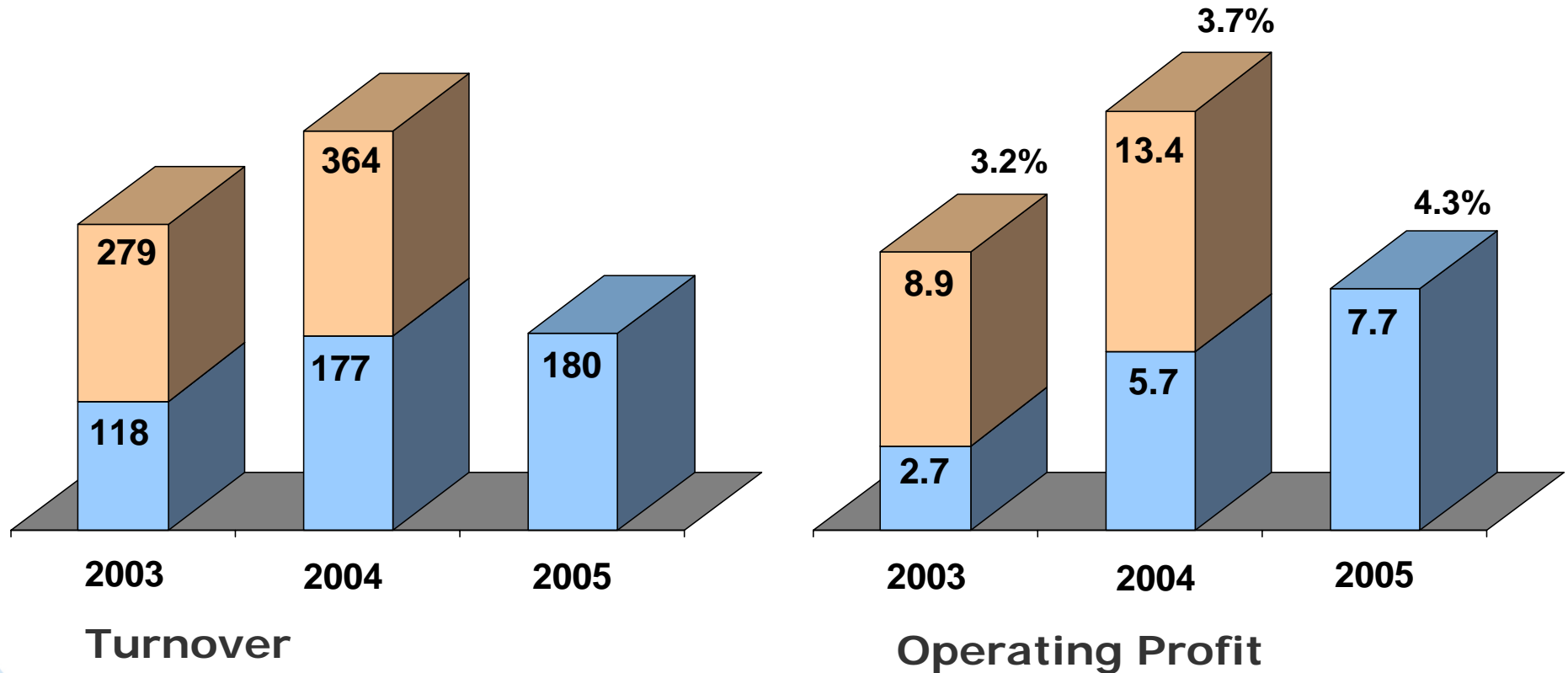


LOVELL

AFFORDABLE HOUSING – TRADING HIGHLIGHTS

- ❖ Record first half result with profit up 36%
- ❖ Margin increased by full percentage point to 4.3%
- ❖ Results weighted to second half due to timing of site production

AFFORDABLE HOUSING – FINANCIAL HISTORY



AFFORDABLE HOUSING - PROJECTS



Client: Sheffield City Council
Project: Refurbishment of Council Stock
Contract value: Up to £200m over 7 years

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



AFFORDABLE HOUSING - PROSPECTS

- ❖ Market leading position in long term growth market
- ❖ Anticipate further strong growth
- ❖ Order book ahead at £1.4bn (2004 equiv: £1.3bn)

FINANCIALS

- **Summary**
- **Balance Sheet**
- **Cash Flow**
- **Working Capital Movement**
- **Impact of IFRS**

FINANCIALS - SUMMARY

| £m | Six months to 2005 | Six months to 2004 |
|-----------------------------------|-------------------------------|-------------------------------|
| ❖ Turnover | 615.0 | 604.0 |
| ❖ Profit before tax (IFRS) | 18.2 | 13.1 |
| ❖ Effective tax | 32% | 31% |
| ❖ Tax charge | 5.8 | 4.0 |
| ❖ Profit after tax | 12.4 | 9.1 |
| | | |
| ❖ Net assets | 102.8 | 86.2 |
| | | |
| ❖ EPS | 29.72p | 21.89p |
| ❖ Dividend per share | 7.00p | 5.25p |

FINANCIALS – BALANCE SHEET

| £m | June 2005 | December 2004 |
|---------------------------|--------------|---------------|
| ❖ Non current assets | | |
| - Intangible | 56.7 | 56.0 |
| - Tangible | 28.3 | 25.6 |
| | <u>85.0</u> | <u>81.6</u> |
| ❖ Current assets | | |
| - Stocks | 89.5 | 60.8 |
| - Debtors | 243.0 | 203.2 |
| - Cash at bank | 34.9 | 73.4 |
| | <u>367.4</u> | <u>337.4</u> |
| ❖ Current liabilities | <u>343.5</u> | <u>314.6</u> |
| ❖ Net current assets | 23.9 | 22.8 |
| ❖ Non current liabilities | <u>6.1</u> | <u>6.2</u> |
| ❖ Net assets | <u>102.8</u> | <u>98.2</u> |

FINANCIALS – CASH FLOW

| £m | Six months to June 2005 | Six months to June 2004 |
|--|----------------------------|----------------------------|
| ❖ Operating profit | 17.4 | 13.0 |
| ❖ Depreciation | 2.0 | 1.6 |
| ❖ Joint ventures/share options/disposals | - | (0.1) |
| ❖ Movement in working capital | (41.3) | 17.5 |
| ❖ Net interest | 0.8 | 0.2 |
| ❖ Taxation | (5.8) | (1.6) |
| | <hr/> | <hr/> |
| | (26.9) | 30.6 |
| ❖ Net investment in fixed assets | (2.2) | (1.6) |
| ❖ Investments in PFIs | (3.6) | - |
| ❖ Dividends | (5.5) | (4.9) |
| ❖ JV dividend | - | 0.3 |
| | <hr/> | <hr/> |
| ❖ Cash inflow before financing | (38.2) | 24.4 |
| ❖ Cash outflow from financing | (0.3) | - |
| ❖ Net cash flow | <u>(38.5)</u> | <u>24.4</u> |
| ❖ Net cash balances | <u><u>34.9</u></u> | <u><u>39.0</u></u> |

FINANCIALS - IMPACT OF IFRS

| £m | 2004 FY PBT | 2004 Net Assets |
|-------------------------|----------------|--------------------|
| ❖ Per UK GAAP | 27.9 | 93.2 |
| ❖ Amortisation | 3.1 | 3.1 |
| ❖ Pension | 0.2 | (2.0) |
| ❖ JV's (PMP) | 2.6 | - |
| ❖ Dividends | - | 5.6 |
| ❖ Deferred tax | | |
| - pension | - | 0.6 |
| - JV property valuation | - | (2.3) |
| | <u>33.8</u> | <u>98.2</u> |

FUTURE – PROSPECTS

- ❖ Good start to the second half, on track for the year
- ❖ Excellent prospects driven by Affordable Housing and Fit Out
- ❖ Strong longer term prospects for Construction and Infrastructure Services
- ❖ Order book to £2.9bn

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