



MORGAN  SINDALL

the construction and regeneration group

Half Year Results 2009



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Overview – Highlights

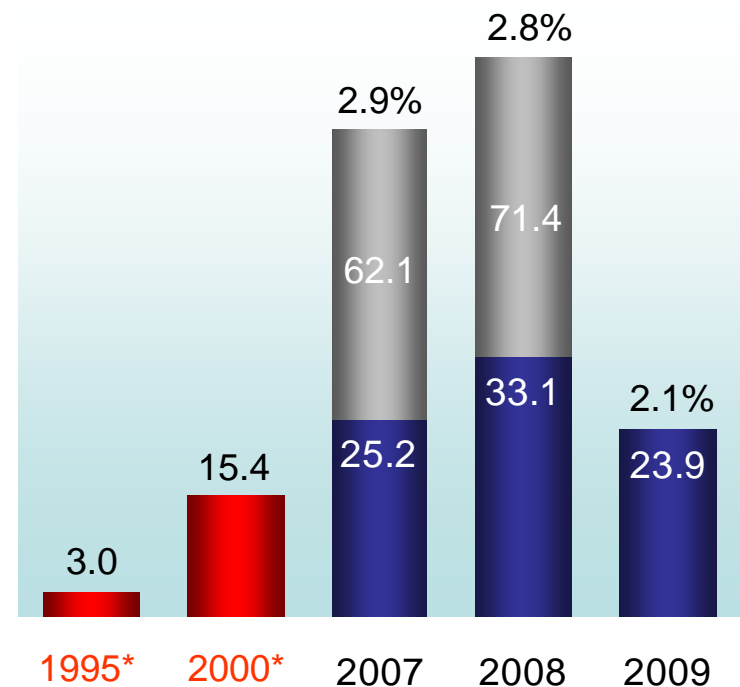
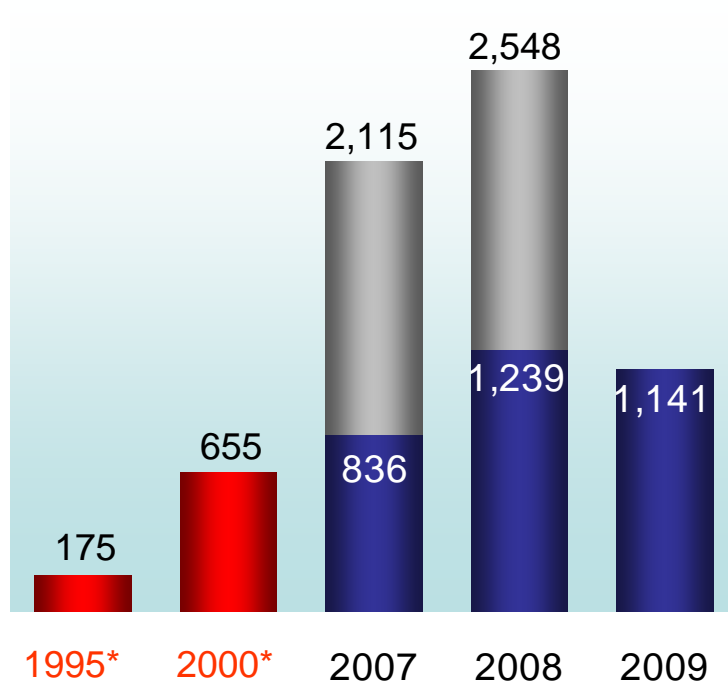
- Continued progress with strategy of developing market leading positions in our chosen sectors
- Half year results in line with expectations with profit before tax and amortisation at £23.9m (2008: £33.1m)
- Adjusted earnings per share of 42.6p (2008: 60.9p)
- Interim dividend maintained at 12.0p (2008: 12.0p)
- Cash at end of June of £89m (2008: £98m)
- £75m committed bank facilities renewed through to mid 2012
- Order book at £3.6bn (2008: £4.2bn), comparable to the start of the year

Overview – Financial History

£m

Revenue

Profit before tax & amortisation



* 1995 and 2000 figures on UK GAAP basis

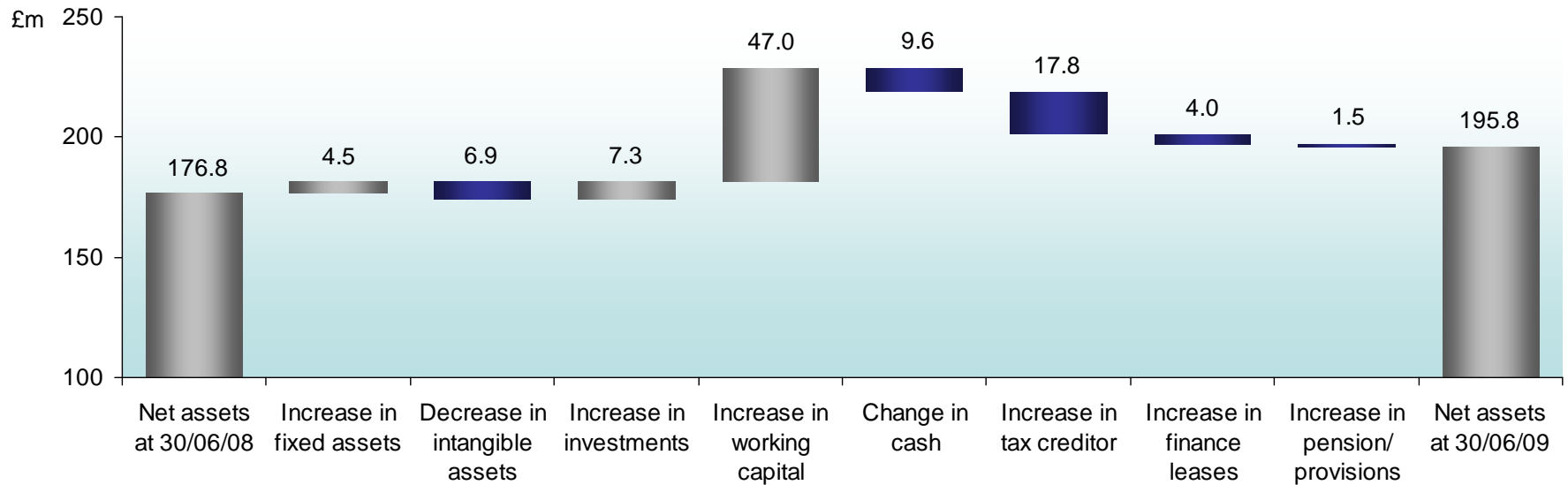
Financials – Summary

£m	Six months to June 2009	Six months to June 2008	
Revenue	1,141	1,239	-8%
Profit before tax & amortisation	23.9	33.1	-28%
Profit before tax	20.5	28.6	-28%
Effective tax rate (%PBTA – pre JVs)	29%	30%	
Tax charge	5.9	7.5	-21%
Profit after tax	14.6	21.1	-31%
Adjusted EPS	42.6p	60.9p	-30%
Dividend per share	12.0p	12.0p	n/c

Overview – Segmental Profit Analysis

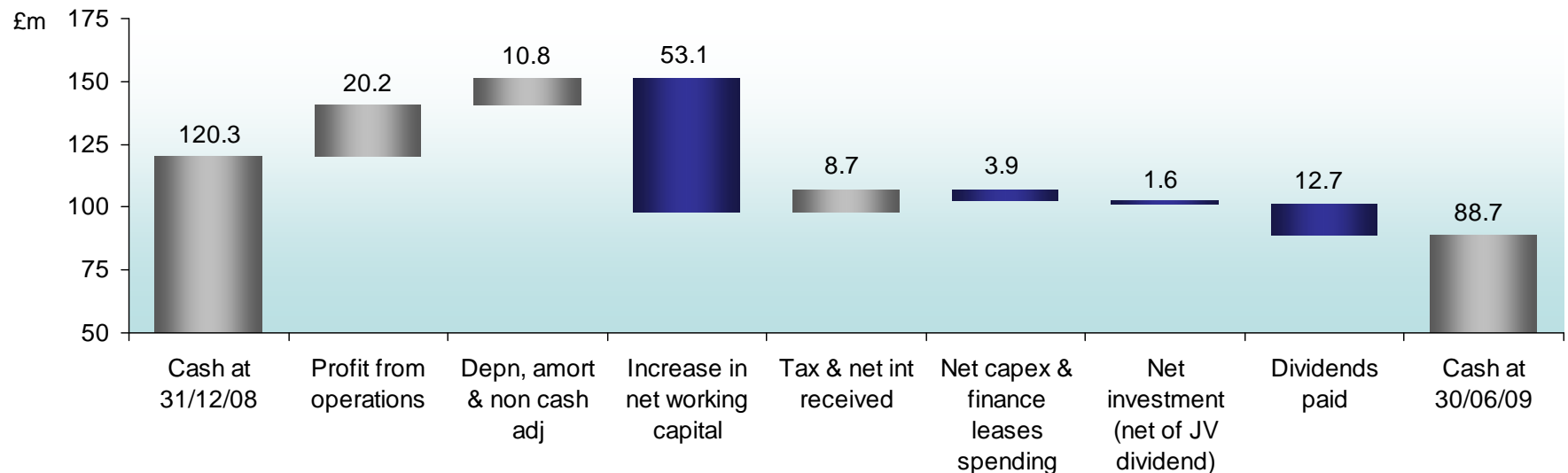
£m	June 2009	June 2008	
Fit Out	7.4	11.5	-36%
Construction	5.7	4.1	+39%
Infrastructure Services	9.3	7.6	+22%
Affordable Housing	7.1	8.8	-19%
Urban Regeneration	(1.1)	5.6	-£6.7m
Investments	(2.0)	(0.8)	-£1.2m
	26.4	36.8	
Group Activities	(2.8)	(6.0)	+£3.2m
Operating Profit	23.6	30.8	-23%
Net interest	0.3	2.3	-87%
Profit before tax & amortisation	23.9	33.1	-28%
Amortisation	(3.4)	(4.5)	+£1.1m
Profit before tax	20.5	28.6	-28%

Financials – Balance Sheet Year on Year Movement



- Continued investments in joint ventures
- Overall increased working capital requirements
- Cash balance at £89m (2008: £98m)

Financials – Cashflow Six Months to 30 June 2009



- Net cash outflow from operating activities lower at £15.2m (2008: £103.3m)
- Lower net interest received at £0.3m (2008: £2.3m)
- Income tax expense
 - Tax accrued at effective tax rate in income statement
 - Cash tax received in 2009 of £8m (2008: £11m payment)
 - Tax balance at 30 June 2009 £22.4m (2008: £7.4m)
- Average cash for six months at £21m (2008: £95m)
 - Improved to £26m at end of July as milestones achieved on two key projects
 - Trend expected to continue through second half
- Renewal of £75m of committed bank facilities through to mid 2012

Overview – Corporate Structure

Fit Out

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



Construction

National construction business working across the public and commercial sectors with particular expertise in education, health and defence, incorporating a multi-disciplined design and project management business.



Infrastructure Services

A leading UK provider specialising in civil engineering and utilities services in the water, gas, electricity, defence and transport sectors.



Affordable Housing

A leading provider of affordable housing specialising in mixed tenure developments.



Urban Regeneration

An urban regeneration business which specialises in delivering complex mixed use schemes mainly through partnership arrangements.

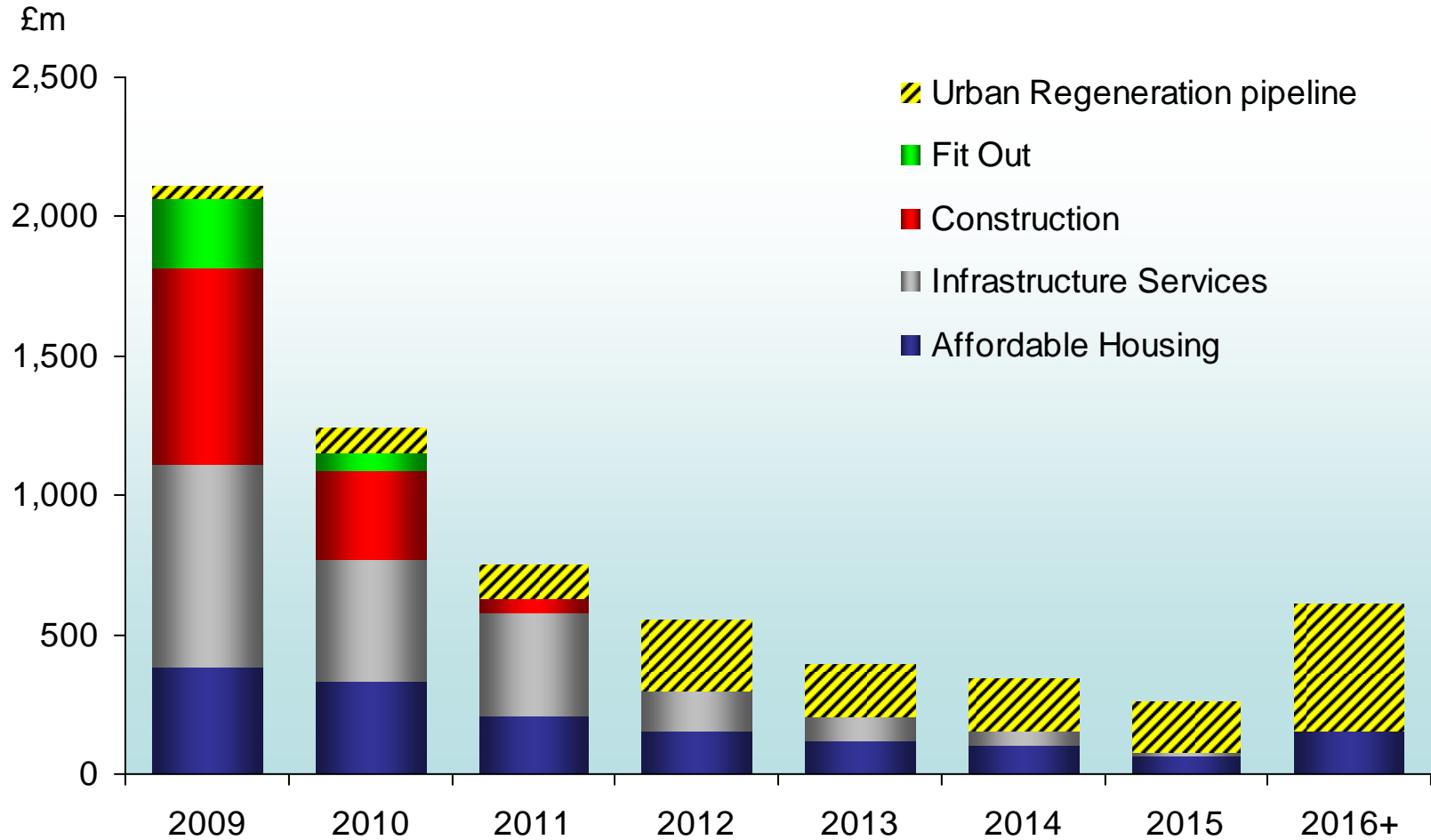


Investments

A project finance and investment management business with a growing portfolio of health, road, emergency services and social housing investments.



Overview – Order Book Profile



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FIT OUT

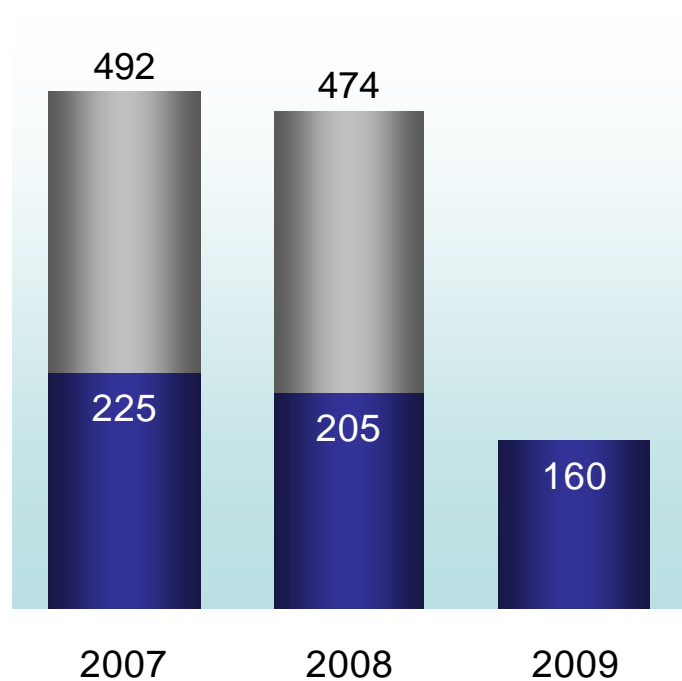
Fit Out – Market & Trading Highlights

- Challenging market conditions following record second half of 2008
- Smaller number of larger projects
- Completion of 350,000 sq ft fit out for major UK bank
- Robust demand from telecoms, technology and pharmaceutical sectors
- Fit Out responded decisively to dramatic shift in the market
- Operating profit of £7.4m (2008: £11.5m) on revenue of £160m (2008: £205m)
- Satisfactory margin at 4.6% (2008: 5.6%)

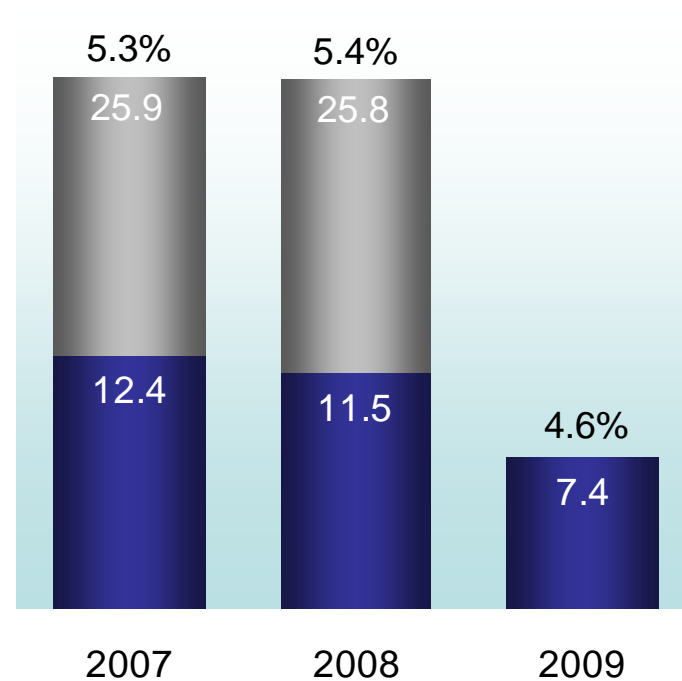
Fit Out – Financial History

£m

Revenue



Operating Profit



Fit Out – Projects



Client: Rio Tinto

Project: 107,000 sq ft fit out over seven floors

Contract value: £13 million

Location: London



Client: Stiefel Laboratories

Project: Design and fit out of new HQ

Contract value: £2 million

Location: Berkshire

Other key projects: GE Money (re-branded Santander) (£2m), Guardian Media (£19m), High Wycombe Library (£3m), Surrey University (£1m), Marriott Hotel Bedrooms (£3m)

Fit Out – Outlook & Prospects

- Tentative signs of improving market in the short term with delayed projects being retendered but some scaled back in scope (tender pipeline for larger projects; £220m of expected tenders in 2H09 compared with £74m actually tendered in 1H09)
- Continued focus on cost control, maintaining sector spread and expanding regional presence
- Order book at £150m (June 2008: £220m)

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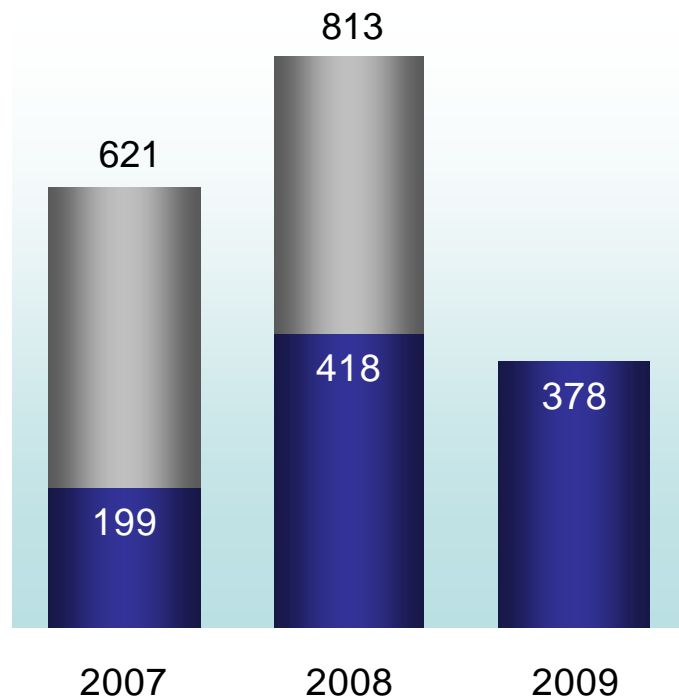
Construction – Market & Trading Highlights

- Market remained reasonably robust supported by public sector spending
- Growing capability; ability to secure larger and more complex projects
- Revenues from frameworks healthy
- Important recent successes; Reading University, BAE Broughton, Tayside Acute Adult Mental Health (preferred bidder)
- Record interim result with operating profit of £5.7m (2008: £4.1m) on revenue of £378m (2008: £418m)
- Further margin improvement to 1.5% (2008: 1.2% prior to one-off costs relating to 2007 acquisition) reflecting progress in Perfect Delivery quality programme

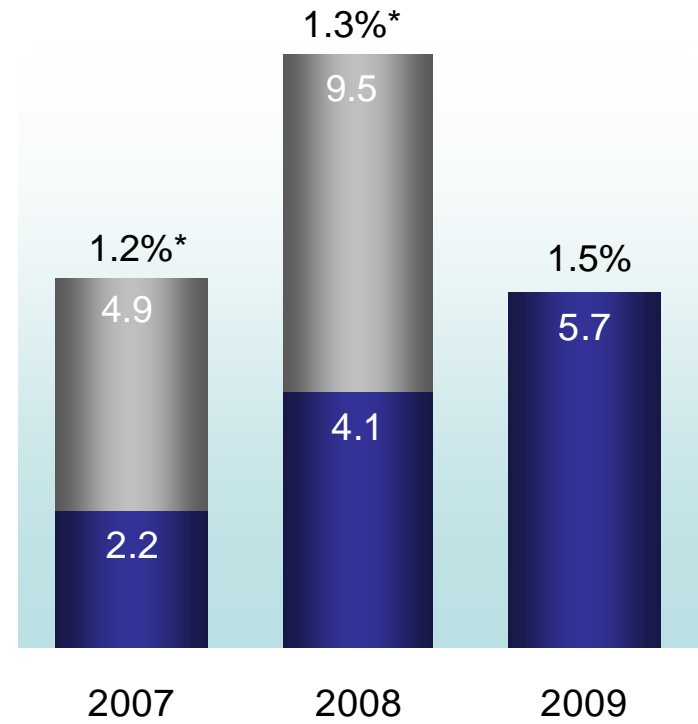
Construction – Financial History

£m

Revenue



Operating Profit



* After adjustment of one-off IT costs

Construction – Projects



Client: University of York
Project: Humanities and Educational Research Centre
Contract value: £8 million
Location: York

Client: Camden & Islington Community Solutions
Project: Construction of new Polyclinic
Contract value: £10 million
Location: Kentish Town, London



Other key projects: HMP Perth Phase III (£20m), Liverpool BSF (£37m), University of Reading (£49m), Lancashire Cricket Club (£12m), University of Brighton (£18m)

Construction – Outlook & Prospects

- Market steady but caution regarding public spending
- Education market breadth provides some resilience; primary, secondary, tertiary and universities
- Looking to expand position in prisons, defence, rail and commercial sectors
- Continued focus on operational improvement through Perfect Delivery, cost control and cash generation
- Order book of £696m (2008: £828m)

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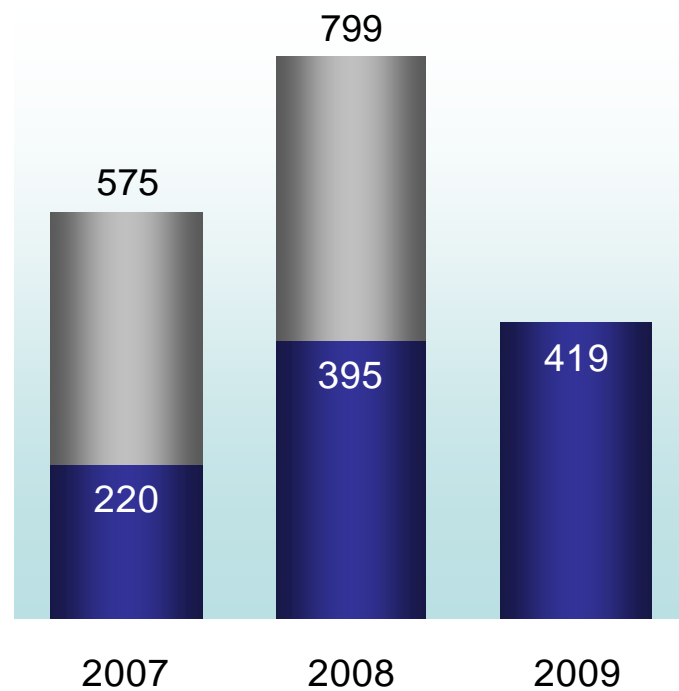
Infrastructure Services – Market & Trading Highlights

- Infrastructure market healthy; number of major infrastructure investments progressing
- Secured £250m Severn Trent AMP5 utilities framework (with further £250m extension for AMP6)
- Formed JV teams for CrossRail and Second Forth Road Crossing
- Record interim result with operating profit up 22% to £9.3m (2008: £7.6m) on revenue of £419m (2008: £395m)
- Margin at 2.2% (2008: 2.3%, prior to one-off IT costs relating to 2007 acquisition)

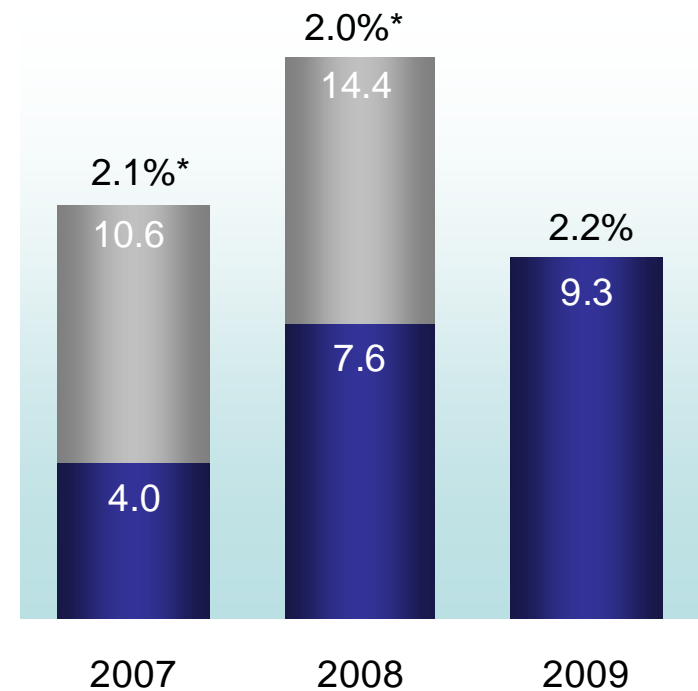
Infrastructure Services – Financial History

£m

Revenue



Operating Profit



* After adjustment of one-off IT costs

Infrastructure Services – Projects



Client: Transport Scotland
Project: Eight kilometre extension to the M74
Contract value: £445 million in JV
Location: Glasgow

Client: Westfield Shopping Towns Ltd
Project: Stratford City Developments
Contract value: £56 million
Location: Stratford, London



Other key projects: AMP 5 Framework, Severn Trent Water (£500m), Stormwater Management Contract – Belfast Sewers (£92m), West Midlands Gas Alliance (£320m)

Infrastructure Services – Outlook & Prospects

- Market outlook positive with significant number of major infrastructure projects being procured
- High volume of bidding activity
- Focus on energy, water, and rail & air transport sectors
- Order book at £1.4bn (2008: £1.8bn); expected to grow over second half with major project awards

Affordable Housing



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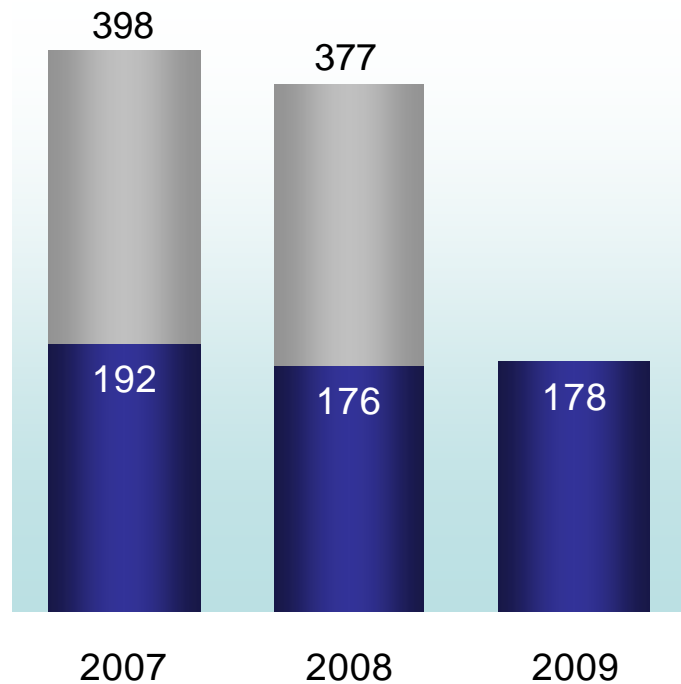
Affordable Housing – Market & Trading Highlights

- Refurbishment and social housing markets remain healthy: key government priority
- Open market housing reservations improving, but outlook remains subdued (now <10% of divisional revenue)
- Launch of responsive maintenance business Lovell Respond to complement existing refurbishment frameworks
- Operating profit of £7.1m (2008: £8.8m) on revenue of £178m (2008: £176m)
- Operating margin 4.0% (2008: 5.0%) affected by open market downturn

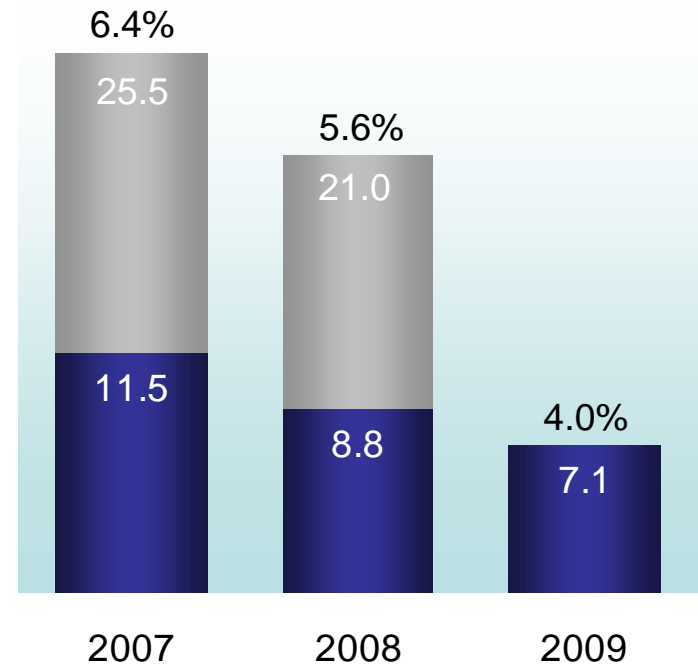
Affordable Housing – Financial History

£m

Revenue



Operating Profit



Affordable Housing – Projects



Client: Thames Valley Housing/Royal Borough of Windsor & Maidenhead

Project: Development of 108 new studio flats and 16 refurbished two bedroom flats

Contract value: £16 million

Location: Heatherwood Hospital, Ascot

Client: South Liverpool Housing, Liverpool Housing Trust and Liverpool City Council

Project: 320-home development

Contract value: £38 million

Location: Garston under the Bridge, Liverpool



Other key projects: Wellingborough Homes (£20m), Liverpool Mutual Homes (£6m), Blenheim Chase, South Wales (£7m), Gilead Street, Liverpool (£19m), Chester Point, Chester (£19m)

Affordable Housing – Outlook & Prospects

- Sector remains Government priority with additional funding from HCA
- Refurbishment and new build social housing opportunities remain robust
- Caution over pace of recovery of open market
- Next round of social housing PFIs announced, provides significant opportunities
- Order book £1.3bn (2008: £1.4bn)

Urban Regeneration



Urban Regeneration – Market & Trading Highlights

- Market conditions remain challenging
- Secured Blackpool (£220m) and Doncaster (£300m) regeneration developments
- No major asset sales in first half
- Small interim operating loss of £1.1m (2008: £5.6m profit), on revenue of £5m (2008: £45m)

Urban Regeneration – Projects

Artist's impression



Partners: Plymouth City Council, SWERDA and the Homes & Communities Agency

Project: Creation of a new waterfront community

Contract value: £300 million

Location: Millbay, Plymouth

Partner: Doncaster Borough Council

Project: 22 acre new civic and cultural quarter

Contract value: £300 million

Location: Doncaster



Artist's impression



Other key projects: Chatham Place, Reading (£250m), Rathbone Market, Canning Town (£165m), Talbot Gateway, Blackpool (£220m)

Urban Regeneration – Outlook & Prospects

- Market will remain subdued into 2010
- Focus on public sector opportunities
- Resilient model
 - Phased development
 - Income streams from fees, land trading and property sales
 - No exposure to land write-downs
- Well positioned to exploit regeneration opportunities when market recovers
- Long term pipeline strong; £1.6bn share of development pipeline

Investments



Investments – Strategy

- Primary purpose to gain access to construction activity for the Group; BSF, social housing PFIs, NHS LIFT
 - Investment-led construction
 - Target sectors that match our competitive strengths
- Develop income from an investment portfolio
 - Complements profits from construction activities
- Longer term profits from secondary market sales

Investments – Overview

Sector	Project	Capital value £m	MS equity/ loan stock	Equity %
Health	Barnsley LIFT	27	0.5	30%
	Camden & Islington LIFT	40	0.5	30%
	Doncaster LIFT	36	1.0	30%
	Solent LIFT	29	0.3	15%
	Bury Thameside & Glossop LIFT	36	1.1	30%
	Plymouth LIFT	-	0.1	9.3%
	PMP portfolio	74	-	50%
Emergency Services	Dorset Emergency Services Partnership	67	1.8	34%
	Lancashire Fire	4	0.1	25%
Social Housing	Miles Platting	156	2.8	33%
Roads	Claymore Roads	68	2.8	50%
	Newport SDR	69	3.2	50%
Other	Wigan Life Centre	62	5.0	50%
Invested and committed to date			19.1	
Directors' valuation at rates between 7% and 9.5% - £36m				

Blue: Under construction

Investments – Market & Trading Highlights

- Presented as business segment for first time
- Financial close achieved at Wigan Life Centre (PFI)
- Appointed preferred bidder on Tayside Mental Health

	2009 £m	2008 £m
Operating cost	(2.0)	(1.4)
Income from JVs	-	0.6
Net result	(2.0)	(0.8)

Investments – Projects

Artist's impression



Partners: Wigan Council (Access Consortium)

Project: Constructing and managing a leisure, health, learning and information complex

Project value: £187 million; £50 million construction value

Location: Wigan

Partner: Dorset Emergency Services Partnership Initiative (DESPI)

Project: Design, build, finance and operate a number of new fire and emergency services facilities

Contract value: £46 million

Location: Dorset



Investments – Outlook & Prospects

- | | Value |
|---|-------|
| ➤ Preferred bidder | |
| ➤ Wickford Town Centre Development | £160m |
| ➤ Tayside Acute Adult Mental Health | £100m |
| ➤ NHS LIFT further phases | £44m |
| ➤ Basildon Sporting Village | £36m |
| ➤ Shortlisted | |
| ➤ Hull BSF | |
| ➤ North Tyneside Homes for the Future | |
| ➤ Other opportunities | |
| ➤ Building Schools for the Future | |
| ➤ Express LIFT and Hub Scotland in health sector | |
| ➤ Next round of social housing PFIs | |
| ➤ Rising level of bidding activity due to increased number of opportunities | |

Summary – Outlook & Prospects

- Continued success of strategy in developing market leading positions in our chosen sectors
- Market challenging and will remain so for foreseeable future
- Group is financially strong, with improving average cash in second half
- Market will present opportunities
- Expect to emerge in stronger position
- On track to meet management's 2009 expectations
- Order book at £3.6bn (2008: £4.2bn) and confident of growth during second half

Notes



Notes





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Half Year Results 2009

