News

3.05.12

AGM and Interim Management Statement

Ahead of today's Annual General Meeting ("AGM"), to be held at RBS, 250 Bishopsgate, London EC2M 4AA at 12pm, Morgan Sindall Group plc ('the Group') announces its Interim Management Statement for the period from 1 January 2012 to date.

The Group has made a satisfactory start to the year and is on track to meet its expectations for this year. There has been no significant change in market conditions since the start of the year, which remain competitive across our different markets. Our strategy is to further develop our construction market position and to invest in mixed-used urban and mixed-tenure housing regeneration whilst maintaining a strong balance sheet.

The Construction and Infrastructure division's markets remain highly competitive and we are seeking to counter the ongoing margin pressure that we face through careful contract selection, tight control of costs and overheads, and by driving further improvements in our Perfect Delivery quality programme. The division operates across a broad spread of sectors and in particular it is targeting growth in the infrastructure sectors of roads, rail, aviation and energy distribution. In the period the division secured several notable new projects including a £28m new energy scheme for Yorkshire Water in joint venture, a five-year extension to its substation contract with National Grid, and was appointed preferred partner to deliver £200m of public sector infrastructure projects in West Scotland.

There have been no significant changes in market conditions for Fit Out since the start of the year and, as previously announced, we expect the recovery of the London fit out market to be slow. Nevertheless, over 1m sq ft of new office space is expected to become available in London over the next 2-3 years, so the medium term outlook remains encouraging.

Affordable Housing has seen some modest improvement in market conditions. However we remain cautious on the outlook, particularly due to the continuing challenges of first-time buyers to secure mortgage finance. During the period the division secured major new schemes including the £28m estates regeneration project with Southampton City Council, was appointed as one of a number of companies to a £300m heating maintenance framework for three large housing consortia, and won a £12m home improvement scheme in Northamptonshire. The division is investing in and growing its mixed-tenure regeneration capabilities, concentrating on land-swap opportunities to help overcome the lack of grant funding for social housing.

Our land-based regeneration model is becoming increasingly important as land released for development drives economic renewal in the absence of public grants. Since the start of the year, Urban Regeneration has progressed planning and developments across a number of projects in its portfolio and it is increasing its investment in working capital to drive medium-term growth.

Investments commenced the process of recycling its invested capital with the sale of its interest in the Dorset Fire and Rescue PFI. In addition, it recently signed contracts for both the £38m Towcester Regeneration project as well as the Western hub infrastructure programme (part of the Wellspring consortium for the Scottish Futures Trust). Overall, the division remains focused on pursuing projects that will secure construction opportunities for the rest of the Group.

The Group's forward order book currently stands at £3.2bn and in addition its regeneration pipeline of £1.8bn is unchanged since the start of the year. The financial position of the Group remains sound. There have been no significant changes to the Group's financial position since the publication of the Annual Report and Accounts for the year ended 31 December 2011, and average cash for the year to date is in line with our expectations.

In summary, we have made a solid start to 2012. With our focus on investing in regeneration and growing our construction market position, we remain well placed to respond to growth opportunities and to succeed in the current competitive market.