

Annual Results for Year to 30 June 2010

Greg Fitzgerald Chief Executive, Frank Nelson Finance Director



Park Views, Epsom, Surrey

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The financial information set out in this document does not constitute the Company’s statutory accounts. Statutory accounts for the financial year ended 30 June 2009, which received an auditors’ report that was unqualified and did not contain any statement concerning accounting records or failure to obtain necessary information and explanations, have been filed with the Registrar of Companies.

- **Highlights**
- **Financial Review**
- **Operating Review**
- **Summary and Outlook**

Highlights



Phoenix Quay, Plymouth, Devon

Hybrid model has delivered resilient performance

Financial highlights

	2010	2009
Group revenue	£1.22bn	£1.46bn
Profit Before Tax – pre exceptional	£26.1m	£24.5m
Earnings Per Share – pre exceptional	24.6p	35.8p
– post exceptional	14.7p	(34.4p)
Net tangible asset value per share	£3.68	£3.29
Dividend per share	12.5p	10.9p
Net cash at year end	£76.5m	£34.1m

Hybrid model has delivered resilient performance

Operational highlights

- Execution of housebuilding strategy on track
- 58% of 9,700 plot land bank acquired at current market value – in line with forecast
- 100% of plots now secured for planned production in 2011 and 93% for 2012
- Housebuilding back in profit; construction margin maintained
- Current Housebuilding sales in hand up 30% to £263m
- £1.8bn contracting order book maintained
- Construction in strong position with 88% of workload secured for 2011
- All 5 year water frameworks renewed

Financial Review



One Lothbury, London

Income Statement – Year to 30 June 2010

£m	2010	2009
Revenue	1,221.9	1,461.2
Profit from operations	35.2	43.4*
JV interest and tax	(4.5)	(9.5)
EBITA	30.7	33.9
Intangibles amortisation	(1.3)	(2.0)
EBIT	29.4	31.9
Net finance costs	(3.3)	(7.4)
Profit before exceptional items	26.1	24.5
Exceptional items	(6.9)	(51.4)
Profit/(loss) before tax	19.2	(26.9)
Exceptionals Analysis		
Housebuilding write-back/(write-down)	1.4	(50.4)
Restructuring costs	-	(1.0)
OFT fine	(8.3)	-
* Includes joint venture profit on Highland Schools of £7.1m - £1.2m net joint profit after interest. Investment sold in July 2009	(6.9)	(51.4)

Segmental Analysis – Year to 30 June 2010

£m	Revenue*		Profit from Operations		Margin %	
	2010	2009	2010	2009	2010	2009
Private Housing	273.8	250.2	14.3	7.7	5.2%	3.1%
Affordable Housing	42.2	56.5	3.3	3.6	7.8%	6.4%
Total Housebuilding	316.0	306.7	17.6	11.3	5.6%	3.7%
Building	445.3	528.7	10.8	11.9	2.4%	2.3%
Partnerships	93.8	130.4	1.3	2.1	1.4%	1.6%
Infrastructure	397.4	516.6	10.7	13.9	2.7%	2.7%
Total Construction	936.5	1,175.7	22.8	27.9	2.4%	2.4%
PPP Investments	3.5	27.4	2.4	10.2**	-	-
Group	0.4	0.5	(7.6)	(6.0)	-	-
TOTAL	1,256.4	1,510.3	35.2	43.4	-	-

* Including joint ventures

** Includes joint venture profit on Highland Schools of £7.1m - £1.2m net joint venture profit after interest. Investment sold in July 2009.

Net Finance Costs – Year to 30 June 2010

£m	2010	2009
Net interest payable	1.5	1.7
Fair value (gains)/losses on financing activities - interest rate swaps	(0.7)	3.5
Unwind of discount on shared equity receivables	(0.4)	-
Unwind of discount on payables	1.1	1.5
Net finance cost of pension fund	2.0	0.8
Other	(0.2)	(0.1)
TOTAL	3.3	7.4
Interest cover – Total (inc IFRS and swap)*	8.9 x	4.3 x
– Bank	19.6 x	19.9 x

* Calculated on profit before finance costs and exceptional items

Balance Sheet Highlights – As at 30 June 2010

£m	2010	2009
Shareholders' funds *	423.2	294.6
Net cash	76.5	34.1
Investments and loans in joint ventures	46.0	45.7
Land **	364.1	317.0
Work in progress	164.8	130.6
Land creditors	(65.6)	(32.8)
Net developments	463.3	414.8
Total invested in housebuilding developments and JVs	509.3	460.5

* Includes £115m Goodwill - £61m in Construction, £52m in Housebuilding, £2m in Investments and £7m Intangibles

** Excludes joint ventures

Cash Flow Summary – Year to 30 June 2010

£m	2010	2009
Cash from operating activities, before pensions deficit	26.9	(25.2)
Pensions deficit funding	(7.3)	(7.2)
	19.6	(32.4)
Acquisitions (including shares in JVs)	(55.7)	-
Working capital movements	(37.2)	79.8
	(73.3)	47.4
Share Issue	119.3	-
Interest tax and dividends	(15.2)	(12.1)
Capital expenditure and investments	11.6	0.5
Net cash inflow	42.4	35.8
Opening cash/(debt)	34.1	(1.7)
Closing cash	76.5	34.1
Cash Analysis		
Housebuilding (includes loans to JVs)	(467.9)	(433.7)
Construction	206.8	237.1
Group and Others	337.6	230.7
TOTAL	76.5	34.1

Bank facility

- Total bank facility £390m until renewal in 2012
- Competitively priced borrowings at < 100bps over LIBOR
- Covenants
 - Pre-exceptional interest cover - 3 times
 - Gearing < 150%
 - Net assets including goodwill - £286m
- Early discussion on renewal underway

Substantial facility and covenant headroom

Operating Review

Housebuilding



Twilight, Redhill, Surrey

Market Overview

- **Consumer confidence and mortgage availability remain key constraints**
- **Uncertain public spending and planning environment**
- **Government support reducing**
- **Land liquidity and acquisition opportunities steadily improving**
- **Encouraging summer sales against weaker consumer confidence**
- **Pricing steady with sales rates level**
- **Well priced and located product trading well**

Short term uncertainty but medium term opportunities

Strong progress

- **1,705 housing completions including JVs**
- **ASPs up 10% to £190k**
- **60 outlets with 28 average sales per week**
- **PX lock up only £5.7m, equity share £19.8m (NBV £14.1m)**
- **3,400 plots acquired in the year**
- **£10.8m of planning gain secured; further £4.4m targeted**
- **Achieved £39m under government funding schemes**
- **Selected on all three HCA Delivery Partner Panels – one of only 6 delivery partners**
- **Extended financial and operational activity with financially strong Housing Associations**
- **Midlands & South West Divisional MD and Regeneration Director appointed**

Significant progress in implementing expansion strategy

Land Bank Statistics – September 2010

Total plots	9,700
Plot Analysis	
- Private including Regeneration	7,600
- Affordable	2,100
Plots in South of England	73%
Average number of plots per site	64
Total value of land bank*	£495m
Average plot cost	£51K
Average plot cost as % of GDV	25%

*Includes share of joint ventures

Strategic land holdings 1,300 acres, expected to generate 7,800 plots

Further opportunities in pipeline

Strongly positioned to deliver expansion plan

- **Prime locations and Southern focus**
- **Negligible exposure to consortium sites**
- **Good product mix**
- **Top ratings in customer service**
- **Acquiring quality land within strict criteria**
- **Excellent relationship with HCA**
- **Increase in collaborative agreements with quality partners**

On schedule

Land Bank Analysis

Plots	Actual	Estimated		
	June 2010	June 2011	June 2012	June 2013
Acquired at current market value	5,400	7,000	9,400	11,400
Historic land	4,200	3,000	1,600	600
TOTAL	9,600	10,000	11,000	12,000
% at current market value	56%	70%	85%	95%
Completions	Plots	Plots		
	June 2010	June 2011	June 2012	June 2013
Acquired at current market value	211	900	1,900	2,600
Historic land	1,413	1,200	1,400	1,000
TOTAL	1,624	2,100	3,300	3,600
Total including 100% of JVs	1,705	2,200	3,500	3,800

Profitable growth from land acquired at current market prices

Outlook – Encouraging start despite market sentiment

- Mortgage availability remains constrained particularly for first time buyers
- Planned for reduced government housing support
- Uncertainty over planning regime in the short term
- Impact of spending review on employment has hit consumer confidence
- PX and shared equity key selling tools
- South East remains the strongest market
- Land liquidity and acquisition opportunities continue to improve
- Opportunities from HCA Delivery Partner Panels
- Sales in hand up 30% at £263m; 39% of projected sales for year secured; sales prices ahead of forecast
- Market expected to remain flat into 2011

On track to deliver expansion strategy



Two Coves, Duporth

Operating Review

Construction



M74 Completion – Fullarton Road to Kingston Bridge, Glasgow

Market Overview

- **Challenging market conditions**
- **Initial Government spending cuts announced**
- **Uncertainty ahead of Government spending review in October**
- **Continued investment expected in Health and Education**
- **Limited private commercial opportunities but evidence of increased activity in London and South East**
- **Our strong client relationships and collaborative frameworks are proving their value**

Market likely to remain challenging through 2011

Strong trading performance and excellent cash balances

Defensive and diverse £1.8bn order book

Building

- **Private commercial opportunities beginning to emerge in London and South East**
- **Growth in health projects through LIFT and Hub frameworks**
- **Strong control of supply chain and costs**
- **Excellent cash performance**

Partnerships

- **National expansion plan for affordable housing contracting**

Infrastructure

- **Strength in resilient regulated sectors**
- **Maintained No.1 position in Water**
- **Growing renewables and waste business**

Upper quartile performance

Outlook – Set to remain challenging through 2011

- **Government cuts will have a very limited impact on current order book**
- **Autumn spending review will determine absolute levels of future investment**
- **Strong covenant supports quality and diverse order book in resilient market sectors**
- **Robust risk management; prudent profit taking policy**
- **Successfully leveraging cross-Group trading**
- **Maintaining emphasis on margin not volume; and industry leading cash performance**
- **88% of workload secured for 2011 and 47% for 2012**

Positioned to mitigate effects of downturn

Operating Review – Construction

Current Order Book maintained at £1.8bn

Building

Sectors	£m
Health	98
Education	100
Custodial	27
Commercial	160
Interiors	38
FM	128
Other Public Sector	87
	638

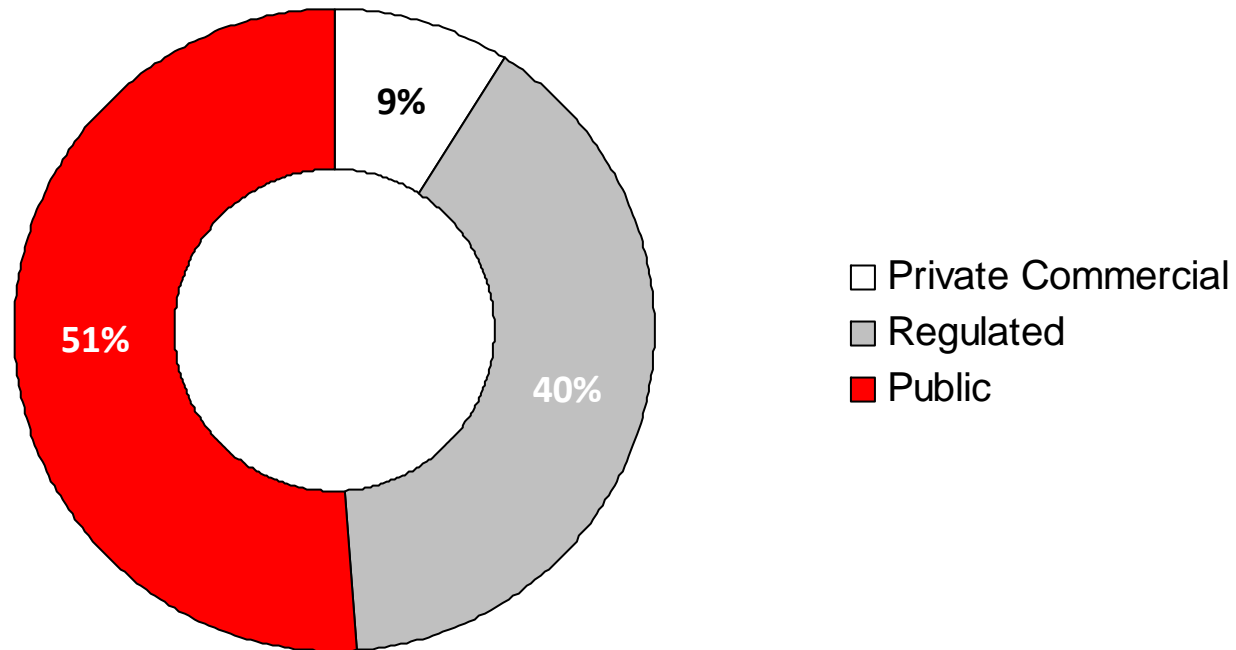
Partnerships

Sector	£m
Affordable	198
	198

Infrastructure

Sectors	£m
Water	491
Highways	149
Rail	71
Flood Alleviation	67
Communications	48
Renewable Energy	36
Other Civil Engineering	29
Remediation	19
Other	12
	922

Order Book Analysis by Client Type





Newport Station, Wales

Operating Review

Investments



Highlights

- **Financial Close of Worcester Library & History Centre**
- **Secured £300m 10 year South East hub, Scotland**
- **Shortlisted on £400m 10 year North hub, Scotland**
- **Shortlisted on three other PFI schemes – value £215m**
- **No bid costs capitalised**
- **Strengths in Housing and Health**
- **Await announcement of autumn spending review at end of October**

Continuing to provide opportunities for the Group

Summary and Outlook



On target to meet 2012 objectives

Hybrid model has delivered resilient performance

Housebuilding expansion plan on track:

- Land acquisition in line with forecast
- 58% of 9,700 plot land bank acquired at current market values
- Operational infrastructure in place

Construction managed effectively to:

- Mitigate risk
- Optimise margins
- Focus on cash

Economic environment set to remain uncertain and challenging but:

- Sound financial position
- Strong operational platforms
- Strategically well-placed

Annual Results for Year to 30 June 2010

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Housebuilding Statistics

	2010	2009
Completions (100% of JVs)	1,705	1,825
Completions *	1,624	1,769
Average Selling Price £000	190	172
Revenue £m	316	307
Profit from operations £m	17.6	11.3
Margin %	5.6%	3.7%
ROCE % **	3.6%	2.3%
Current sales in hand £m	263	202
Current land bank – plots	9,700	7,850
Current strategic land – acres	1,300	1,300

Note: Pre-exceptional, including share of joint ventures

*Net of partners' proportionate share in JVs

**Includes private housing, S106 and regeneration (excluding contracting)

Other Financial Information

Pensions – Year to 30 June 2010

- **IFRS Net Deficit circa £13m**
- **Represents less than 5% of NAV**
- **Concluding negotiations with Trustees for next 3 years' contributions**
- **Future contributions capped at a maximum of £7m per annum**
- **Business not constrained by pension issues**

OFT Fine

- **£8.3m fine imposed in September 2009**
- **Appeal on quantum under way**
- **Decision expected by the end of 2010**