MORGAN SINDALL plc

(‘Morgan Sindall’ or ‘the Group’)

Preliminary results for the year ended 31 December 2008

Morgan Sindall plc, the construction and regeneration group that operates within five divisions, Fit Out, Construction, Infrastructure Services, Affordable Housing and Urban Regeneration, today announces record preliminary results.

	2008	2007	
Revenue	**£2,548m**	£2,115m	+20%
Profit before tax and amortisation	**£71.4m**	£62.1m	+15%
Profit before tax	**£62.3m**	£57.6m	+8%
Year end cash balance	**£120m**	£219m	-45%
Adjusted earnings per share [1]	**127.8p**	104.5p	+22%
Basic earnings per share	**106.3p**	93.8p	+13%
Total dividend per share	**42.0p**	38.0p	+11%

[1] Basic earnings per share before amortisation of intangible assets

Group Highlights

- **Record set of preliminary results**
- **Continued success with strategy of developing market leading positions across chosen sectors of the construction market**
- **Increased balance to the Group with growth in Construction, Infrastructure Services and Urban Regeneration**
- **Three quarters of activity in public and regulated sectors**
- **Financially robust with strong net cash position**
- **Forward order book provides good visibility for 2009 and beyond**

Divisional Highlights

Fit Out

- Further strengthened market leading position
- Operating profit maintained at £25.8m (2007: £25.9m), despite revenue softening to £474m (2007: £492m)
- Margin at 5.4% (2007: 5.3%), equalling historic peak margin
- Forward order book of £124m (2007: £179m) strengthened to £181m at end of January 2009 (Jan 2008: £183m)
- As previously announced we continue to expect a fall in revenue in 2009

Construction

- Strong public sector demand, particularly in education and healthcare, offsetting weak commercial property sector
- Operating profit up 94% to £9.5m (2007: £4.9m), after one-off acquisition related IT costs of £1.0m, on revenue of £813m (2007: £621m)
- Margin up to 1.3% (2007: 1.2%) after adjusting for one-off costs

- Forward order book maintained at £805m (2007: £810m)
- Demand underpinned by strong public sector spending, with division holding strong positions in key public sector markets

Infrastructure Services

- Buoyant market conditions throughout 2008 driven by investment in transport, water and energy sectors
- Operating profit increased 36% to £14.4m (2007: £10.6m), after one-off acquisition related IT costs of £1.4m, on revenue of £799m (2007: £575m)
- Margin maintained at 2.0% (2007: 2.1%), after adjusting for one-off costs
- Forward order book at £1.4bn (2007: £1.7bn)
- Expecting further market growth with a number of major infrastructure opportunities in 2009

Affordable Housing

- Division responded to market conditions by increasing focus on refurbishment and new build social housing activities offsetting subdued open market sector
- Operating profit of £21.0m (2007: £25.5m) on revenue of £377m (2007: £398m)
- Margin of 5.6% (2007: 6.4%) impacted by fall in open market volumes
- Order book at £1.3bn (2007: £1.5bn)
- Short term focus on social new build and refurbishment continues but mixed tenure remains a long-term Government priority

Urban Regeneration

- Partnering underpinned the achievements of Muse in 2008
- Full year operating profit of £7.8m (5 months, 2007: £4.2m) on revenue of £84m (5 months, 2007: £26m)
- Renegotiated a number of existing agreements in response to subdued market conditions
- £1.3bn development pipeline plus projects at preferred bidder stage of £0.7bn (2007: £1.2bn and £1.1bn respectively)
- Mixed use regeneration remains subdued in the short-term but major long-term opportunity with division well positioned for market recovery

John Morgan, *Executive Chairman*, commented:

"2008 has been an encouraging year for Morgan Sindall. We have delivered a record set of results in line with our expectations. Construction and Infrastructure Services divisions provided significantly increased profit contributions, which brings increased balance and resilience to our business, whilst our financial position remains robust.

"We continue to expect market conditions in 2009 to remain challenging, but we are well placed to emerge from these times as an even stronger business."

ENQUIRIES:

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Paul Smith, *Chief Executive*	
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Chairman and Chief Executive's Statement

We are pleased to report that Morgan Sindall produced a record result in 2008. Trading across the Group was in line with our expectations and we are pleased to report a 20% increase in revenue to £2,548m (2007: £2,115m) and a 15% increase in profit before tax and amortisation to £71.4m (2007: £62.1m).

Profit before tax (after amortisation of intangible assets) rose by 8% to £62.3m (2007: £57.6m) while earnings per share before amortisation of intangible assets increased by 22% to 127.8p (2007: 104.5p). A final dividend of 30.0p (2007: 28.0p) is recommended by the Board, giving a total dividend for the year of 42.0p (2007: 38.0p), an increase of 11%.

The Group remains financially strong with average cash balances for the year of £77m (2007: £75m), year end cash of £120m (2007: £219m) and debt facilities available if required to help us exploit opportunities presented by our markets.

Strategy

This record performance was achieved through our long-term strategy of creating a construction and regeneration group with market leading positions in our chosen sectors within the UK construction market. In 2008 Fit Out produced an excellent performance, expanding its workload in the public sector to offset the decline in the commercial sector, matching the record operating profit achieved in 2007 and delivering a peak operating margin. The Construction and Infrastructure Services divisions both increased in size, scale and capability and generated record operating profits in 2008 reflecting the full year impact of the July 2007 acquisition from Amec in addition to organic growth from public and regulated sector work. Affordable Housing concentrated on its refurbishment and new build social housing capabilities to largely offset the impact of the subdued open market housing sector. Finally, Urban Regeneration performed in line with our expectations in 2008 and remains ideally positioned to take advantage of opportunities presented when its market recovers. We report more fully on each division and explain in greater detail the diversity and balance of our work in the business review following this statement.

Changes to the Board

We welcome Adrian Martin to the Board as a non-executive director. The Board will benefit from his accounting and financial expertise as well as his experience over a number of years in various executive and non-executive roles.

Bernard Asher will retire from the Board at the forthcoming Annual General Meeting. We would like to extend our personal thanks and recognition for his wisdom, guidance and support to the Group for over a decade during which time our revenue has grown from £331m to £2.5bn.

Looking ahead

We expect 2009 to remain challenging for the Group as the construction and regeneration markets continue to be affected by the general economic downturn. As previously announced, we expect the strength in the infrastructure market and the ongoing weakness of the commercial property and open market housing sectors to continue, which will reduce the Group's overall level of profitability in 2009 compared to the previous year. Nevertheless we do expect opportunities to present themselves and we remain positive given the financial strength of the Group and its market leading positions in a number of construction and regeneration market sectors. Fit Out is well positioned with a broad sector spread which gives it flexibility to react to changes in any one particular sector. Construction's exposure to the public sector and the education market in particular will help to counter any further softening in demand from the private sector. Infrastructure Services' market is set for further growth with expansion in the transport, water and energy sectors given a number of major projects currently being procured. Affordable Housing is seeing buoyant demand for refurbishment and social housing new build, which will help to mitigate the impact of weak open market demand. Finally, Urban Regeneration is continuing to secure development agreements, particularly with the public sector, although its short-term outlook remains subdued.

Given the general economic downturn we continue to place an increased emphasis on cash and working capital management, cost reductions and supply chain improvements in each of our divisions. At the same time, however, we are seeking to exploit growth opportunities where they arise.

Our forward order book at the start of 2009 stood at £3.7bn (2007: £4.3bn) and, in addition, Urban Regeneration's forward development pipeline, its share of regeneration projects in which it has an interest, is valued at £1.3bn (2007: £1.2bn). The forward order book gives us good visibility and a measure of confidence over the coming year's performance. This, added to a healthy pipeline of opportunities, particularly a number of major upcoming infrastructure projects, and our financial resources, provides us with confidence as we progress into 2009.

Overall, therefore, we are well placed to emerge from these challenging times as an even stronger business. We all face 2009 with the positive attitude, enthusiasm and drive that has characterised Morgan Sindall for so long.

John Morgan	Paul Smith
Executive Chairman	Chief Executive

24 February 2009

Business review

Group performance

Morgan Sindall delivered a record result in 2008. Profit before tax and amortisation increased by 15% in 2008 to £71.4m (2007: £62.1m) on revenue which increased by 20% to £2,548m (2007: £2,115m). This was due to the underlying growth of Infrastructure Services as well as the full year impact of the July 2007 acquisition on the Infrastructure Services and Construction divisions offset by a fall in profit at Affordable Housing.

Profit before tax increased by 8% to £62.3m (2007: £57.6m). The income tax expense for the year reduced to £17.5m (2007: £18.2m) as a result of a reduction in the corporation tax rate and the benefit of an adjustment in respect of prior years' tax. Earnings per share before amortisation of intangible assets ('adjusted EPS') increased by 22% to 127.8p (2007: 104.5p). This performance is attributable to the consistent application of our strategy of seeking to create market leading positions in our chosen sectors of the construction and regeneration markets.

The final dividend for the year recommended by the Board is 30.0p (2007: 28.0p) giving a total dividend for the year of 42.0p (2007: 38.0p), being covered by adjusted EPS by 3.0 times (2007: 2.8 times). The Group's policy is to increase the dividend broadly in line with the growth in earnings, aiming to cover the dividend by earnings between two and a half and three times.

Shareholders' equity increased to £192.3m (2007: £165.7m). The number of shares in issue at 31 December 2008 was 43.0m (2007: 42.8m). The increase of 0.2m shares was due to the exercise of options under employee share option schemes.

The cash position of the Group remains strong at £120m (2007: £219m). Average cash during 2008 was £77m (2007: £75m) reflecting increased profitability offset by increased working capital requirements as discussed below. The net cash outflow from operating activities was £65.5m (2007: inflow of £158.1m) with operating profit being offset by an increased level of working capital employed in the business. The working capital movement is a result of the increased level of inventories of £43m primarily arising from the slowdown in the pace of open market house sales at Affordable Housing and the cash outflow related to the movement in contract fair value provisions of £40m created in relation to the July 2007 acquisition. The other major categories of cashflow were as follows. There were no net payments to acquire subsidiaries (2007: £11.3m), capital expenditure was £8.4m (2007: £8.0m) and payments to increase interests in joint ventures were £12.4m (2007: £5.0m), reflecting ongoing investment in the business. After payments for tax, dividends and servicing of finance, the net decrease in cash and cash equivalents was £98.6m. It is anticipated that the cash resources will be available for the development of the Group's businesses either through funding acquisitions or investment in working capital as required.

In addition to its cash resources, the Group has a £25m loan facility available until November 2009, a further £25m loan facility available until June 2010 and a £25m, 364-day loan facility which can be extended at the Group's option until June 2010. Banking facilities are subject to financial covenants, all of which have been met in the year.

DIVISIONAL REVIEWS

The performance of each of the five operating divisions in 2008 was as follows. Operating profit is the profit from operations for each division stated before the amortisation of intangible assets.

Fit Out

	2008	2007
Revenue	**£474m**	£492m
Operating profit	**£25.8m**	£25.9m
Margin	**5.4%**	5.3%
Forward order book	**£124m**	£179m

Fit Out performed strongly in 2008 delivering operating profit of £25.8m (2007: £25.9m) with an increased margin of 5.4% (2007: 5.3%) equalling the division's peak margin. Revenues across the division fell by 4% to £474m (2007: £492m) in line with our expectations.

Fit Out's businesses are ideally placed to respond to market opportunities presented in tough economic conditions. As previously announced we continue to expect a fall in demand over the course of 2009. However, the division's broad sector spread and market leadership in the quality of its delivery is expected to enable it to adapt to the challenges of the market. It is also expected that a greater balance of activity will come from the fit out of existing commercial offices rather than new buildings. Overbury and Morgan Lovell are leaders in the fit out of occupied office space, and the regional businesses are providing around a quarter of projects, both of which are markets that traditionally generate resilient workloads in a downturn.

The division has also seen its relative market share in the commercial office market continue to grow to over 20% largely due to an increased presence in the high value projects sector and organic regional growth. The division completed its largest projects to date during the year, for Deloitte and the International Maritime Organization, both in excess of £40m each. In addition it retained its focus on the strategically important market of projects under £1m in value.

The business continues to secure major frameworks in the office, retail and education sectors, which now account for around a third of the division's revenue. In 2008 these included frameworks with the BBC, RBS, Imperial College and the Post Office. The division's public sector workload, which accounts for around a quarter of projects, is expected to provide some stability to performance in 2009.

The forward order book at the start of the year stood at £124m (2007: £179m), although it has subsequently strengthened to stand at £181m at the end of January, consistent with the same period last year and now extends the forward order book into 2010. The fit out market faces challenging conditions in 2009 with a fall in revenue expected, as previously announced. However, the division is well placed due to its spread across a number of market sectors and resilience coming from its market leading position.

Construction

	2008	2007
Revenue	**£813m**	£621m
Operating profit	**£9.5m**	£4.9m
Margin	**1.2%**	0.8%
Forward order book	**£805m**	£810m

Construction delivered strong growth in profitability and revenue in 2008. Revenue increased by 31% to £813m (2007: £621m) during 2008, driven primarily by the full year impact of the July 2007 acquisition, with a strengthened operating profit of £9.5m (2007: £4.9m) and a margin up to 1.2% (2007: 0.8%). The operating profit is stated after one-off costs of £1.0m (2007: £2.8m) relating to the acquisition, which will not recur in 2009. Adjusting the operating profit for these costs gives an operating margin for the period of 1.3% (2007: 1.2%).

The division is currently well placed with over half of its work in the education sector and in total around three quarters of its work in the public sector. Strong public sector demand will help to offset a weak commercial sector. Spending on education projects is forecast to grow by 28% over the next two years. This includes the Government's multi-billion pound Building Schools for the Future ('BSF') programme under which the Wright Robinson College in Manchester was delivered by the division, and work has started on the £44m construction of Bideford College in Devon. During 2008, in the healthcare sector, Morgan Ashurst was involved in the delivery of the £250m University College Hospital in London. This recent experience and continued Government investment places the business in a strong position to develop significant new NHS frameworks and key projects.

New opportunities for long-term growth and development were created in 2008 from the improved ability to deliver large scale complex projects and the growing recognition of Morgan Ashurst as a major national contractor. Significant wins during the year included a seven year, £200m construction framework with Cambridgeshire County Council and a four year, £100m school building programme for North Lanarkshire Council. Morgan Professional Services ('MPS'), the division's design, engineering and project management business, has also secured important new contracts in the year, most recently for improvements at Stratford International Station.

The division has also been able to secure long-term construction frameworks and partnerships by differentiating the business through project performance and exceptional customer service. As a result new agreements with BAA, North Lanarkshire Council, Health Properties, Airbus and a number of local authority special works frameworks, which focus on small scale projects, have been secured. Framework and negotiated work now account for around 70% of the division's revenue.

The forward order book for the division stands at £805m (2007: £810m) providing a solid platform for expected performance in 2009. We anticipate that the market may become more challenging over the next two years. However, with its focus on public sector work, a strong framework business and an emphasis on customer service excellence, the business is well placed to meet the challenges ahead.

Infrastructure Services

	2008	2007
Revenue	**£799m**	£575m
Operating profit	**£14.4m**	£10.6m
Margin	**1.8%**	1.8%
Forward order book	**£1.4bn**	£1.7bn

Revenue increased by 39% in 2008 to £799m (2007: £575m), largely due to the full year impact of the July 2007 acquisition. Operating profit increased by 36% to reach £14.4m (2007: £10.6m). Margin was maintained at 1.8% (2007: 1.8%). The operating profit is also stated after one-off IT costs relating to the acquisition of £1.4m (2007: £1.4m) which will not recur in 2009. Adjusting the operating profit for these costs gives a margin of 2.0% (2007: 2.1%).

The division continues to benefit from a strong market which underpinned a record year in 2008. The division expanded by more than a third through growth in the transport, water and energy sectors and through the full year impact of the July 2007 acquisition. There were significant project successes in 2008, including the completion of a new London Underground Station at Shepherd's Bush, the opening of the DLR Woolwich Arsenal Extension valued at £180m and the £120m Kincardine Crossing in Scotland, a project which was technically complex and environmentally challenging. The division is also increasingly working with other divisions within Morgan Sindall, such as Morgan Ashurst on RAF Valley and Paddington Station.

Key long-term frameworks were secured during the year including the Vendor Capital Programme for London Underground. Growing experience in delivering energy projects, including the wind farms at Clachan Flats in Scotland and the biomass plants at Drax and Longannet, creates substantial opportunities for future growth. The division will seek to secure and renew frameworks and contracts in the energy and water sectors for the next regulated period.

The forward order book stands at £1.4bn (2007: £1.7bn) and the division is currently bidding for a number of major infrastructure projects. The division's diverse and numerous opportunities provide an exciting outlook for 2009 and beyond. In the short-term it sees further opportunities in the transport, water and energy sector. In the medium-term it is positioning itself in anticipation of new opportunities in both the nuclear and traditional power generation sectors and the defence sector which offers significant expansion opportunities.

Affordable Housing

	2008	2007
Revenue	**£377m**	£398m
Operating profit	**£21.0m**	£25.5m
Margin	**5.6%**	6.4%
Forward order book	**£1.3bn**	£1.5bn

Affordable Housing delivered an operating profit of £21.0m (2007: £25.5m) on revenue that fell to £377m (2007: £398m) in line with our expectations, reflecting the effect of tightened credit conditions for home buyers. The division achieved a margin of 5.6% (2007: 6.4%), which was impacted by the fall in open market housing volumes.

Affordable Housing continued to secure and deliver refurbishment and new build social housing projects, which helped to largely offset the impact of the downturn in open market housing. The affordable housing sector remains a key Government priority and the recent announcement to accelerate spending in this area is encouraging. In addition the Government's Decent Homes Programme has been extended until 2012 in England, and longer still in Wales and Scotland, providing an optimistic outlook for this sector over the medium-term. In 2008, refurbishment projects under this programme contributed around half of the division's revenue.

Tough credit conditions contributed to a slowing of demand for open market affordable homes in 2008, which is expected to continue in 2009. In response to these conditions, Lovell has introduced a new shared equity scheme which is showing significant take up. In addition, the division's 'tenure blind' approach to housing development, which means that homes across a mixed tenure scheme are built to a similar standard, is providing the opportunity to switch homes destined originally for the open market to additional stock for Registered Social Landlords.

Lovell has completed three schemes in the year as a Homes and Communities Agency partner and the partnership will continue to generate a significant number of opportunities for the business as a direct recipient of Government grants for development. Additionally Compendium, our joint venture business with the Riverside Group, offers a full one-stop approach to design, sale and management of large scale residential regeneration projects which has been successfully applied in the completion of the first two years of its five year Coalville project in Stoke-on-Trent.

The forward order book stands at £1.3bn (2007: £1.5bn). Affordable Housing continues to focus in the short-term on refurbishment and new build social housing, reducing production costs and selling units designated for open market sale to Registered Social Landlords. The division's success in these areas will help to offset the impact in 2009 of the ongoing downturn in open market house sales.

Urban Regeneration

	2008	2007*
Revenue	**£84m**	£26m
Operating profit	**£7.8m**	£4.2m
Margin	**9.3%**	16.2%
Share of development pipeline	**£1.3bn**	£1.2bn

*2007 figures relate to 5 months' performance only.

In 2008 the Urban Regeneration division delivered revenue of £84m (2007: £26m) and operating profit of £7.8m (2007: £4.2m), its first full year contribution following its acquisition in July 2007.

The division is responding to the challenges of the market by revisiting existing plans and rephasing developments to ensure it is best placed to take full advantage when the market improves. Although the recent softening of the commercial and residential property sectors means the short-term outlook for the division is subdued, the Group remains of the view that mixed use development is central to the regeneration of urban communities in areas of social and economic deprivation and will provide major opportunities in the long-term.

The division's approach to partnering underpinned the achievements of Muse in 2008. In particular it secured the £350m redevelopment of Swindon Town Centre in partnership with Swindon Borough Council, South West of England Regional Development Agency and the Homes and Communities Agency. During the year the division also created a number of new facilities for clients, including the Greater Manchester Police Authority, Intercontinental Hotels, Standard Life and the Department for Communities and Local Government. In all, over 700,000 sq ft of offices, industrial, leisure and residential facilities were completed during the year.

Several other large scale opportunities, where Muse is in a preferred developer position, were also advanced considerably during the year. These are expected to conclude during 2009 and to provide phases of profitable development in future years. Commercial and residential lettings and pre sales in 2008, including a 45,000 sq ft pre sale of an office building to United Utilities Plc in Warrington, will contribute towards Muse's income in future years.

Muse's business model provides insulation from adverse cost and value corrections, as it does not hold substantial land assets. Its share of the development pipeline of projects in which it has an interest has increased in value to £1.3bn (2007: £1.2bn) with its share of three projects at preferred bidder valued at £650m. The division is expecting subdued conditions in the short-term with an excellent platform for growth when the market returns to strength in the medium-term.

Forward looking statements

This preliminary statement has been prepared solely to assist shareholders in assessing the strategies of the board and in gauging their potential to succeed. It should not be relied on by any other party or for other purposes. Forward looking statements have been made by the directors in good faith using information available up until the day that they approved this preliminary results announcement. Forward looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.

Consolidated income statement (unaudited)

For the year ended 31 December 2008

	Notes	**2008 £m**	2007 £m
Continuing operations			
Revenue	1	**2,548.1**	2,114.6
Cost of sales		**(2,297.8)**	(1,892.9)
Gross profit		**250.3**	221.7
Other administrative expenses		**(185.8)**	(168.4)
Amortisation of intangible assets		**(9.1)**	(4.5)
Total administrative expenses		**(194.9)**	(172.9)
Share of net profit of equity accounted joint ventures		**2.6**	4.7
Profit from operations	1	**58.0**	53.5
Finance income		**9.4**	8.5
Finance expenses		**(5.1)**	(4.4)
Net finance income		**4.3**	4.1
Profit before income tax expense		**62.3**	57.6
Income tax expense	2	**(17.5)**	(18.2)
Profit for the year attributable to equity holders of the parent company		**44.8**	39.4
Earnings per share			
From continuing operations			
Basic	4	**106.3p**	93.8p
Diluted	4	**105.1p**	91.7p

There were no discontinued operations in either the current or comparative periods.

Consolidated balance sheet (unaudited)
At 31 December 2008

	Note	2008 £m	Restated 2007 £m
Non current assets			
Property, plant and equipment		**32.7**	23.8
Goodwill		**183.3**	183.3
Other intangible assets		**23.4**	32.5
Investments in equity accounted joint ventures		**53.0**	38.1
Investments		**0.1**	0.1
Deferred tax assets		**2.7**	5.0
		295.2	282.8
Current assets			
Inventories		**171.3**	128.8
Amounts due from construction contract customers		**189.2**	209.1
Trade and other receivables		**209.0**	238.3
Cash and cash equivalents		**120.3**	218.9
		689.8	795.1
Total assets		**985.0**	1,077.9
Current liabilities			
Trade and other payables		**(675.2)**	(798.1)
Amounts received in advance on construction contracts		**(78.3)**	(67.4)
Current tax liabilities		**(8.5)**	(10.6)
Finance lease liabilities		**(1.9)**	(1.4)
		(763.9)	(877.5)
Net current liabilities		**(74.1)**	(82.4)
Non current liabilities			
Trade and other payables		**(0.1)**	(8.9)
Retirement benefit obligation		**(3.0)**	(3.3)
Finance lease liabilities		**(7.4)**	(3.2)
Provisions		**(18.3)**	(19.3)
		(28.8)	(34.7)
Total liabilities		**(792.7)**	(912.2)
Net assets		**192.3**	165.7
Equity			
Share capital	5	**2.2**	2.1
Share premium account	5	**26.6**	26.3
Capital redemption reserve	5	**0.6**	0.6
Own shares	5	**(6.4)**	(5.5)
Hedging reserve	5	**(2.3)**	(2.2)
Retained earnings	5	**171.6**	144.4
Total equity		**192.3**	165.7

Consolidated statement of recognised income and expense (unaudited)

For year ended 31 December 2008

	2008 **£m**	2007 £m
Actuarial losses arising on defined benefit plan	**(0.2)**	(0.9)
Deferred tax on retirement benefit obligation recognised directly in equity	**-**	0.3
Movement on cash flow hedges in equity accounted joint ventures	**(0.1)**	(1.4)
Net expense recognised directly in equity	**(0.3)**	(2.0)
Profit for the year	**44.8**	39.4
Total recognised income and expense for the year attributable to equity holders of the parent company	**44.5**	37.4

Consolidated cash flow statement (unaudited)

For year ended 31 December 2008

	Notes	**2008 £m**	2007 £m
Net cash (outflow)/inflow from operating activities	6	**(65.5)**	158.1
Cash flows from investing activities			
Interest received		**9.2**	8.4
Proceeds on disposal of property, plant and equipment		**0.8**	0.6
Purchases of property, plant and equipment		**(8.4)**	(8.0)
Payments to acquire interests in joint ventures		**(12.4)**	(5.0)
Payment for the acquisition of a subsidiary		**-**	(25.5)
Net cash acquired on acquisition of a subsidiary		**-**	14.2
Net cash outflow from investing activities		**(10.8)**	(15.3)
Cash flows from financing activities			
Net payments to acquire own shares		**(0.9)**	(2.1)
Dividends paid		**(16.9)**	(12.6)
Repayment of obligations under finance leases		**(4.9)**	(4.7)
Proceeds on issue of share capital		**0.4**	0.1
Net cash outflow from financing activities		**(22.3)**	(19.3)
Net (decrease)/increase in cash and cash equivalents		**(98.6)**	123.5
Cash and cash equivalents at beginning of year		**218.9**	95.4
Cash and cash equivalents at end of year			
Bank balances and cash		**120.3**	218.9

Notes (unaudited)
For the year ended 31 December 2008

1. Business segments

For management purposes, the Group is organised into five operating divisions: Fit Out, Construction, Infrastructure Services, Affordable Housing and Urban Regeneration. The divisions are the basis on which the Group reports its primary segment information.

Segment information about the Group's continuing operations is presented below:

2008	Fit Out £m	Construction £m	Infrastructure Services £m	Affordable Housing £m	Urban Regeneration £m	Group Activities £m	Total £m
Revenue	**473.7**	**813.1**	**799.2**	**377.2**	**83.6**	**1.3**	**2,548.1**
Operating profit/(loss) before amortisation	**25.8**	**9.5**	**14.4**	**21.0**	**6.5**	**(12.7)**	**64.5**
Share of results of associates and joint ventures after tax	**-**	**-**	**-**	**-**	**1.3**	**1.3**	**2.6**
Profit/(loss) from operations before amortisation	**25.8**	**9.5**	**14.4**	**21.0**	**7.8**	**(11.4)**	**67.1**
Amortisation of intangible assets	**-**	**(2.1)**	**(0.8)**	**-**	**(6.2)**	**-**	**(9.1)**
Profit/(loss) from operations	**25.8**	**7.4**	**13.6**	**21.0**	**1.6**	**(11.4)**	**58.0**
Net finance income							**4.3**
Profit before tax							**62.3**

2007	Fit Out £m	Construction £m	Infrastructure Services £m	Affordable Housing £m	Urban Regeneration £m	Group Activities £m	Total £m
Revenue	491.7	621.4	575.4	398.0	25.9	2.2	2,114.6
Operating profit/(loss) before amortisation	25.9	4.9	10.6	25.5	0.9	(14.5)	53.3
Share of results of associates and joint ventures after tax	-	-	-	-	3.3	1.4	4.7
Profit/(loss) from operations before amortisation	25.9	4.9	10.6	25.5	4.2	(13.1)	58.0
Amortisation of intangible assets	-	(1.0)	(0.3)	-	(3.2)	-	(4.5)
Profit/(loss) from operations	25.9	3.9	10.3	25.5	1.0	(13.1)	53.5
Net finance income							4.1
Profit before tax							57.6

All the Group's operations are carried out in the United Kingdom and the Channel Islands.

2. Income tax expense

	2008	2007
	£m	£m
Current tax expense:		
UK corporation tax	**18.1**	19.7
Adjustment in respect of prior years	**(1.3)**	0.3
	16.8	20.0
Deferred tax expense:		
Current year	**0.1**	(0.1)
Adjustment in respect of prior years	**0.6**	(1.7)
	0.7	(1.8)
Income tax expense for the year	**17.5**	18.2

Corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable profit for the year. The corporation tax rate has changed due to rates reducing from 30% to 28%, effective from 1 April 2008.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2008	2007
	£m	£m
Profit before tax	**62.3**	57.6
Income tax expense at UK corporation tax rate	**17.7**	17.3
Tax effect of:		
Share of net profit of equity accounted joint ventures	**(0.7)**	(1.4)
Expenses that are not deductible in determining taxable profits	**1.2**	3.7
Movements not reflected in the income statement	**-**	(0.3)
Adjustments in respect of prior years	**(0.7)**	(1.4)
Effects of rate change	**-**	0.3
Income tax expense for the year	**17.5**	18.2
Effective tax rate for the year	**28.1%**	31.6%
Effective tax rate for the year ignoring prior year adjustments	**29.2%**	34.0%

At 31 December 2008, the Group had unused tax losses of £0.6m (2007: £0.6m) available for offset against future profit. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams against which these losses may be utilised. Losses may be carried forward indefinitely.

3. Dividends

	2008	2007
	£m	£m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2007 of 28.0p (2006: 20.0p) per share	**11.9**	8.4
Interim dividend for the year ended 31 December 2008 of 12.0p (2007: 10.0p) per share	**5.1**	4.2
	17.0	12.6
Proposed final dividend for the year ended 31 December 2008 of 30.0p (2007: 28.0p) per share	**12.7**	12.0

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements. The proposed dividend will be paid on 8 May 2009 to shareholders on the register at 17 April 2009. The ex-dividend date will be 15 April 2009.

Notes continued (unaudited)
For the year ended 31 December 2008

4. Earnings per share

There are no discontinued operations in either the current or prior year.

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	**2008** **£m**	2007 £m
Earnings before taxation	**62.3**	57.6
Deduct taxation expense per the income statement	**(17.5)**	(18.2)
Earnings for the purposes of basic and dilutive earnings per share being net profit attributable to equity holders of the parent company	**44.8**	39.4
Add back current year's amortisation expense pre tax	**9.1**	4.5
Earnings for the purposes of basic and dilutive earnings per share adjusted for amortisation expense being attributable to equity holders of the parent company	**53.9**	43.9

Number of shares	**2008** **No. '000s**	2007 No. '000s
Weighted average number of ordinary shares for the purposes of basic earnings per share	**42,108**	41,989
Effect of dilutive potential ordinary shares:		
Share options	**268**	720
Conditional shares not vested	**196**	239
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**42,572**	42,948

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options and long-term incentive plan shares was based on quoted market prices for the period that the options were outstanding. The weighted average share price for the period was £7.36 (2007: £14.13).

Earnings per share are calculated in accordance with IAS 33 'Earnings per Share' are disclosed below:

	2008	2007
Basic earnings per share	**106.3p**	93.8p
Diluted earnings per share	**105.1p**	91.7p
Basic and diluted earnings per share adjusted for amortisation expense:		
Basic earnings per share excluding amortisation expense	**127.8p**	104.5p
Diluted earnings per share excluding amortisation expense	**126.4p**	102.2p

Notes continued (unaudited)
For the year ended 31 December 2008

5. Reserves

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Reserve for own shares held £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2007	2.1	26.2	0.6	(3.4)	(0.8)	117.2	141.9
Total recognised income and expense	-	-	-	-	(1.4)	38.8	37.4
Share-based payments	-	-	-	-	-	1.7	1.7
Issue of shares at a premium	-	0.1	-	-	-	-	0.1
Deferred tax (liability) on share-based payments	-	-	-	-	-	(0.7)	(0.7)
Own shares acquired in the period	-	-	-	(2.1)	-	-	(2.1)
Dividends paid:							
Final dividend – 2006	-	-	-	-	-	(8.4)	(8.4)
Interim dividend – 2007	-	-	-	-	-	(4.2)	(4.2)
Balance at 31 December 2007	2.1	26.3	0.6	(5.5)	(2.2)	144.4	165.7
Balance at 1 January 2008	2.1	26.3	0.6	(5.5)	(2.2)	144.4	165.7
Total recognised income and expense	-	-	-	-	(0.1)	44.6	44.5
Share-based payments	-	-	-	-	-	2.3	2.3
Issue of shares at a premium	-	0.3	-	-	-	-	0.3
Exercise of share options	0.1	-	-	1.9	-	(1.9)	0.1
Deferred tax (liability) on share-based payments	-	-	-	-	-	(0.8)	(0.8)
Own shares acquired in the period	-	-	-	(2.8)	-	-	(2.8)
Dividends paid:							
Final dividend – 2007	-	-	-	-	-	(11.9)	(11.9)
Interim dividend – 2008	-	-	-	-	-	(5.1)	(5.1)
Balance at 31 December 2008	**2.2**	**26.6**	**0.6**	**(6.4)**	**(2.3)**	**171.6**	**192.3**

Cash flow hedging reserve

Under cash flow hedge accounting, movements on the effective portion of the hedges are recognised through the hedging reserve, while any ineffectiveness is taken to the income statement.

6. Cash flows from operating activities

	2008 £m	Restated 2007 £m
Cash flows from operating activities		
Profit from operations for the year	**58.0**	53.5
Adjusted for:		
Amortisation of fixed life intangible assets	**9.1**	4.5
Share of net profit of equity accounted joint ventures	**(2.6)**	(4.7)
Depreciation of property, plant and equipment	**8.1**	6.3
Expense in respect of share options	**2.3**	1.7
Defined benefit plan payment	**(0.7)**	(0.2)
Defined benefit plan charge	**0.2**	0.1
(Gain)/loss on disposal of property, plant and equipment	**(0.2)**	1.2
(Decrease)/increase in provisions	**(1.0)**	1.4
Operating cash flows before movements in working capital	**73.2**	63.8
Increase in inventories	**(41.2)**	(10.4)
Decrease/(increase) in receivables	**48.8**	(33.3)
(Decrease)/increase in payables	**(122.9)**	157.8
Cash (utilised)/generated from operations	**(42.1)**	177.9
Income taxes paid	**(18.9)**	(15.8)
Interest paid	**(4.5)**	(4.0)
Net cash (outflow)/inflow from operating activities	**(65.5)**	158.1

Additions to property, plant and equipment during the year amounting to £6.3m (2007: £3.0m) and additions to leasehold property amounting to £nil (2007: £2.3m) were financed by new finance leases. Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

7. Significant accounting policies

This announcement is prepared on the basis of accounting policies as stated in the financial statements for the year ended 31 December 2008.

Restatement of comparative balances

As was stated in note 23 on page 76 of the 2007 annual report and accounts, the fair value adjustments arising on the acquisition of Amec Developments Limited and certain assets and business carried on by Amec Investments Limited and the assets, liabilities and contracts relating to the Design and Project Services division of Amec plc were provisional and subject to finalisation in accordance with IFRS 3 ‘Business Combinations’.

The fair value exercise has been completed and the final acquisition balance sheet and related fair value adjustments are disclosed in the 2008 report and accounts. In accordance with IFRS 3 ‘Business Combinations’ the affected financial statement balances have been restated. None of the restatements have had an impact on gross profit, profit from operations or net assets. There was no impact on recognised income or expense as previously stated.

Certain comparatives have been reclassified to conform with the current year's presentation. In the 2007 comparative balance sheet, amounts of £19.3m previously shown as trade and other payables are now classified as provisions.

Preliminary announcement

The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 31 December 2008 or 2007. The financial information for the year ended 31 December 2007 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under s237(2) or (3) Companies Act 1985. The audit of the statutory accounts for the year ended 31 December 2008 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. No accounts for the Company in respect of the year ended 31 December 2008 have been delivered to the Registrar of Companies, nor have the auditors of the Company made a report under Section 236 of the Companies Act 1985 in respect of any accounts for that financial year.

Following changes in Company law and subsequent shareholder approval, the Company will make financial statements that comply with IFRSs available on the Company's website on or about the 19 March 2009. If a shareholder has requested to continue to receive hard copy of the financial statements they will be posted on or about the 19 March 2009. They will be delivered to the Registrar of Companies following the Company's annual general meeting.