MORGAN SINDALL GROUP

Half-year Report

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Morgan Sindall Group PLC
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MORGAN SINDALL GROUP PLC
('Morgan Sindall' or 'Group')

The Construction & Regeneration Group

RESULTS FOR THE HALF YEAR (HY) ENDED 30 JUNE 2016

	HY 2016	HY 2015	% Change
Revenue	£1,148m	£1,152m	-
Operating profit - adjusted[1]	£18.2m	£15.5m	+17%
Profit before tax - adjusted[1]	£16.1m	£13.3m	+21%
Earnings per share - adjusted[1]	29.8p	24.5p	+22%
Period end net cash/(debt)	£36m	(£8m)	
Average (net debt)	(£24m)	(£35m)	
Interim dividend per share	13.0p	12.0p	+8%
Operating profit/(loss) - reported	£17.5m	(£25.0m)	
Profit/(loss) before tax - reported	£15.4m	(£27.2m)	
Basic earnings/(loss) per share - reported	28.5p	(49.4p)	

[1] *'Adjusted' is defined as before intangible amortisation (£0.7m) (HY 2015: before intangible amortisation (£1.1m) and exceptional operating charge (£39.4m))*

Group highlights:

- Strong profit growth, with Group adjusted profit before tax up 21%
- Improved cash management with average net debt for the period down to £24m (HY 2015: average net debt of £35m). Period end net cash of £36m (HY 2015: net debt of £8m)
- Divisional performances:
  - Further growth from Fit Out, with adjusted operating profit up 11% to £11.5m
  - Continued recovery in Construction & Infrastructure, with adjusted operating profit of £3.2m (HY 2015: £0.3m)
  - Property Services ahead of previous target with adjusted operating profit of £0.1m (HY 2015: loss of £0.8m)
  - Benefits of previous investment in Partnership Housing supporting the 21% increase in adjusted operating profit to £4.6m (HY 2015: £3.8m)
  - Urban Regeneration's scheduled development completions expected to result in second half weighting - adjusted operating profit of £4.6m (HY 2015: £5.0m)
- Interim dividend increased 8% to 13.0p per share (HY 2015: 12.0p)

Commenting on today's results, Chief Executive, John Morgan said:

"The Group has delivered strong profit growth in the first half, with an improved cash position and lower average net debt across the period. All divisions have contributed, demonstrating the strategic and operational progress made across the Group over the last few years.

The EU Referendum result has introduced some uncertainty into the markets in which we operate and it's still too early to determine what the potential impact on the Group will be in the medium and longer term. For the current year, however, based upon current trading patterns, our high quality secured order book and the visible pipeline of opportunities, the Group is on track to deliver a full year result slightly above its previous expectations."

Enquiries

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Presentation

- There will be an analyst and investor presentation at Numis Securities Limited, the London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT. Coffee and registration will be from 08.45
- A copy of these results is available at www.morgansindall.com
- Today's presentation will be available via live webcast from 09.00 at www.morgansindall.com. A recording will also be available via playback in the afternoon.

Note to Editors

Morgan Sindall Group

Morgan Sindall Group plc is a leading UK Construction & Regeneration group with annual revenue of c£2.4bn, employing around 5,800 employees and operating in the public, regulated and private sectors. It reports through six divisions of Construction & Infrastructure, Fit Out, Property Services, Partnership Housing, Urban Regeneration and Investments.

Group Strategy

Morgan Sindall Group's strategy is focused on two distinct but complementary business activities: **Construction** and **Regeneration**.

Construction activities comprise the following operations:

- ***Construction & Infrastructure***: Focused on the commercial, defence, education, energy, healthcare, industrial, leisure, retail, transport and water markets
- ***Fit Out***: Focused on the fit out of office space with opportunities in commercial, central and local government offices, further education and retail banking
- ***Property Services***: Focused on response maintenance activities provided to the social housing, insurance and general commercial sectors

Regeneration activities comprise the following operations:

- ***Partnership Housing***: Focused on working in partnerships with local authorities and housing associations. Activities include mixed-tenure developments, building and developing homes for open market sale and for social/affordable rent, 'design & build' house contracting and planned maintenance
- ***Urban Regeneration***: Focused on transforming the urban landscape through partnership working and the development of multi-phase sites and mixed-use regeneration

In addition, ***Investments*** is focused on providing the Group with both construction and regeneration opportunities through various strategic partnerships to develop under-utilised property assets.

Basis of Preparation

The term 'adjusted' excludes the impact of intangible amortisation of £0.7m (HY 2015: intangible amortisation of £1.1m and exceptional operating charge of £39.4m)

Group Operating Review

Revenue for the period was level with the prior year at £1,148m. Adjusted operating profit of £18.2m was up 17% on the prior year, with adjusted operating margin up 30 bps to 1.6% (HY 2015: 1.3%). The net finance expense reduced to £2.1m (HY 2015: £2.2m) as a result of lower interest on net debt and this resulted in an adjusted profit before tax of £16.1m, up 21% (HY 2015: £13.3m).

All divisions contributed to this strong profit growth. Fit Out increased its profit by 11% to £11.5m at an improved operating margin of 3.9% (HY 2015: 3.5%), whilst Construction & Infrastructure maintained its gradual recovery in performance with operating profit of £3.2m, up from £0.3m in the prior year. Property Services delivered a small profit of £0.1m (HY 2015: loss of £0.8m), reaching a break-even performance ahead of its previous plans and Partnership Housing saw profit increase by 21% to £4.6m, driven by its mixed tenure business. The strength and depth of its development portfolio and the timing of scheme maturities led to Urban Regeneration reporting a profit of £4.6m (HY 2015: £5.0m), with a number of development completions scheduled for the second half. Investments made a loss of £0.8m in the period, reflecting the timing of its project deliveries.

During the period, commercial settlement was reached on the second of the two old construction contracts which gave rise to the exceptional charge recognised in 2015, both of which were transferred as part of the acquisition of the design and project services division of Amec in 2007. The first of these contracts reached commercial settlement in 2015.

The Group's committed order book* at 30 June 2016 was £3,148m, up 11% on the previous year end position. Of this total, 34% relates to the second half of 2016, 31% is for 2017 and the remainder is for 2018 and beyond. The increase in the order book has been driven mainly by Property Services, up 91% and by Partnership Housing, up 32%, supported by growth in the Fit Out order book of 9% and more than offsetting a decline in Construction & Infrastructure of 3%.

The regeneration & development pipeline** was £3,199m, an increase of 1% on the previous year end position. As expected, the regeneration & development pipeline is more long term in nature and 82% relates to 2018 and beyond.

The statutory profit before tax was £15.4m compared to a statutory loss before tax in the prior year of £27.2m. The tax charge of £2.9m equates broadly to the UK statutory rate.

The adjusted earnings per share of 29.8p was 22% up on the prior year (HY 2015: 24.5p). The statutory earnings per share was 28.5p (HY 2015: loss per share of 49.4p).

There was an operating cash outflow of £15.7m in the period (HY 2015: outflow of £53.3m) and a free cash outflow of £17.8m (HY 2015: outflow of £56.1m).

At the period end, the Group had net cash of £36m (HY 2015: net debt of £8m), which included £19m of non-recourse debt (HY 2015: £19m). The average daily net debt for the period reduced to £24m (HY 2015: £35m), of which £16m (HY 2015: £18m) was non-recourse debt.

The improvement in average daily net debt in the period was as a result of the phasing in investments in Partnership Housing and Urban Regeneration and better working capital management. Although the average daily net debt is expected to increase in the second half of the year due to the phasing and timing of investments, the average daily net debt for the full year is now not expected to exceed £45m, lower than previous estimates. The net finance expense for the full year is now expected to be in the region of £4.5m.

The interim dividend has been increased by 8.3% to 13.0p per share (HY 2015: 12.0p), reflecting the increase in profits in the period and the Board's confidence in the future prospects of the Group.

Outlook

The EU Referendum result has introduced some uncertainty into the markets in which the Group operates and it's still too early to determine what the potential impact on the Group will be in the medium and longer term. For the current year, however, based upon current trading patterns, the high quality secured order book and the visible pipeline of opportunities, the Group is on track to deliver a full year result slightly above its previous expectations.

The Group's business model offers resilience through diversification, offering measured protection against any cyclical effects of individual markets which together with the current high quality secured order book, the visible pipeline of opportunities and the current trading profile of the Group, indicates that the Group is well placed to accommodate any adverse short term market impact.

The Regeneration activities are underpinned by a significant long term regeneration and development pipeline and development portfolios which are substantially non-speculative in nature. The Construction businesses have a high proportion of their pipeline via committed public sector frameworks ensuring normal levels of business activity in the short term. In Fit Out, the committed secured order book as at 30 June was £373m of which over 40% relates to work secured for 2017 and beyond, thereby providing significantly higher visibility of future workload than in previous years.

Business Review

The following Business Review is given on an adjusted basis, unless otherwise stated.

Headline results by business segment

	Revenue		Operating Profit/(Loss)		Operating Margin	
	£m	change	£m	change	%	change
Construction & Infrastructure	612	-2%	3.2	+967%	0.5%	+50bps
Fit Out	294	-1%	11.5	+11%	3.9%	+40bps
Property Services	27	-16%	0.1	n/a	0.4%	n/a
Partnership Housing	183	+7%	4.6	+21%	2.5%	+30bps
Urban Regeneration	40	+54%	4.6	-8%	11.5%	n/a
Investments	9	+4%	(0.8)	n/a	n/a	n/a
Central costs			(5.0)			
Inter-divisional eliminations	(17)					
Total	**1,148**	**-**	**18.2**	**+17%**	**1.6%**	**30bps**

Order book and regeneration & development pipeline

The Group's committed order book* at 30 June 2016 was £3,148m, an increase of 11% from the previous year end. The divisional split is shown below.

Order book	**HY 2016**	**FY 2015**	**Change**
	£m	**£m**	**%**
Construction & Infrastructure	1,551	1,595	-3%
Fit Out	373	341	+9%
Property Services	690	361	+91%
Partnership Housing	452	342	+32%
Urban Regeneration	166	218	-24%
Investments	14	17	-18%
Inter-divisional eliminations	(98)	(48)	
Group committed order book	**3,148**	**2,826**	**+11%**

* "Committed order book" comprises the secured order book and framework order book. The secured order book represents the Group's share of future revenue that will be derived from signed contracts or letters of intent. The framework order book represents the Group's expected share of revenue from the frameworks on which the Group has been appointed. This excludes prospects where confirmation has been received as preferred bidder only, with no formal contract or letter of intent in place.

In addition, the Group's regeneration & development pipeline** was £3,199m, an increase of 1% on the previous year end.

Regeneration & development pipeline	**HY 2016**	**FY 2015**	**Change**
	£m	**£m**	**%**
Partnership Housing	803	782	+3%
Urban Regeneration	2,204	2,181	+1%
Investments	192	196	-2%
Group regeneration & development pipeline	**3,199**	**3,159**	**+1%**

** "Regeneration & development pipeline" represents the Group's share of the gross development value of secured schemes including the development value of open market housing schemes.

Construction & Infrastructure

	HY 2016	**HY 2015**	**Change**
	£m	**£m**	**%**
Revenue	612	623	-2%
Operating profit - adjusted	3.2	0.3	+967%
Operating margin - adjusted	0.5%	-	+50bps

Divisional revenue of £612m was down 2% on the prior year (HY 2015: £623m). Split by type of activity, ***Construction*** *(including Design)* accounted for 57% of divisional revenue at £351m, which was up 1% compared to the prior year, whilst ***Infrastructure*** was 43% of divisional revenue at £261m, down 5% on the prior year.

The focus on project delivery, quality, procurement and contract selection has resulted in an improved profit performance, with operating profit increasing to £3.2m (HY 2015: £0.3m). The operating margin of 0.5% was reflective of the progress made towards recovering back to normalised margin levels and this is expected to continue through the second half of the year.

The committed order book for the division at the period end was £1,551m, down 3% since the start of the year. Within this, the Construction order book of £716m was down 4%, whilst Infrastructure at £835m was down 2%. Of the Construction order book, 90% by value has been derived through negotiated, framework or two-stage bidding procurement processes, with 10% from competitive tender processes.

In ***Infrastructure***, work continues on a number of high profile projects including at Sellafield, a contract secured in 2012, for a potential value of £1.1bn over a possible maximum duration of 15 years. In addition, projects are underway at Heathrow Airport as part of a three-year £1.5bn programme of upgrades and improvements and work continues on the £250m Edinburgh to Glasgow Rail Improvement Programme. In Highways, the upgrade of the A1 to motorway standard from Leeming to Barton in North Yorkshire, which is the northern phase of the overall £380m A1 Dishforth to Barton scheme, continues to make good progress.

The ***Construction*** business has continued its focus on quality of earnings through contract selectivity and operational delivery. Ongoing projects include the £107m mixed-use scheme at Marischal Square in Aberdeen with Urban Regeneration, a £90m contract for BAE Systems to develop the industrial facilities at the Company's submarine building site in Barrow-in-Furness and the £60m Spire Nottingham Hospital in Tollerton. New projects undertaken in the period include the £70m scheme to transform Lambeth's Town Hall and civic buildings for Urban Regeneration and project partner Lambeth Council, as well as the £39m training facility for the Civil Nuclear Constabulary in West Cumbria.

During the period, commercial settlement was reached on the second of the two old construction contracts which gave rise to the exceptional charge recognised in 2015, both of which were transferred as part of the acquisition of the design and project services division of Amec in 2007. The first of these contracts reached commercial settlement in 2015.

Fit Out

	HY 2016 £m	HY 2015 £m	Change %
Revenue	294	299	-1%
Operating profit - adjusted	11.5	10.4	+11%
Operating margin - adjusted	3.9%	3.5%	+40bps

Fit Out has delivered another strong profit performance in the period, with operating profit up 11% to £11.5m (HY 2015: £10.4m) and the operating margin increasing to 3.9% (HY 2015: 3.5%).

The London region accounted for 63% of revenue (HY 2015: 73%), with other regions at 37% (HY 2015: 27%). Split by type of work, 80% of revenue was traditional fit out work (HY 2015: 81%), compared to 20% 'design & build' (HY 2015: 19%). 71% of revenue related to the fitting out of existing office space (HY 2015: 76%) (which includes 34% refurbishment 'in occupation') with 29% being new office fit out (HY 2015: 24%).

The committed order book as at 30 June was £373m, an increase of 9% from the year end position, which provides confidence in a further strong performance for the second half of the year. Importantly, of this total amount £152m relates to work secured for 2017 and beyond, providing significantly higher visibility of future workload than in previous years.

Significant new contract wins in the period include the 315,000 sq ft fit out for Schroder Corporate Services Limited in London; an £8m fit out for AECOM in Aldgate Tower, London; and a contract to refurbish Bristol City Council's newly acquired office at 100 Temple Street.

Property Services

	HY 2016 £m	HY 2015 £m	Change %
Revenue	26.6	31.5	-16%
Operating profit/(loss) - adjusted	0.1	(0.8)	n/a
Operating margin - adjusted	0.4%	-2.5%	n/a

Property Services delivered a profit of £0.1m for the period, achieving a break-even performance ahead of its previous target, compared to a loss of £0.8m in the prior year period. The improved performance continues to be as a result of efficiencies from contract and overhead management.

Looking ahead, volumes and profitability will be driven by new work won. Of recent note was the award of a 15 year (initial 10 years plus 5 year extension) £300m integrated asset management contract with Basildon Borough Council delivering repairs, maintenance, planned improvement works and gas services to the 10,800 properties including public buildings. As a result, the committed order book has increased significantly, supplemented by a number of other smaller contract wins, and was £690m at 30 June, up 91% from the year end.

Based upon the projected mobilisation timetables of the new contract wins, volumes are expected to increase in the second half which in turn will support the anticipated margin and profit improvement.

Partnership Housing

	HY 2016	HY 2015	Change

	£m	£m	%
Revenue	183	171	+7%
Operating profit - adjusted	4.6	3.8	+21%
Operating margin - adjusted	2.5%	2.2%	+30bps
Average capital employed[1] (last 12 months)	126.4	96.7	
Capital employed[1] at period end	119.2	115.0	

Profit in Partnership Housing increased by 21% in the period to £4.6m (HY 2015: £3.8m) from revenue of £183m (HY 2015: £171m), up 7%. Operating margin improved to 2.5% (HY 2015: 2.2%).

Growth was driven by the mixed-tenure regeneration housing activities, where revenue increased to £77m, up from £44m in the prior year and this more than offset a decline in the contracting activities, which reduced to £106m from £127m due mainly to lower planned maintenance revenue. Across the open market sales and the social housing element of mixed-tenure, 423 units were completed at an average sales price of £181k.

A number of key projects have commenced during the period including the start of construction at Trinity Walk (the first of the three estates being regenerated as part of the £384m Trinity Woolwich project in partnership with Greenwich Borough Council and asra Housing Group), Mollins Gate in Moodiesburn, a £6m development which will create 55 affordable and open market homes in North Lanarkshire in partnership with Link Group Ltd, and Firs Park which will create 57 homes for sale and 10 affordable homes for Victory Housing in a sought-after residential area on the northern side of Norwich.

Capital employed[1] at the period end was £119.2m and the average capital employed[1] for the last 12 month period ('LTM') was £126.4m. Based upon the current level of active sites and after a successful period of work winning during which the committed order book increased by 32%, up to £452m and the regeneration & development pipeline increased 3% to £803m, growth is expected to accelerate through the second half of the year.

[1] Capital employed is calculated as total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding corporation tax, deferred tax, inter-company financing and overdrafts).

Urban Regeneration

	HY 2016 £m	HY 2015 £m	Change %
Revenue	40	26	+54%
Operating profit - adjusted	4.6	5.0	-8%
Average capital employed[1] (last 12 months)	84.1	58.3	
Capital employed[1] at period end	75.2	83.5	

The strength and depth of Urban Regeneration's development portfolio and the timing of scheme maturities resulted in a profit of £4.6m (HY 2015: £5.0m), with a number of its development completions weighted towards the second half of the year.

Capital employed[1] at the period end was £75.2m. Average capital employed[1] for the last 12 month period was £84.1m, with the overall LTM Return On Average Capital Employed[2] of 13%.

Highlights in the period include the completion of major office development One New Bailey (part of English Cities Fund's (ECf) £650m Salford Central regeneration scheme - a joint venture with Legal and General and the Homes and Communities Agency) and a new customer delivery hub handed over to John Lewis at the flagship £100m manufacturing and distribution development Logic Leeds.

In Brixton, legal agreements were completed with Lambeth Council and construction commenced (by Construction & Infrastructure) on a £160m regeneration project. Other contributors to performance included further residential sales at the third phase of ECf's Rathbone Market scheme in Canning Town, Brentford Lock West phase one (a joint venture with the Canal & River Trust) and Wapping Wharf in Bristol.

[1] Capital employed is calculated as total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding corporation tax, deferred tax, inter-company financing and overdrafts). At the period end, non-recourse debt was £18.7m (HY 2015: £18.5m) and deferred consideration was £14.2m (HY 2015: £13.8m). LTM average non-recourse debt was £18.2m (HY 2015: £18.2m) and LTM average deferred consideration was £14.0m (HY 2015: £13.6m).

[2] Return On Average Capital Employed = (Adjusted operating profit less interest on non-recourse debt less unwind of discount on deferred consideration) divided by (average capital employed). LTM interest and fees on non-recourse debt was £1.2m (HY 2015: £1.5m) and the unwind of discount on deferred consideration was £0.4m (HY 2015: £0.5m).

Investments

	HY 2016 £m	HY 2015 £m	Change %
Operating (loss)/profit - adjusted	(0.8)	0.4	n/a

The strategic rationale for Investments is to unlock prime long-term construction and regeneration opportunities for other divisions and create value from investments for the Group. During the period, approximately £65m of construction work was secured, primarily for Construction & Infrastructure.

Investments made a net loss of £0.8m. Profits were generated mainly from its interests in Local Asset Backed Vehicle (LABV) schemes, with legal completion on 113 Private Rental Sector residential units in its Bournemouth Town Centre LABV. The division is currently on site with two developments of 177 residential units for the Slough Urban Renewal joint venture.

Due to the phasing of schemes, the second half is expected to show an improved performance, with the overall result for the year expected to be in the range from break-even to a small loss of c£0.5m.

Other Financial Information

1. Net finance expense. Net finance expense was £2.1m, a £0.1m decrease versus HY 2015 which is broken down as follows:

	HY 2016 £m	HY 2015 £m	% change
Net interest charge on net debt	(1.1)	(1.2)	+8%
Amortisation of bank fees & non-utilisation fees	(1.0)	(1.0)	-
Interest from JVs	0.4	0.4	-
Other	(0.4)	(0.4)	-
Total net finance expense	**(2.1)**	**(2.2)**	**+5%**

2. Tax. A tax charge of £2.9m is shown for the period (HY 2015: credit of £5.5m).

	HY 2016 £m	HY 2015 £m
Profit/(loss) before tax	15.4	(27.2)
Less: share of net profit in taxed joint ventures#	(0.7)	(0.5)
Profit/(loss) before tax excluding joint ventures	**14.7**	**(27.7)**
Statutory tax rate	20.0%	20.25%
Current tax (charge)/ credit at statutory rate	**(2.9)**	**5.6**
Other adjustments	-	(0.1)
Tax (charge)/credit	**(2.9)**	**5.5**

certain of the Group's joint ventures are partnerships where profits are taxed within the Group rather than the joint venture

3. Net working capital. 'Net Working Capital' is defined as 'Inventories plus Trade & Other Receivables, less Trade & Other Payables, adjusted to exclude deferred consideration payable, accrued interest and capitalised arrangement fees'.

	HY 2016 £m	HY 2015 £m	Change £m
Inventories	256.7	256.4	+0.3
Trade & Other Receivables	381.4	415.6	-34.2
Trade & Other Payables	(682.3)	(703.9)	+21.6
Net working capital	**(44.2)**	**(31.9)**	**-12.3**

4. Cash flow. Operating cash flow was an outflow of £15.7m (HY 2015: outflow of £53.3m). Free cash flow was an outflow of £17.8m (HY 2015: outflow of £56.1m).

	HY 2016 £m	HY 2015 £m
Operating profit - adjusted	**18.2**	**15.5**
Depreciation	2.6	2.6

Share option expense	1.1	0.8
Movement in fair value of shared equity loans	(0.7)	(0.6)
Share of net profit of joint ventures	(3.9)	(5.1)
Other operating items	3.5	(0.6)
Change in working capital	(34.6)	(62.7)
Net capital expenditure (including repayment of finance leases)	(2.3)	(4.1)
Dividends and interest received from joint ventures	0.4	0.9
Operating cash flow	**(15.7)**	**(53.3)**
Income taxes paid	(0.1)	(1.3)
Net interest paid (non-joint venture)	(2.0)	(1.5)
Free cash flow	**(17.8)**	**(56.1)**

5. Net cash. Net cash at the end of the period was £36.4m, as a result of a net cash outflow of £21.5m from 1 January 2016.

	£m
Net cash as at 1 January 2016	**57.9**
Free cash flow (as above)	(17.8)
Dividends	(7.5)
Other	3.8
Net cash as at 30 June 2016	**36.4**

'Other' includes repayment of loans by JVs (£5.7m), proceeds from issue of new shares (£1.4m) less purchase of treasury shares (£3.1m) and payment to acquire an additional interest in a subsidiary (£0.2m)

6. Capital employed by strategic activity.
An analysis of the negative capital employed in the **Construction** activities shows an improvement of £27.0m since the previous year, split as follows:

Capital employed[1] in Construction	**HY 2016 £m**	**HY 2015 £m**	**Change £m**
Construction & Infrastructure	(160.9)	(132.9)	-28.0
Fit Out	(38.3)	(39.6)	+1.3
Property Services	3.8	4.1	-0.3
	(195.4)	**(168.4)**	**-27.0**

An analysis of capital employed in the **Regeneration** activities shows a decrease of £4.1m since the previous year, split as follows:

Capital employed in Regeneration	**HY 2016 £m**	**HY 2015 £m**	**Change £m**
Partnership Housing[2]	119.2	115.0	+4.2
Urban Regeneration[2]	75.2	83.5	-8.3
	194.4	**198.5**	**-4.1**

1 Total assets (excluding goodwill, intangibles, inter-company financing and cash) less total liabilities (excluding corporation tax, deferred tax, inter-company financing and overdrafts)
2 Definition as per the Partnership Housing and Urban Regeneration sections in the Business Review

7. Dividends. The Board of Directors has proposed an interim dividend of 13.0p per share (HY 2015: 12.0p), up 8.3% on the prior year. This will be paid on 24 October 2016 to shareholders on the register at 14 October 2016. The ex-dividend date will be 13 October 2016.

8. Board change. Adrian Martin has informed the Board that he will step down as Chairman and from the Board by the end of the year. A search for a new Chairman is underway and a further announcement will be made in due course. A separate announcement has been made on this today.

9. Principal risks and uncertainties. The Group has a clear and established risk framework in place for managing its risks. The framework is designed and operated to identify, control and mitigate any threat to the Group achieving its goals. The framework and the risks including details of the mitigations taken to manage them are set out more fully in the risk review in the Group's 2015 annual report. Since that time, the EU referendum has introduced some uncertainty in the UK economy and into the markets in which we operate. Accordingly, we have increased the risk likelihood of two of our market-related risks: 'macroeconomic - new opportunities' and 'exposure to UK housing market' and remain vigilant to external or internal indicators of these risks impacting upon the Group.

A summary of the principal risks and uncertainties that the directors consider may have a material impact on the Group's performance are:

- Markets: The markets in which the Group operates are affected to varying degrees by general global economic conditions. The Group's business model offers resilience through diversification, offering measured protection against cyclical effects of individual markets which together with the current high quality secured order book, the visible pipeline of opportunities and the current trading profile of the Group, indicates that the Group is well placed to accommodate any adverse short term market impact. However, unsettled worldwide conditions, such as the impact of the EU referendum, interest rates and crude oil prices, remain a concern in their ability to influence investor confidence that could impact on the Group's longer-term strategy.

- People: The Group's performance and business conduct affects employees, subcontractors and the public and, in turn, can affect its reputation and commercial performance. The Group prides itself on its industry-leading practices and its work in some high-profile and technically challenging markets. Increased market activity has resulted in higher levels of employee turnover across the sector. If the Group does not succeed in attracting and retaining the right talent for its future needs it will not be able to develop the business as anticipated.
- Maximise efficiency of resources: The Group undertakes several hundred contracts each year. It is important that contractual terms reflect risks arising from the nature and complexity of the works and the duration of the contracts and that these risks are effectively managed. Having identified the markets in which the Group will operate, it must ensure that it selects opportunities which it can successfully deliver by employing capable and available resources. It must actively manage these resources to ensure its clients receive exceptional levels of service.
- Disciplined use of capital: Without sufficient liquidity, the Group's ability to meet its liabilities as they fall due would be compromised, which could ultimately lead to its failure to continue as a going concern. In a rising market there is an increased risk that the Group's counterparties overtrade which could affect their liquidity. The heightened market that prevails could mean that a client or supply chain partner inadvertently over stresses their finances, so the Group needs to remain vigilant.
- Pursue innovation: The Group is committed to offering customers innovative and cost-effective solutions. If it fails to encourage an innovative approach across the Group it will lose its competitive edge and suffer reputational damage. This is coupled with the risk that the Group's systems will not provide appropriate security levels or resilience needed to ensure reliable levels of business continuity. The ever-evolving technology environment and persistent cyber security threat will remain a challenge for the foreseeable future.

Cautionary forward-looking statement

These results contain forward-looking statements based on current expectations and assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements. Each forward-looking statement speaks only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

Condensed consolidated income statement
For the six months ended 30 June 2016

		Six months to 30 June 2015 (unaudited)			Year ended 31 December 2015 (audited)		
	Six months to 30 June 2016 (unaudited)	Before exceptional operating items	Exceptional operating items	Total	Before exceptional operating items	Exceptional operating items	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue	**1,148.1**	1,152.0	-	1,152.0	2,384.7	-	2,384.7
Cost of sales	**(1,045.3)**	(1,056.1)	(39.4)	(1,095.5)	(2,171.5)	(46.9)	(2,218.4)
Gross profit/(loss)	**102.8**	95.9	(39.4)	56.5	213.2	(46.9)	166.3
Administrative expense	**(88.5)**	(85.5)	-	(85.5)	(184.0)	-	(184.0)
Share of net profit on joint ventures	**3.9**	5.1	-	5.1	9.6	-	9.6
Operating profit/(loss) before amortisation of intangible assets	**18.2**	15.5	(39.4)	(23.9)	38.8	(46.9)	(8.1)
Amortisation of intangible assets	**(0.7)**	(1.1)	-	(1.1)	(2.2)	-	(2.2)
Operating profit/(loss)	**17.5**	14.4	(39.4)	(25.0)	36.6	(46.9)	(10.3)
Finance income	**0.5**	0.5	-	0.5	1.2	-	1.2
Finance costs	**(2.6)**	(2.7)	-	(2.7)	(5.7)	-	(5.7)
Profit/(loss) before tax	**15.4**	12.2	(39.4)	(27.2)	32.1	(46.9)	(14.8)
Tax (note1)	**(2.9)**	(2.5)	8.0	5.5	(4.7)	9.5	4.8
Profit/(loss) for the period	**12.5**	9.7	(31.4)	(21.7)	27.4	(37.4)	(10.0)
Attributable to:							
Owners of the Company	**12.5**	9.8	(31.4)	(21.6)	27.5	(37.4)	(9.9)
Non-controlling interests	**-**	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Profit/(loss) for the period	**12.5**	9.7	(31.4)	(21.7)	27.4	(37.4)	(10.0)
Earnings/(loss) per share (note 4)							
Basic	**28.5p**			(49.4p)			(22.6p)
Diluted	**28.0p**			(48.9p)			(22.3p)

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

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2016

	Six months to 30 June 2016	Six months to 30 June 2015	Year ended 31 Dec 2015

	(unaudited)	(unaudited)	(audited)
	£m	£m	£m
Profit/(loss) for the period	**12.5**	(21.7)	(10.0)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain arising on defined benefit obligation	**-**	0.1	(0.1)
Income tax relating to items not reclassified	**-**	-	(0.1)
	-	0.1	(0.2)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange movement on translation of overseas operation	**(0.2)**	0.1	(0.4)
Other movement on cash flow hedges	**0.7**		0.2
	0.5	0.1	(0.2)
Other comprehensive income/(expense)	**0.5**	0.2	(0.4)
Total comprehensive income/(expense)	**13.0**	(21.5)	(10.4)
Attributable to:			
Owners of the Company	**13.0**	(21.4)	(10.3)
Non-controlling interests	**-**	(0.1)	(0.1)
Total comprehensive income/(expense)	**13.0**	(21.5)	(10.4)

Condensed consolidated balance sheet
At 30 June 2016

	Notes	**30 June 2016 (unaudited) £m**	30 June 2015 (unaudited) £m	31 Dec 2015 (audited) £m
Assets				
Goodwill and other intangible assets		**216.8**	217.7	217.3
Property, plant and equipment		**19.8**	19.8	20.8
Investment property		**7.4**	9.5	8.8
Investments in joint ventures		**48.7**	61.5	50.3
Shared equity loan receivables	5	**19.6**	20.6	20.3
Retirement benefit asset		**1.7**	1.2	1.4
Non-current assets		**314.0**	330.3	318.9
Inventories		**256.7**	256.4	246.7
Trade and other receivables	6	**382.5**	416.8	353.6
Cash and cash equivalents	7	**90.1**	84.9	115.7
Current assets		**729.3**	758.1	716.0
Total assets		**1,043.3**	1,088.4	1,034.9
Liabilities				
Trade and other payables	8	**(679.8)**	(696.0)	(674.5)
Current tax liabilities		**(5.6)**	(3.9)	(3.5)
Finance lease liabilities		**(1.4)**	(1.7)	(1.6)
Borrowings	7	**(18.7)**	(18.5)	(12.8)
Provisions		**-**	(0.7)	(0.1)
Current liabilities		**(705.5)**	(720.8)	(692.5)
Net current assets		**24.3**	37.3	23.5
Trade and other payables		**(17.1)**	(22.3)	(17.8)
Finance lease liabilities		**(1.4)**	(2.2)	(1.8)
Borrowings	7	**(35.0)**	(74.0)	(45.0)
Deferred tax liabilities		**(12.6)**	(11.0)	(11.9)
Provisions		**(18.0)**	(16.4)	(16.9)
Non-current liabilities		**(84.1)**	(125.9)	(93.4)
Total liabilities		**(789.6)**	(846.7)	(785.9)
Net assets		**253.7**	241.7 .	249.0
Equity				
Share capital		**2.2**	2.2	2.2
Share premium account		**33.4**	31.9	32.0
Other reserves		**(0.5)**	(0.7)	(1.0)
Retained earnings		**218.6**	209.0	216.5
Equity attributable to owners of the Company		**253.7**	242.4	249.7
Non-controlling interests		**-**	(0.7)	(0.7)
Total equity		**253.7**	241.7	249.0

Condensed consolidated cash flow statement
For the six months ended 30 June 2016

	Notes	**Six months to 30 June 2016 (unaudited) £m**	Six months to 30 June 2015 (unaudited) £m	Year ended 31 Dec 2015 (audited) £m

Operating activities				
Operating profit/(loss)		**17.5**	(25.0)	(10.3)
Adjusted for:				
Amortisation of intangible assets		**0.7**	1.1	2.2
Share of net profit of equity accounted joint ventures		**(3.9)**	(5.1)	(9.6)
Depreciation		**2.6**	2.6	5.5
Share option expense		**1.1**	0.8	2.0
Gain on disposal of property, plant and equipment		**-**	-	(0.3)
Movement in fair value of shared equity loan receivables		**(0.7)**	(0.6)	(1.4)
Non-cash exceptional operating items		**--**	39.4	46.9
Additional pension contributions		**(0.3)**	(0.3)	(0.7)
Disposals of investment properties		**1.4**	-	0.7
Repayment of shared equity loan receivables		**1.4**	0.4	1.1
Increase in provisions		**1.0**	0.4	1.1
Operating cash flows before movements in working capital		**20.8**	12.6	35.7
Increase in inventories		**(10.0)**	(54.2)	(44.5)
(Increase)/decrease in receivables		**(28.9)**	(14.1)	41.5
Increase/(decrease) in payables		**4.3**	5.6	(20.3)
Movements in working capital		**(34.6)**	(62.7)	(23.3)
Cash (outflow)/inflow from operations		**(13.8)**	(50.1)	12.4
Income taxes paid		**(0.1)**	(1.3)	(1.7)
Net cash (outflow)/inflow from operating activities		**(13.9)**	(51.4)	10.7
Investing activities				
Interest received		**0.5**	0.5	1.3
Dividend from joint ventures		**-**	0.5	0.7
Proceeds on disposal of property, plant and equipment		**0.3**	-	0.6
Purchases of property, plant and equipment		**(1.8)**	(3.5)	(6.2)
Purchases of intangible fixed assets		**(0.2)**	-	(1.4)
Net payments to increase interest in subsidiary		**(0.2)**	-	-
Net decrease/(increase) in loans to joint ventures		**5.7**	(2.0)	13.6
Net cash inflow/(outflow) from investing activities		**4.3**	(4.5)	8.6
Financing activities				
Interest paid		**(2.1)**	(1.6)	(4.7)
Dividends paid	3	**(7.5)**	(6.6)	(11.8)
Repayments of obligations under finance leases		**(0.6)**	(0.6)	(1.9)
(Repayment of)/proceeds from borrowings	7	**(4.1)**	60.6	25.9
Proceeds on issue of share capital		**1.4**	1.0	1.1
Payments to acquire treasury shares		**(3.1)**	-	-
Proceeds on exercise of share options		**-**	0.4	0.2
Net cash (outflow)/ inflow from financing activities		**(16.0)**	53.2	8.8
Net (decrease)/increase in cash and cash equivalents		**(25.6)**	(2.7)	28.1
Cash and cash equivalents at the beginning of the period		**115.7**	87.6	87.6
Cash and cash equivalents at the end of the period	7	**90.1**	84.9	115.7

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2016

	Share capital	Share premium account	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
1 January 2016	2.2	32.0	(1.0)	216.5	249.7	(0.7)	249.0
Total comprehensive income	-	-	0.5	12.5	13.0	-	13.0
Share option expense	-	-	-	1.1	1.1	-	1.1
Issue of shares at a premium	-	1.4	-	-	1.4	-	1.4
Purchase of treasury shares	-	-	-	(3.1)	(3.1)	-	(3.1)
Purchase of additional stake in subsidiary undertaking	-	-	-	(0.9)	(0.9)	0.7	(0.2)
Dividends paid	-	-	-	(7.5)	(7.5)	-	(7.5)
30 June 2016 (unaudited)	**2.2**	**33.4**	**(0.5)**	**218.6**	**253.7**	**-**	**253.7**

	Share capital	Share premium account	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
1 January 2015	2.2	30.9	(0.8)	236.2	268.5	(0.6)	267.9
Total comprehensive expense	-	-	0.1	(21.5)	(21.4)	(0.1)	(21.5)
Share option expense	-	-	-	0.8	0.8	-	0.8
Issue of shares at a premium	-	1.0	-	-	1.0	-	1.0
Exercise of share options	-	-	-	0.1	0.1	-	0.1
Dividends paid	-	-	-	(6.6)	(6.6)	-	(6.6)

30 June 2015 (unaudited)	2.2	31.9	(0.7)	209.0	242.4	(0.7)	241.7

	Share capital	Share premium account	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
1 January 2015	2.2	30.9	(0.8)	236.2	268.5	(0.6)	267.9
Total comprehensive expense	-	-	(0.2)	(10.1)	(10.3)	(0.1)	(10.4)
Share option expense	-	-	-	2.0	2.0	-	2.0
Issue of shares at a premium	-	1.1	-	-	1.1	-	1.1
Exercise of share options and vesting awards	-	-	-	0.2	0.2	-	0.2
Dividends paid	-	-	-	(11.8)	(11.8)	-	(11.8)
31 December 2015 (audited)	2.2	32.0	(1.0)	216.5	249.7	(0.7)	249.0

Other reserves
Other reserves include:

- Capital redemption reserve of £0.6m (30 June 2015: £0.6m, 31 December 2015: £0.6m) which was created on the redemption of preference shares in 2003.
- Hedging reserve of £0.1m (30 June 2015: (£0.8m), 31 December 2015: (£0.6m)) arising under cash flow hedge accounting. Movements on the effective portion of hedges are recognised through the hedging reserve, whilst any ineffectiveness is taken to the income statement.
- Translation reserve of (£1.2m) (30 June 2015: (£0.5m), 31 December 2015: (£1.0m)) arising on the translation of overseas operations into the Group's functional currency.

Retained earnings
Retained earnings include shares that are held as 'treasury shares' and represent the cost to Morgan Sindall Group plc of shares purchased in the market and held by the Morgan Sindall Employee Benefit Trust (the 'Trust') to satisfy options under the Group's share incentive schemes. The number of shares held by the Trust at 30 June 2016 was 760,133 (30 June 2015: 487,668, 31 December 2015: 466,425) with a cost of £6.6m (30 June 2015: £3.7m, 31 December 2015: £3.5m).

1 Basis of preparation

General information
The financial information set out in this half year report does not constitute the Company's statutory accounts for the year ended 31 December 2015 as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year was delivered to the Registrar of Companies. The auditor 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 section 498(2) or (3) of the Companies Act 2006. This half year report has not been audited or reviewed by the auditor pursuant to the Auditing Practices Board guidance on the Review of Interim Financial Information. Figures as at 30 June 2016 and 2015 and for the six months ended 30 June 2016 and 2015 are therefore unaudited.

Responsibility Statement

Basis of preparation
The annual financial statements of Morgan Sindall Group plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated financial statements included in this half year report were prepared in accordance with IAS 34 'Interim Financial Reporting'. While the financial information included in this half year report was prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS'), this half year report does not itself contain sufficient information to comply with IFRS.

Going concern
As at 30 June 2016, the Group had net cash of £36.4m and total committed banking facilities of £175m which are in place for greater than one year. The directors have reviewed the Group's forecasts and projections, and have modelled certain downside scenarios including potential impacts of the UK Referendum vote to leave the European Union, which show that the Group will have a sufficient level of headroom within facility limits and covenants for the foreseeable future. After making enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Changes in accounting policies
In the current year, the Group has adopted the following revised accounting standards, none of which have had a material impact on the Group's results:

- Annual Improvements 2012-2014 Cycle
- IAS 1 (amended) 'Presentation of Financial Statements'
- IAS 16 (amended) 'Property, Plant and Equipment'
- IAS 19 (amended) 'Employee Benefits'
- IAS 27 (amended) 'Separate Financial Statements'
- IAS 38 (amended) 'Intangible Assets'
- IFRS 11 (amended) 'Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations'

Otherwise, the same accounting policies, presentation and methods of computation are followed in the condensed consolidated financial statements as applied in the Group's latest annual audited financial statements.

Tax
A tax charge of £2.9m is shown for the six month period (six months to 30 June 2015: credit of £5.5m, year ended 31 December 2015: credit of £4.8m). This tax charge is recognised based upon the best estimate of the average income tax rate on profit before tax expected for the full financial year.

Seasonality
The Group's activities are generally not subject to significant seasonal variation.

2 Business segments

In previous periods the Group has reported five segments. In order to better reflect the way the business is managed and operated, Affordable Housing has been split into two reporting segments: Property Services and Partnership Housing. All other reporting segments are unchanged. The comparative figures below have been restated to reflect the new reporting structure.

The divisions' activities are as follows:

- Construction & Infrastructure works on projects and in frameworks and strategic alliances of all sizes across a broad range of markets including commercial, defence, education, energy, healthcare, industrial, leisure, retail, transport and water. The division's professional services business offers multi-disciplinary engineering and design consultancy services
- Fit Out: Overbury specialises in fit out and refurbishment projects operating through multiple procurement routes. Morgan Lovell specialises in office design and build, providing an end-to-end service which includes workplace consultancy and furniture solutions
- Property Services: focuses on response maintenance activities provided to the social housing, insurance and general commercial sectors.
- Partnership Housing: focuses on working in partnerships with local authorities and housing associations. Activities include mixed-tenure housing developments, building and developing homes for open market sale and for social/affordable rent, design and build house contracting and planned maintenance.
- Urban Regeneration: works with landowners and public sector partners to unlock value from under-developed assets to bring about sustainable regeneration and urban renewal through the delivery of new mixed-use communities. Typically creates commercial, retail, residential, leisure and public realm facilities.
- Investments: creates long-term strategic partnerships to realise the potential of under-utilised property assets, promotes sustained economic growth through regeneration and drives cost efficiencies through innovative and integrated estate management solutions. The division covers a wide range of markets including asset backed, education, healthcare and social care, residential, student accommodation, leisure and infrastructure.

Group Activities represents costs and income arising from corporate activities which cannot be meaningfully allocated to the operating segments. These include costs such as treasury management, corporate tax coordination, insurance management, company secretarial services, interest revenue and interest expense. The divisions are the basis on which the Group reports its segmental information as presented below:

For the six month period ended 30 June 2016

	Construction & Infrastructure	Fit Out	Property Services	Partnership Housing	Urban Regeneration	Investments	Group Activities	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	596.9	294.4	26.6	180.9	39.9	9.4	-	-	1,148.1
Inter-segment revenue	15.1	-	-	2.1	-	-	-	(17.2)	-
Total revenue	612.0	294.4	26.6	183.0	39.9	9.4	-	(17.2)	1,148.1
Operating profit/(loss) before amortisation of intangible assets	3.2	11.5	0.1	4.6	4.6	(0.8)	(5.0)	-	18.2
Amortisation of intangible assets	-	-	-	(0.3)	(0.4)	-	-	-	(0.7)
Operating profit/(loss)	3.2	11.5	0.1	4.3	4.2	(0.8)	(5.0)	-	17.5

For the six month period ended 30 June 2015 (restated)

	Construction & Infrastructure	Fit Out	Property Services	Partnership Housing	Urban Regeneration	Investments	Group Activities	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	621.4	293.4	31.5	170.9	25.8	9.0	-	-	1152.0
Inter-segment revenue	1.8	5.2	-	-	-	-	-	(7.0)	-
Total revenue	623.2	298.6	31.5	170.9	25.8	9.0	-	(7.0)	1152.0
Operating profit/(loss) before amortisation of intangible assets and exceptional operating items	0.3	10.4	(0.8)	3.8	5.0	0.4	(3.6)	-	15.5
Amortisation of intangible assets	-	-	-	(0.3)	(0.8)	-	-	-	(1.1)
Exceptional operating items	(39.4)	-	-	-	-	-	-	-	(39.4)
Operating (loss)/profit	(39.1)	10.4	(0.8)	3.5	4.2	0.4	(3.6)	-	(25.0)

For the year ended 31 December 2015 (restated)

	Construction & Infrastructure	Fit Out	Property Services	Partnership Housing	Urban Regeneration	Investments	Group Activities	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	1,230.5	606.2	59.5	365.0	110.4	13.1	-	-	2384.7
Inter-segment revenue	1.9	0.4	-	1.3	-	-	-	(3.6)	-
Total revenue	1232.4	606.6	59.5	366.3	110.4	13.1	-	(3.6)	2384.7
Operating profit/(loss) before amortisation of intangible assets and exceptional operating items	3.8	24.0	(1.0)	9.6	12.9	(1.5)	(9.0)	-	38.8

Amortisation of intangible assets	-	-	-	(0.6)	(1.6)	-	-	-	(2.2)
Exceptional operating items	(46.9)	-	-	-	-	-	-	-	(46.9)
Operating (loss)/profit	(43.1)	24.0	(1.0)	9.0	11.3	(1.5)	(9.0)	-	(10.3)

During the six months to 30 June 2016, six months to 30 June 2015 and the year ended 31 December 2015, inter-segment sales were charged at prevailing market prices and significantly all of the Group's operations were carried out in the UK.

3 Dividends

Amounts recognised as distributions to equity holders in the period:

	Six months to 30 June 2016 £m	Six months to 30 June 2015 £m	Year ended 31 Dec 2015 £m
Final dividend for the year ended 31 December 2015 of 17.0p per share	**7.5**	-	-
Interim dividend for the year ended 31 December 2015 of 12.0p per share	**-**	-	5.3
Final dividend for the year ended 31 December 2014 of 15.0p per share	**-**	6.5	6.5
	7.5	6.5	11.8

The proposed interim dividend of 13.0p per share was approved by the Board on 2 August 2016 and will be paid on 24 October 2016 to shareholders on the register at 14 October 2016. The ex-dividend date will be 13 October 2016.

4 Earnings/(loss) per share

	Six months to 30 June 2016 £m	Six months to 30 June 2015 £m	Year end 31 Dec 2015 £m
Earnings/(loss) attributable to the owners of the Company	**12.5**	(21.6)	(9.9)
Adjustments:			
Exceptional operating items net of tax	**-**	31.4	37.4
Amortisation of intangible assets net of tax	**0.6**	0.9	1.8
Deferred tax credit arising due to change in UK corporation tax rates	**-**	-	(1.7)
Adjusted Earnings	**13.1**	10.7	27.6

Basic weighted average ordinary shares (m)	**43.9**	43.7	43.8
Dilutive effect of share options and conditional shares not vested (m)	**0.7**	0.5	0.6
Diluted weighted average ordinary shares (m)	**44.6**	44.2	44.4
Basic earnings/(loss) per share	**28.5p**	(49.4p)	(22.6p)
Diluted earnings/(loss) per share	**28.0p**	(48.9p)	(22.3p)
Adjusted earnings per share	**29.8p**	24.5p	63.0p
Diluted adjusted earnings per share	**29.4p**	24.2p	62.2p

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 average share price for the period was £7.67 (30 June 2015: £7.56, 31 December 2015: £7.66).

A total of 2,176,026 share options that could potentially dilute earnings per share in the future were excluded from the above calculations because they were anti-dilutive at 30 June 2016 (30 June 2015: 917,350, 31 December 2015: 1,174,560).

5 Shared equity loan receivables

	30 June 2016 £m	30 June 2015 £m	31 Dec 2015 £m
1 January	**20.3**	20.4	20.4
Net change in fair value recognised in the income statement	**0.7**	0.6	1.4
Repayments	**(1.4)**	(0.4)	(1.5)
End of period	**19.6**	20.6	20.3

Basis of valuation and assumptions made
There is no directly observable fair value for individual loans arising from the sale of specific properties under the scheme, and therefore the Group has developed a model for determining the fair value of the portfolio of loans based on national property prices, expected property price increases, expected loan defaults and a discount factor which reflects the interest rate expected on an instrument of similar risk and duration in the market. Details of the key assumptions made in this valuation are as follows:

	30 June 2016	30 June 2015	31 Dec 2015
Assumption			
Period over which shared equity loan receivables are discounted:			
First Buy and Home Buy schemes	**20 years**	20 years	20 years

Other schemes	**9 years**	9 years	9 years
Nominal discount rate	**6.6%**	6.7%	6.6%
Weighted average nominal annual property price increase	**2.8%**	3.2%	2.8%
Forecast default rate	**2.0%**	2.0%	2.0%
Number of properties sold under the shared equity scheme for which a loan was outstanding at the year end	**630**	705	669

The fair value measurement for shared equity loan receivables is classified as Level 3 as defined by IFRS 7 'Financial instruments'.

Sensitivity analysis
At 30 June 2016, if the nominal discount rate had been 100bps higher at 7.6% and all other variables were held constant, the fair value of the shared equity loan receivables would decrease by £0.6m with a corresponding reduction in both the result for the period and equity (excluding the effects of tax).

At 30 June 2016, if the period over which the shared equity loan receivables (excluding those relating to the First Buy and Home Buy schemes) are discounted had been 10 years and all other variables were held constant, the fair value of the shared equity loan receivables would decrease by £0.7m with a corresponding reduction in both the result for the period and equity (excluding the effects of tax).

6 Trade and other receivables

	30 June 2016 £m	30 June 2015 £m	31 Dec 2015 £m
Amounts due from construction contract customers	**204.6**	246.9	166.1
Trade receivables	**152.6**	147.0	170.0
Amounts owed by joint ventures	**0.7**	0.6	0.8
Prepayments	**11.7**	13.0	10.1
Other receivables	**12.9**	9.3	6.6
	382.5	416.8	353.6

7 Net cash/(debt)

	30 June 2016 £m	30 June 2015 £m	31 Dec 2015 £m
Cash and cash equivalents	**90.1**	84.9	115.7
Non-recourse project financing due in less than one year	**(18.7)**	(18.5)	(12.8)
Borrowings due after more than one year	**(35.0)**	(74.0)	(45.0)
Net cash/(debt)	**36.4**	(7.6)	57.9

Borrowings of £35.0m were drawn down under the Group's committed bank loan facilities. Additional project finance borrowings of £18.7m were drawn from separate facilities to fund specific projects. These project finance borrowings are without recourse to the remainder of the Group's assets.

8 Trade and other payables

	30 June 2016 £m	30 June 2015 £m	31 Dec 2015 £m
Trade payables	**144.0**	209.7	161.5
Amounts due to construction contract customers	**69.3**	43.3	53.9
Amounts owed to joint ventures	**0.2**	0.2	0.2
Other tax and social security	**34.9**	17.7	33.2
Accrued expenses	**394.6**	396.9	396.2
Deferred income	**5.7**	8.9	4.5
Other payables	**31.1**	19.3	25.0
	679.8	696.0	674.5

Current and non-current other payables include £7.0m and £7.2m respectively (30 June 2015: £nil and £13.8m, 31 December 2015 £7.0m and £7.0m) related to the discounted deferred consideration due on the acquisition of an additional interest in ISIS Waterside Regeneration (General Partner) Limited.

9 Contingent liabilities

Group banking facilities and surety bond facilities are supported by cross guarantees given by the Company and participating companies in the Group. There are contingent liabilities in respect of surety bond facilities, guarantees and claims under contracting and other arrangements, including joint arrangements and joint ventures entered into in the normal course of business.

10 Subsequent events

There were no subsequent events that affected the financial statements of the Group.

The directors confirm that to the best of their knowledge:

- the unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union required by DTR 4.2.4R;
- the half year report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the half year report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein)

By order of the Board

John Morgan **Steve Crummett**
Chief Executive **Finance Director**

2 August 2016

END

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