

Full year results to 30 June 2015

Greg Fitzgerald, Executive Chairman, and Graham Prothero, Finance Director



Wilshere Park, Welwyn, Hertfordshire

- **Overview**
- **Strategy to 2018**
- **Financial review**
- **Operating review**
- **Outlook and summary**
- **Appendices**

Overview



Group

- **Record profits before tax of £114.0m; £117.7m before exceptional items**
- **High levels of build cost inflation for all businesses; signs it is beginning to moderate**
- **Excellent cash performance**
- **Return on net assets improved to 23.3%**
- **Strong executive and non-executive director appointments**
- **Encouraging progress against strategy to 2018**
- **28% increase in full year dividend to 68p per share**

Housebuilding

- **Linden Homes margin of 16.0% in line with strategy**
- **Linden Homes restructured in the South to improve overhead leverage; annualised savings up to £2m.**
- **Acquisition of Shepherd Homes accelerates growth in the North**
- **Continued strong growth in Partnerships' revenue and margin**
- **Record landbank of 15,750 units in a benign land market**
- **Successful sale of shared equity portfolio**

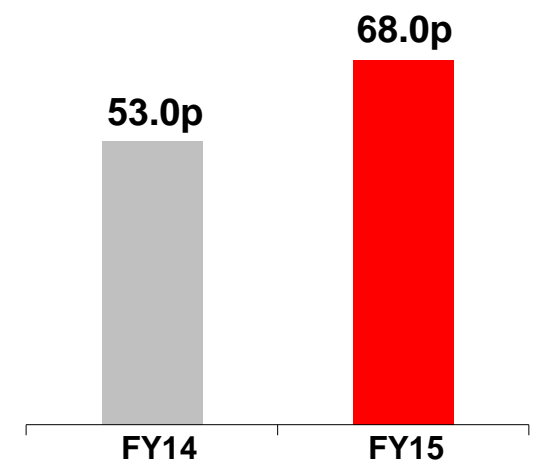
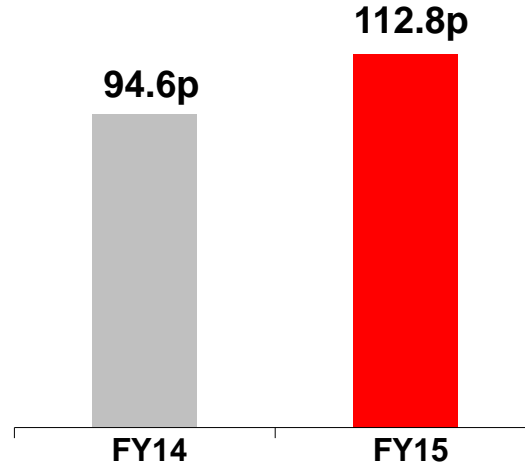
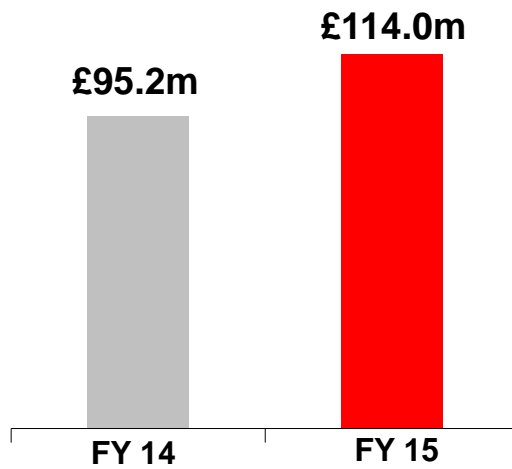
Construction

- **Timely acquisition of Miller Construction successfully integrated, with synergies forecast to exceed initial expectations**
- **Record order book of £3.8bn in an improving market**
- **Margins now improving and continued outstanding cash performance**

PBT up 20%¹

EPS up 19%¹

Dividend up 28%



¹ Stated after exceptional costs of £3.7m at June 2015 (June 2014: exceptional profit £0.3m)

Strategy to 2018



- **Linden Homes on track to achieve revenue growth target and operating margin of 18%**
- **Galliford Try Partnerships expecting to exceed £400m revenue and achieve in excess of 4% blended operating margin. Increase in investment now incorporated into our plans**
- **Construction revenue on track to reach £1.5bn; margins now improving towards the 2.0% target**
- **Group headcount increased by 1,074 to 5,562 in the year to 30 June 2015, including acquisitions**
- **Balance sheet gearing remains below our 30% limit, with return on capital increasing**
- **Dividend cover for June 2015 of 1.7x (pre-exceptional); aiming to reduce to 1.5x**
- **We remain confident of achieving our enhanced strategy to 2018, more than doubling the profit and earnings per share from 2013, with greater increase in dividend**

Financial review



Financial review

Summary income statement

£m	2015	2014	%
Revenue¹	2,430.7	1,850.8	+31%
Profit from operations	138.9	110.5	+26%
Profit before exceptional items² and tax	117.7	94.9	+24%
Profit before tax	114.0	95.2	+20%
Earnings per share			
• pre-exceptional ²	116.3p	94.2p	+23%
• post-exceptional	112.8p	94.6p	+19%
Dividend per share	68.0p	53.0p	28%

¹ Includes share of joint ventures

² Exceptional items represent £3.7m integration costs of Miller Construction in the year to 30 June 2015

Financial review

Segmental analysis

£m	2015		
	Revenue ¹	Profit/(Loss) from Operations ²	Operating Margin
Housebuilding			
Linden Homes	779.0	124.3	16.0%
Galliford Try Partnerships	329.4	9.4	2.9%
Construction	1,293.2	15.7	1.2%
PPP Investments	28.8	3.7	NA
Group	0.3	(14.2)	NA
TOTAL	2,430.7	138.9	5.7%

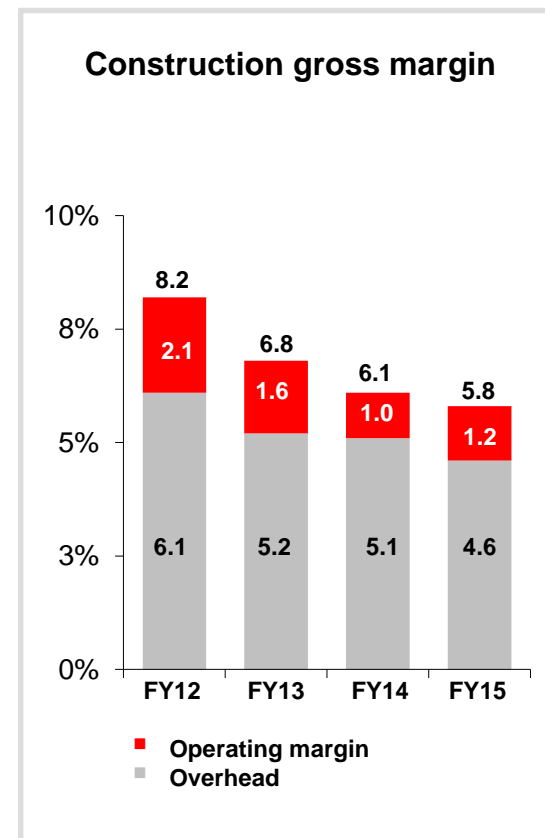
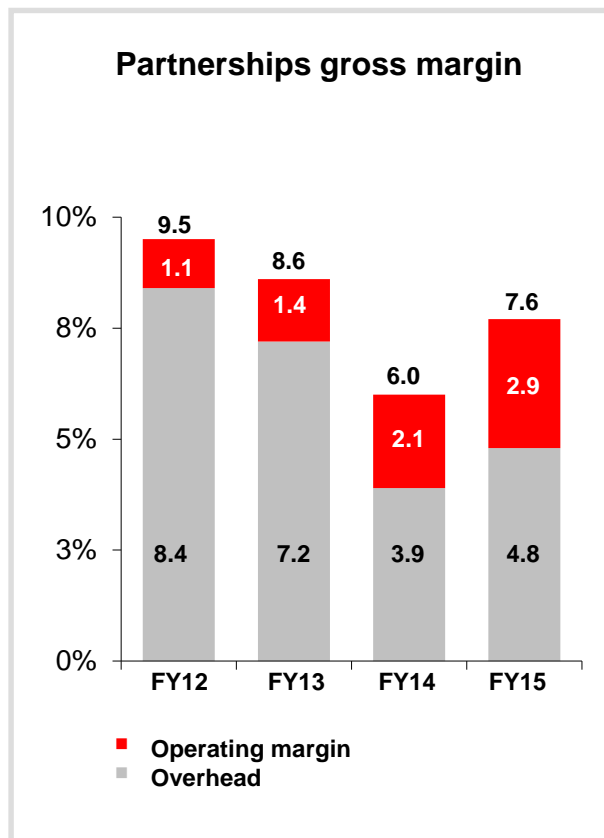
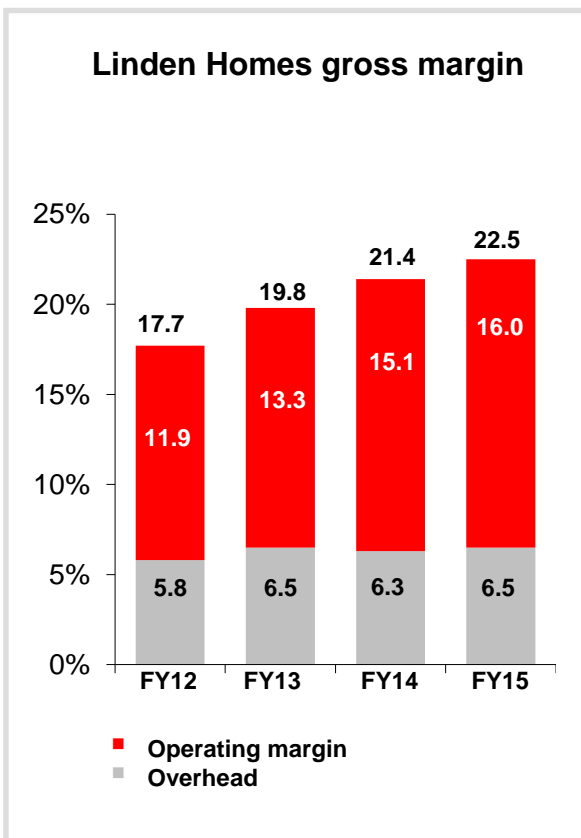
£m	2014		
	Revenue ¹	Profit/(Loss) from Operations ²	Operating Margin
Housebuilding			
Linden Homes	759.6	114.9	15.1%
Galliford Try Partnerships	242.8	5.0	2.1%
Construction	832.9	8.0	1.0%
PPP Investments	15.1	(1.8)	NA
Group	0.4	(15.6)	NA
TOTAL	1,850.8	110.5	6.0%

¹ Revenue includes share of joint ventures

² Profit from operations stated before finance costs, amortisation, exceptional items, joint ventures' interest and tax, and taxation

Financial review

Gross margin analysis



Financial review

Acquisitions and exceptional items

- **Miller Construction integration completed during the year**
 - **Exceptional integration costs of £3.7m; less than budgeted £4.0m**
 - **Synergy savings ahead of expectation, at £7m in 2015 and £8m thereafter**
 - **Limited variation to fair value exercise since pre-acquisition appraisal and half year estimate**
 - **Capitalised intangible assets related to Miller Construction of £12.1m; amortised £2.2m in FY15 and FY16 and £1.0m thereafter**
 - **Goodwill of £20.2m**

- **Shepherd Homes acquired in May 2015 for £31m**
 - **Purchase of business, not company, at discount to NAV**
 - **Landbank of 515 plots; acquisition margins of 21.3%**
 - **59 people transferred to Linden Homes**
 - **Goodwill recognised of £0.3m**
 - **No exceptional integration costs incurred**

Financial review

Sale of shared equity portfolio

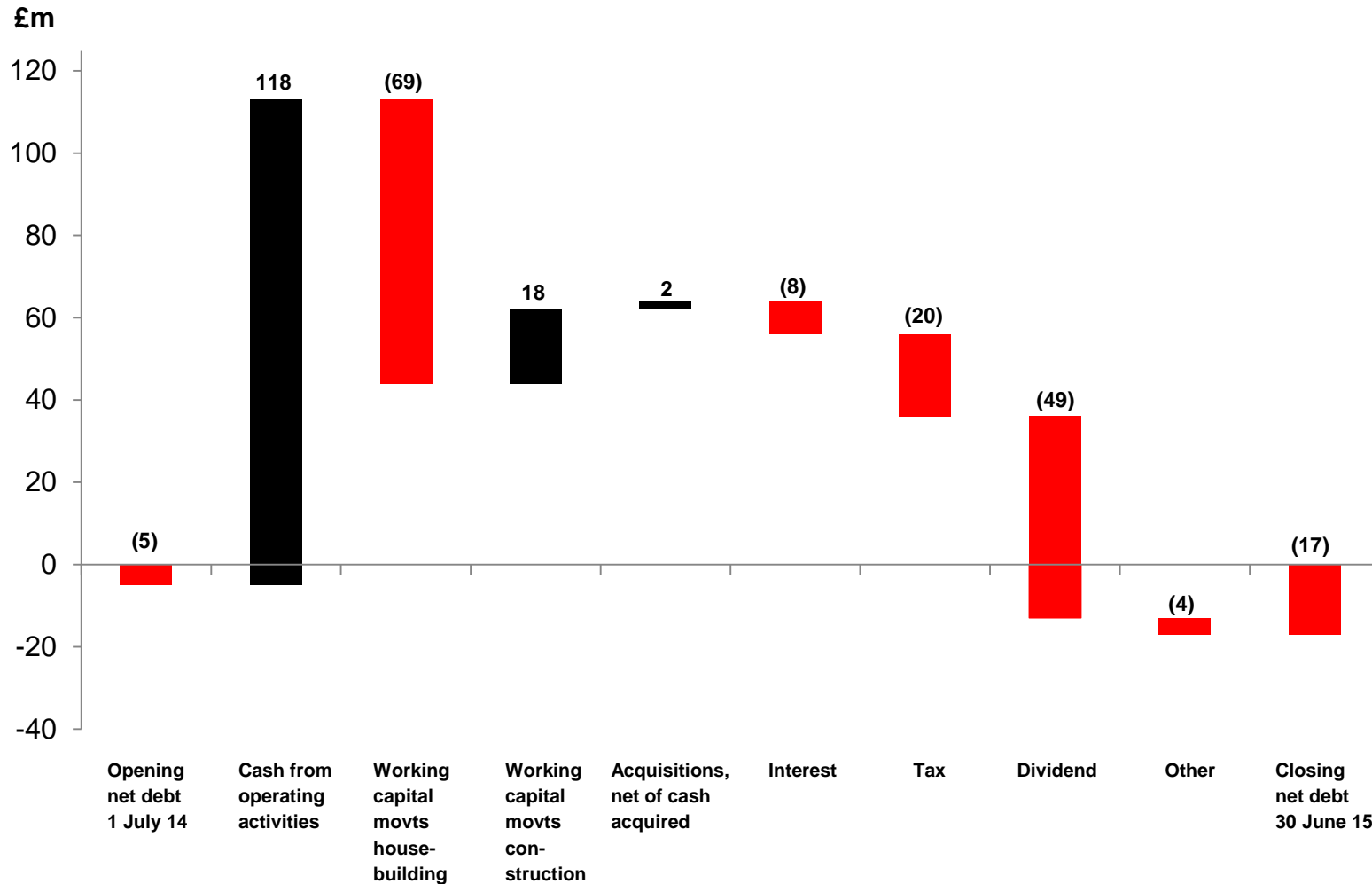
- **Sale of shared equity portfolio for £18.6 million**
- **Represents 76p per £1; in line with balance sheet value**
- **£9.1 million received July 2015; balance payable in line with redemptions of underlying assets, or by July 2016 latest**
- **De-risks balance sheet and allows redeployment of capital**

Financial review

Cash management

- **Strong focus on working capital management continues**
- **Year end net debt of £17.3m, period end gearing of 3%**
- **Land creditors increased to £391m, with landbank up by 13%**
- **Cash in construction strong and up on FY14 at £172.7m and 13% of turnover**
- **Average net debt of £168m, within our business plan**
- **Average net debt in FY16 will rise in line with plan**
- **Bank facility of £400m amended in February 2015; reduced margin and now matures in 2020**

Cash flow



Balance sheet highlights

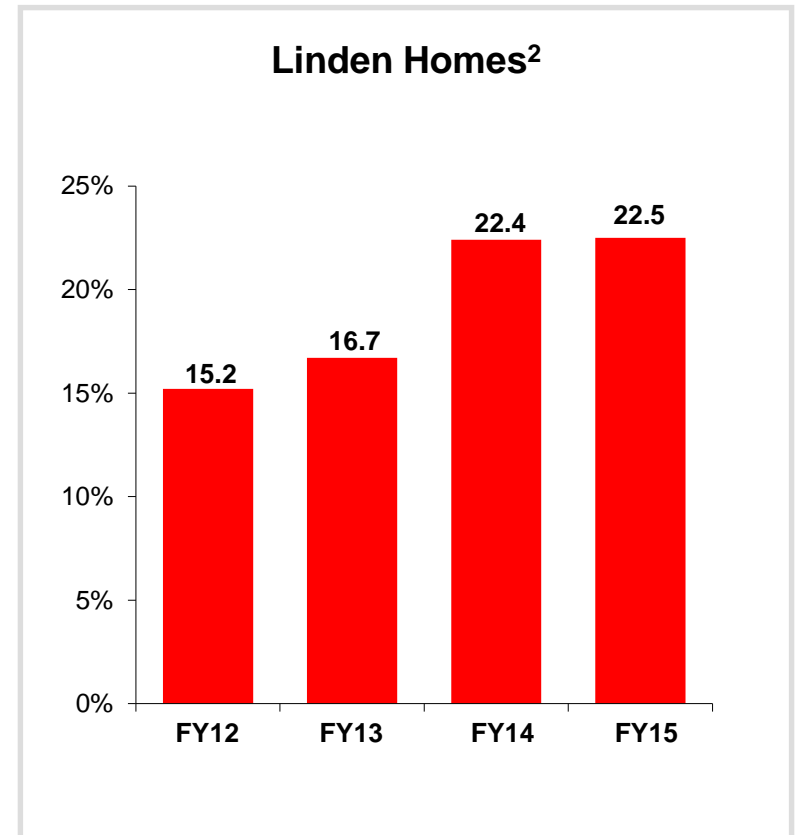
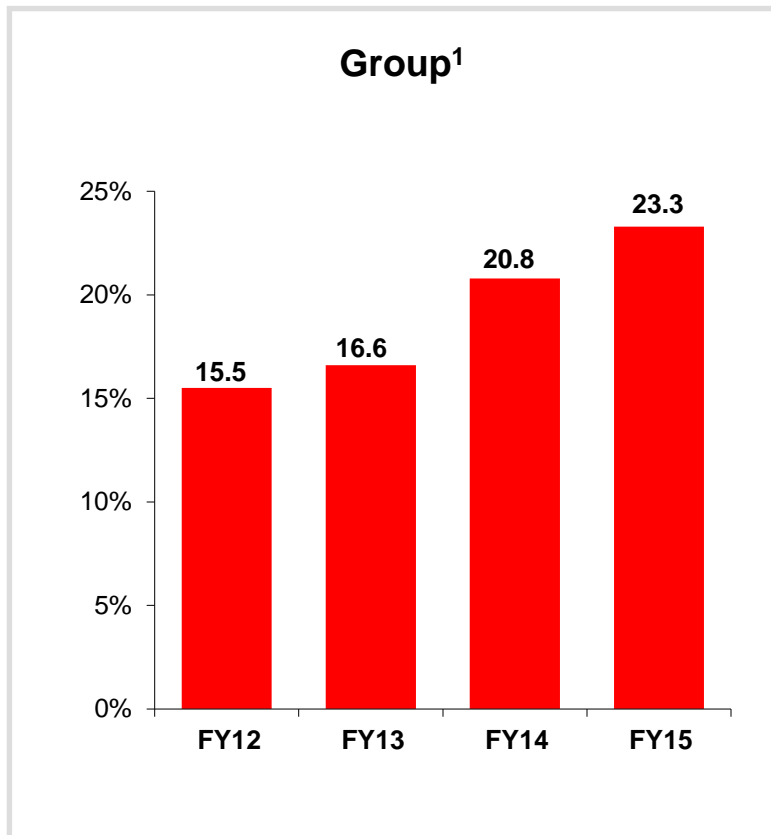
£m	2015	2014
Net asset value	569.2	534.2
Goodwill	135.5	115.0
Tangible net assets	412.8	406.1
Net (debt)	(17.3)	(5.1)
Gearing	3%	1%

Investment in housebuilding

£m	2015	2014
Amounts invested in joint ventures	180.2	103.2
Land	745.4	607.6
Work in progress	234.0	239.6
Total invested in housebuilding developments and JVs	1,159.6	950.4
Land creditors ¹	(390.9)	(233.4)
Net capital employed	768.7	717.0

¹ See Appendix 3.2 for payment profile

Return on net assets



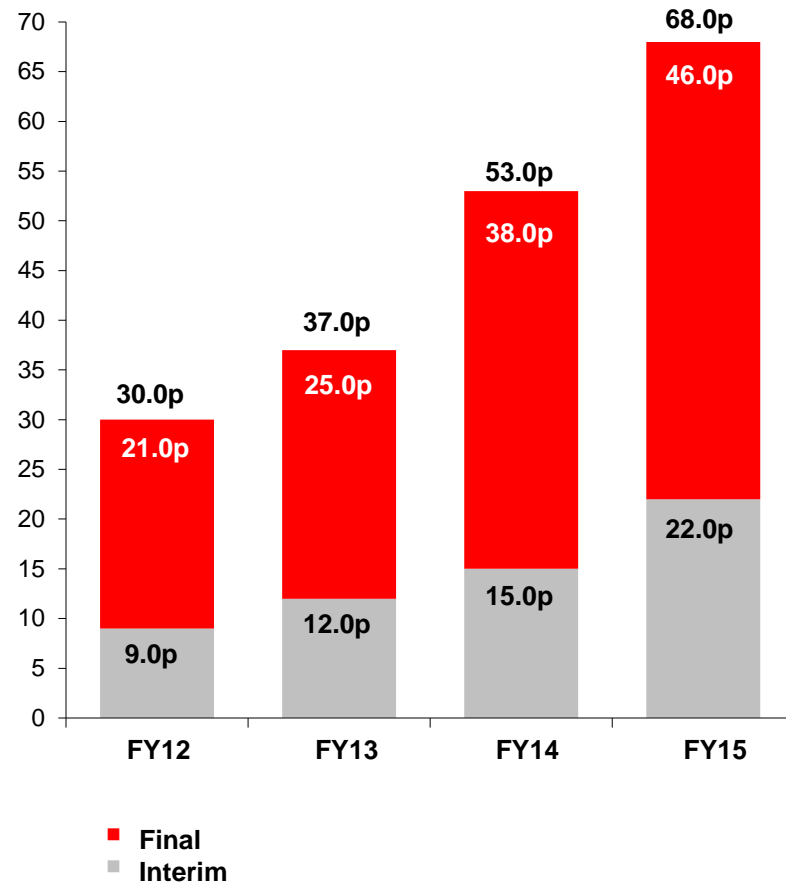
¹ Group RONA is calculated as pre-exceptional EBITA divided by average net assets including goodwill

² Linden Homes RONA is calculated as Linden Homes EBITA divided by average net assets including goodwill

Dividend

- Sustainable and progressive dividend policy
- Full year dividend increased by 28%
- Dividend covered 1.7x; aiming to reduce cover to 1.5x

Cover	2.0x	1.9x	1.8x	1.7x
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Operating review

Housebuilding – Linden Homes & Galliford Try Partnerships



REVENUE		up 11%
£1,108m		(FY14: £1,002m)

COMPLETIONS		up 2% & 20%
Units:	3,177	(FY14: 3,107)
Equivalent Contracting Units:	1,800	(2014: 1,500)

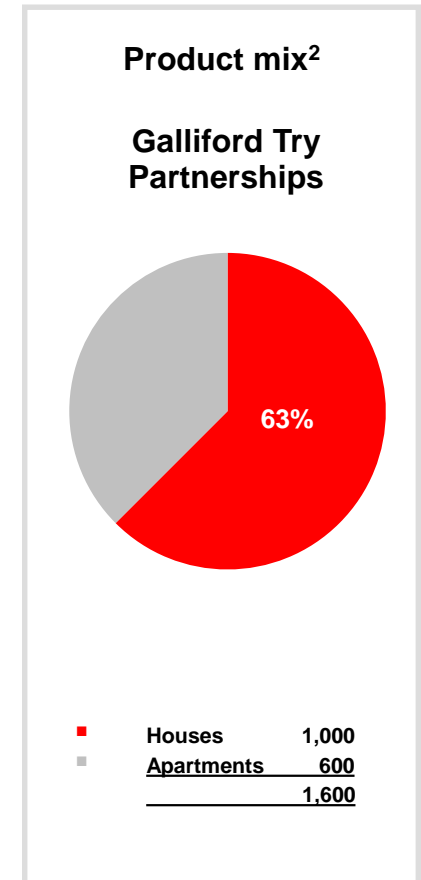
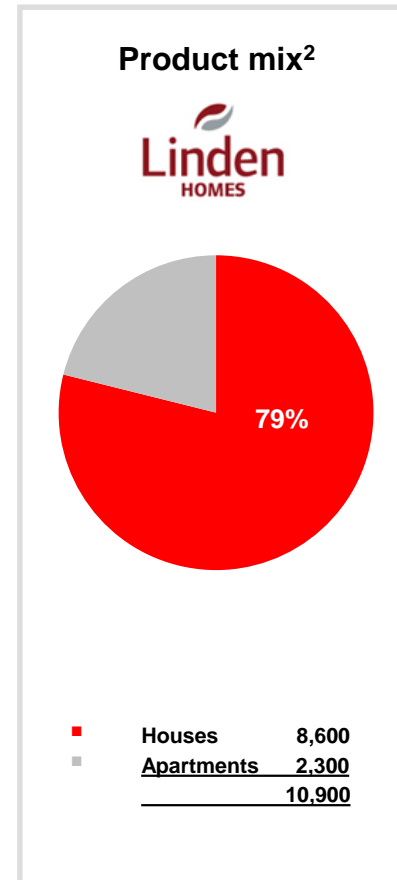
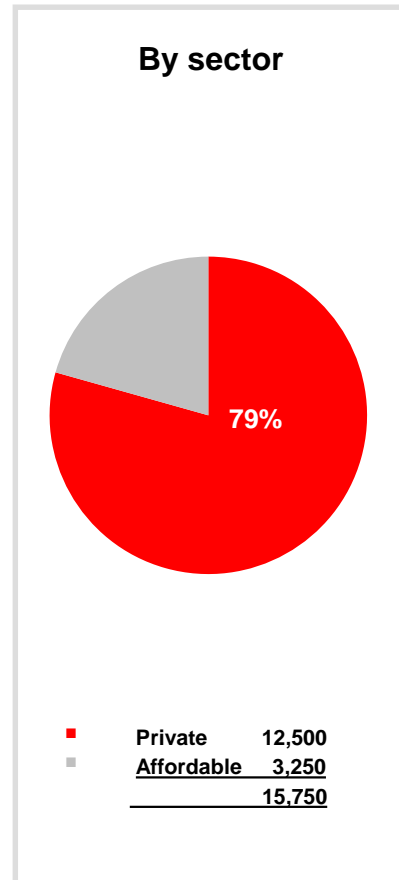
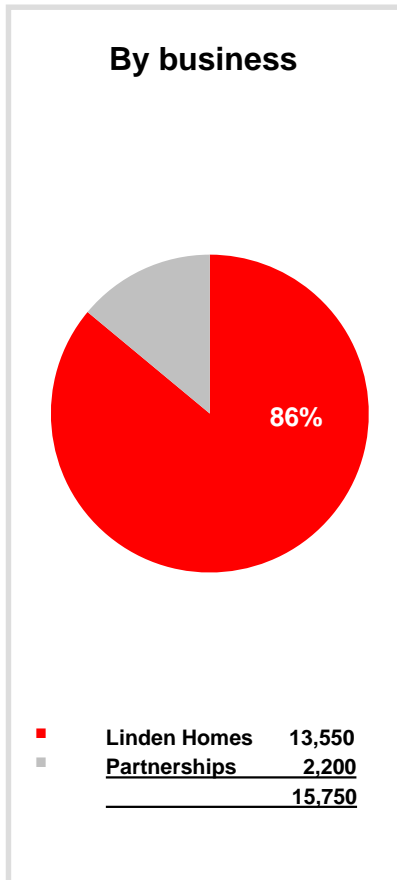
LANDBANK ^{1,2}		up 13% & 25%
Units:	15,750	(FY14: 14,000)
GDV:	£4.5bn	(FY14: £3.6bn)

SALES IN HAND/ORDER BK¹		up 8% & 39%
Sales in hand:	£464m	(FY14: £428m)
Order book:	£850m	(FY14: £610m)

¹ Current at 7 September 2015

² Plots owned and controlled

Landbank analysis¹



¹ Current at 7 September 2015

² Excludes affordable

Operating review - Housebuilding

Affordable Housing & Regeneration

- Detailed sector knowledge optimising revenues and cash
- Continued government support to maintain supply, and Help to Buy extended to 2020
- Impact and opportunities of social rent reforms assessed
- Successful conclusion of HCA 2011-15 programme
- Public land wins secured during year, with GDV totalling £468m
- Increased joint ventures with Registered Providers, to £1.85bn GDV

Operating review

Housebuilding – Linden Homes



Linden Homes

COMPS/REVENUE		Revenue up 3%
Units:	2,769	(FY14: 2,887)
Revenue:	£779m	(FY14: £760m)

MARGIN		up 0.9pts
16.0%		(FY14: 15.1%)

SALES IN HAND¹		up 8%
£413m		(FY14: £384m)

LANDBANK UNITS^{1,3}		up 8%
13,550		(FY14: 12,500)

AVERAGE SALES PRICE²		up 7%²
£327k		(FY14: £305k)

LANDBANK GDV^{1,3}		up 18%
£3.9bn		(FY14: £3.3bn)

¹ Current at 7 September 2015

² Excludes affordable

³ Plots owned and controlled

Linden Homes

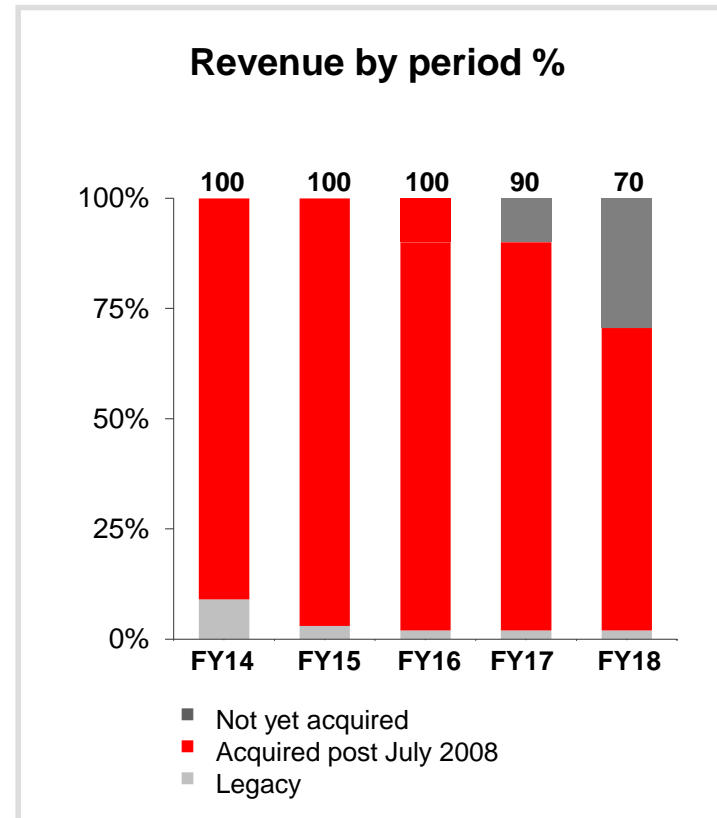
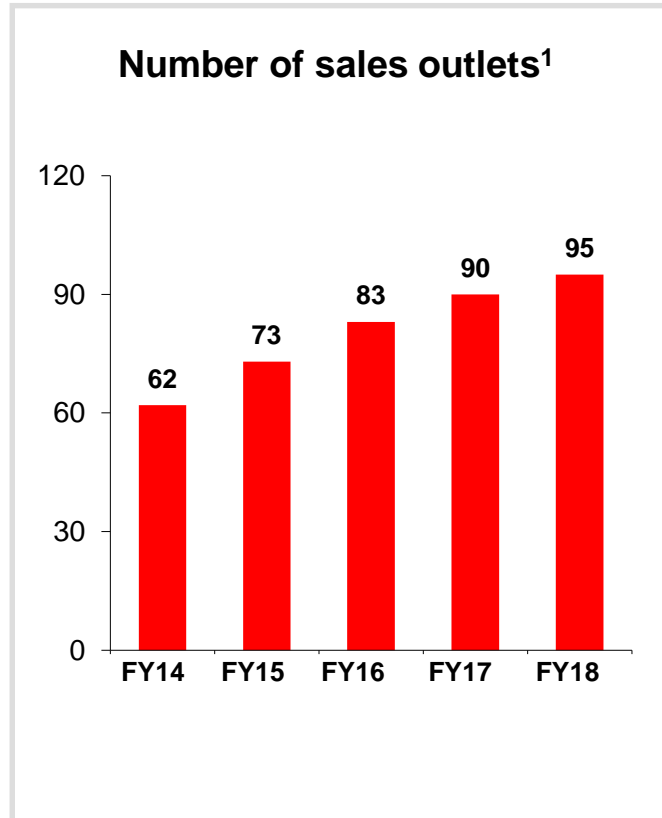
- **Sales environment continues to be good**
- **Average outlets of 62 in FY15 (FY14: 70); rising to 76 in FY16**
- **Sales per outlet per week stable at 0.61 (FY14: 0.62)**
- **Mortgage availability is good and Help to Buy remains an important facility for purchasers**
- **Shepherd Homes efficiently integrated, extending our reach in Yorkshire**
- **Shared equity portfolio successfully sold at balance sheet value of £18.6m, being 76p per £1**
- **All land for FY16 is secured together with 90% for FY17**
- **Land market is good in all regions; planning environment remains favourable**
- **1,500 acres held in strategic landbank, with 1,950 units currently in planning process**

Operating review - Housebuilding

Linden Homes margin improvement

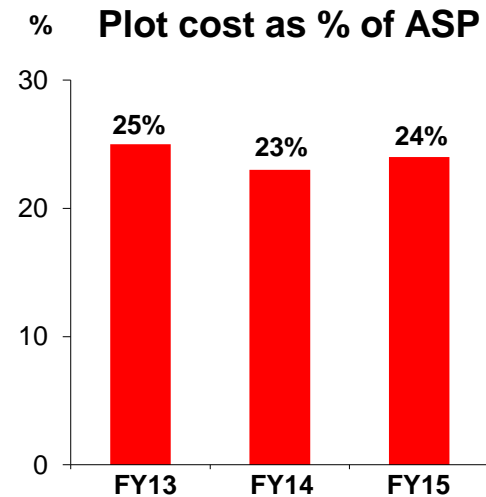
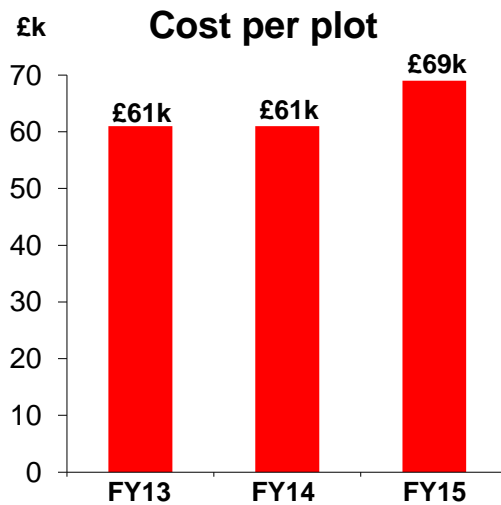
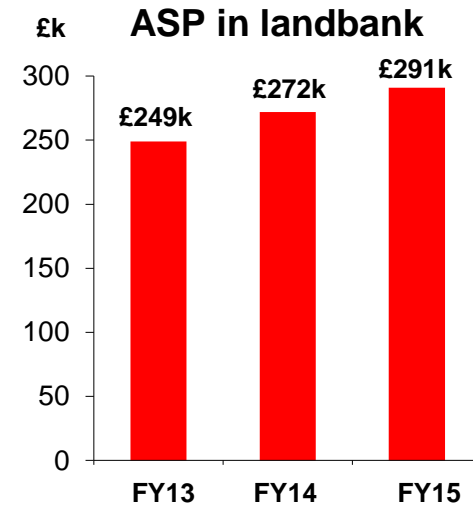
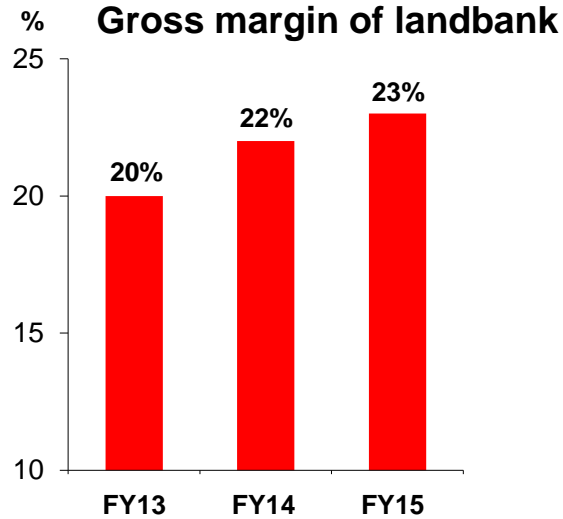
- **Increase in operating margin from 15.1% to 16.0%**
- **Excluding land sales, predominantly into strategic joint ventures, operating margin at 14.7% (FY14: 14.6%)**
- **Adverse impact of supply chain cost inflation**
- **Continue to focus on efficiency and process improvements**
- **First Linden Homes Layouts now on site**
- **Action taken to merge underperforming business unit and improve overhead leverage**
- **£2m annualised savings; £0.5m net saving in FY16**
- **Confident of achieving our operating margin target of 18% by 2018**

Linden Homes: forecast outlets and revenue



¹ As at end of financial year

Linden Homes: landbank analysis¹



¹ Includes affordable

Operating review

Housebuilding – Galliford Try Partnerships



Galliford Try Partnerships

REVENUE		up 24% & 152%
Contracting:	£273m	(FY14: £221m)
Mixed-tenure:	£56m	(FY14: £22m)

MARGIN		up 0.8pts
2.9%		(FY14: 2.1%)

ORDER BOOK/ SALES IN HAND¹		up 39% & 16%
Contracting:	£850m	(FY14: £610m)
Mixed-tenure:	£51m	(FY14: £44m)

LANDBANK^{1,2}		up 47% & 82%
Units:	2,200	(FY14: 1,500)
GDV:	£553m	(FY14: £303m)

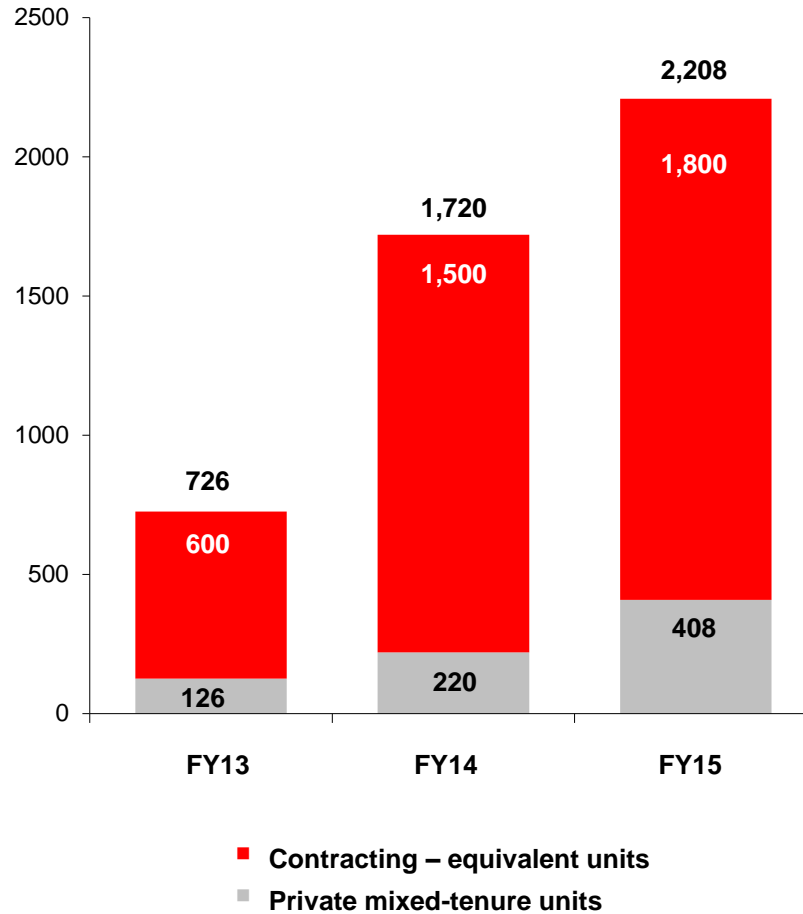
¹ Current at 7 September 2015

² Plots owned and controlled

Galliford Try Partnerships

- **New North West office opened 1 July 2015**
- **Housing association partnerships increasing and likely to grow in importance following budget**
- **Mixed-tenure expertise generating significant market opportunities**
- **Extra Care continuing to provide good level of work**
- **Excellent wins during the year**

Units delivered



Operating review

Construction



MARGIN	up 0.2pts
1.2%	(FY14: 1.0%)

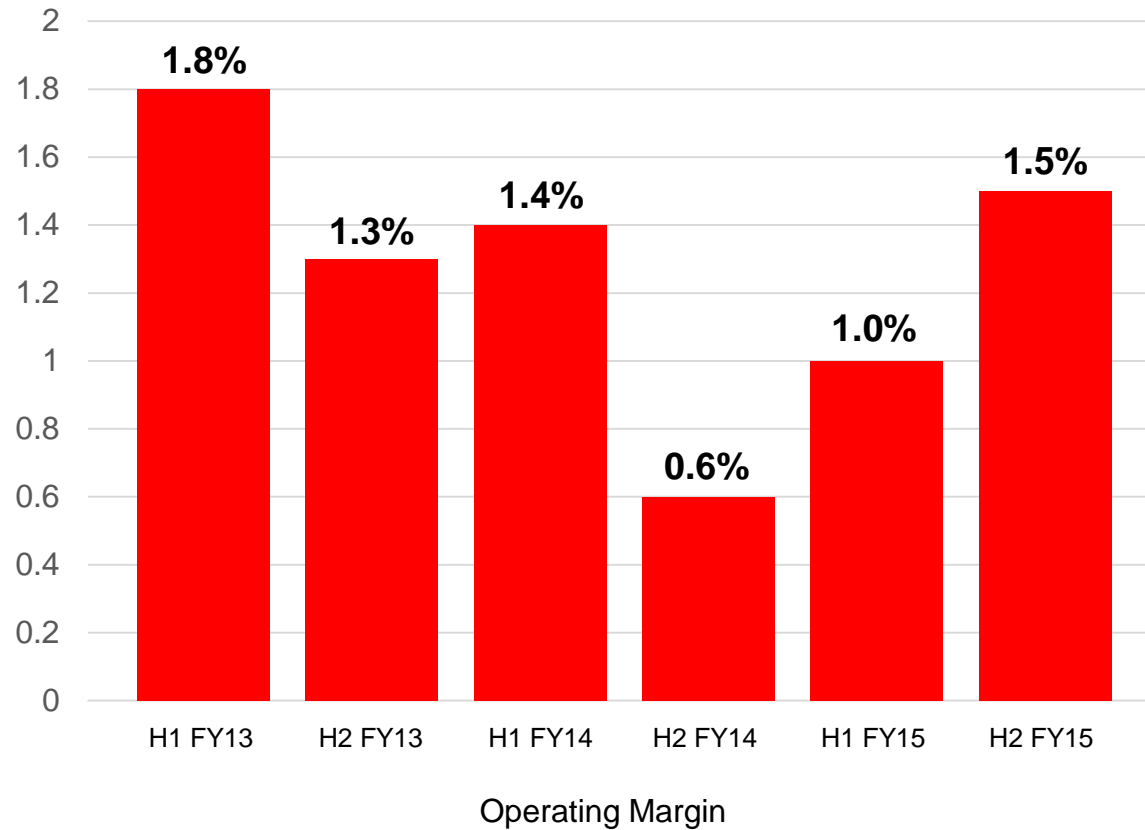
CASH	up £22m
£173m	(FY14: £151m)

ORDER BOOK¹	up £0.8bn
£3.8bn	(FY14: £3.0bn)

WORK SECURED¹	up 2pts
90% (for 2015/16)	(FY14: 88%)

¹ Current at 7 September 2015

Operating margin recovering

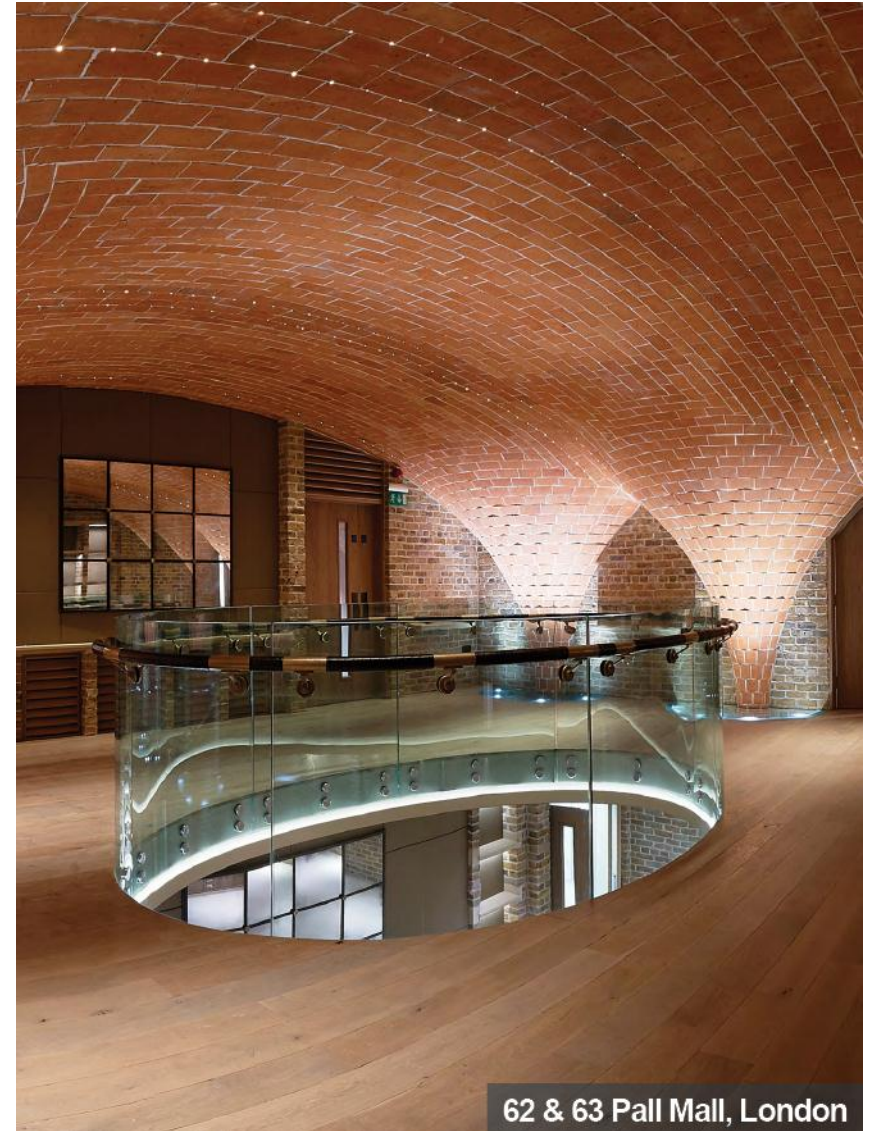


Review of year

- **Timely acquisition of Miller Construction advances strategy, strengthens our team and enhances order book, adding new clients and frameworks**
- **Margin improved to 1.2%, held back in Building as we finalise work won in more difficult economic conditions**
- **Outstanding performance on cash, at £173m and 13% of turnover**
- **Opportunity levels continuing to improve; now winning work with appropriate margin and inflation protection**
- **Continuing to prioritise risk management, margin and cash**
- **Management strengthened with appointment of Bill Hocking as Managing Director**

Building Division

- **Business successfully reorganised following integration of Miller Construction**
- **Revenue increased, partly through contribution of Miller Construction**
- **Margin constrained by inflation as we complete historical projects, but no exceptional losses**
- **New work contains appropriate margin and inflation allowances**
- **Increasing use of two-stage contract negotiations**
- **Excellent progress in framework wins, in particular in education, representing 70% of order book**



Operating review - Construction

Infrastructure Division

- Revenue and margin up in period
- Strong sector focus and success in securing major projects and national frameworks, comprising 68% of order book
- Good progress in concluding AMP5 contracts and strong presence in AMP6
- Market strong allowing us to be selective in pursuing opportunities



Burton Old Road Bridge Replacement,
Lichfield Park, Staffordshire

Operating review - Construction

Investments Division

- Financially closed five projects in the period
- Continue to sell investments to maximise value, as per strategy
- £10.2m portfolio – directors' valuation £18.1m
- Strong presence in Scotland proving advantageous

Facilities Management

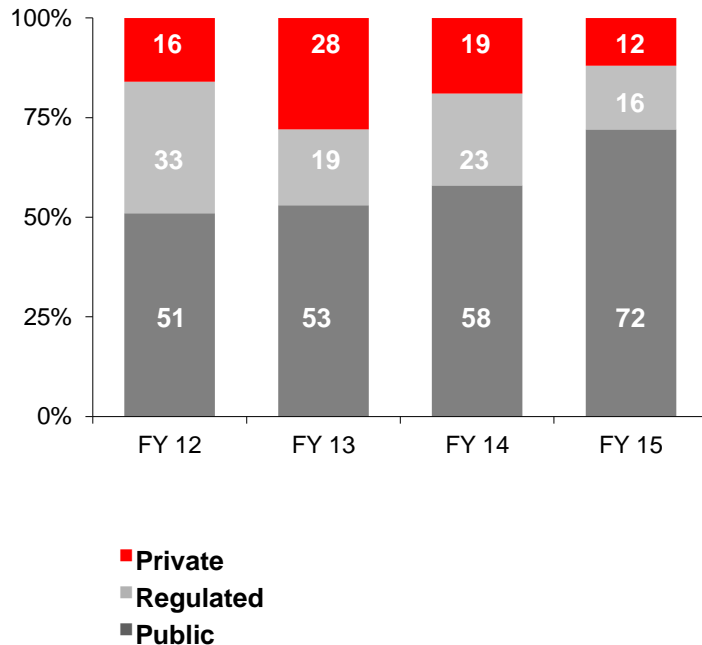
- Doubled in size following acquisition of Miller Construction
- Order book now £410m
- Appointed to £3.5bn Crown Estates Framework



Aberdeen Community Health and Care Village

Order book

By client type



Major wins:

- Southern Construction framework (£3.9bn)
- North West Construction hub (£400m)
- Priority Schools Building Programme (£160m)
- Next Generation Estates contract framework (£250m)
- Aberdeen Western Peripheral Route (£550m)
- Smart Motorways programme (£1.6bn)
- Scottish Water and Southern Water frameworks (£775m)
- Network Rail framework (£250m)

Outlook and summary



Disciplined growth in all divisions

Housebuilding

Linden Homes

- **Confident of achieving operating margin of 18% by 2018**
- **Secure the benefits of the margin improvement plan**
- **Strong in hand position at 34% of FY16 revenues following encouraging summer trading**
- **Land market continues to be benign; achieving our hurdle rate of 24%**
- **100% of land secured for 2016, and 90% for 2017**
- **Market continuing to grow at a sustainable rate**

Galliford Try Partnerships

- **Continue to target growth and margin improvement to in excess of 4%**
- **Continuing cross-party political support; well positioned for changes in affordable market**
- **Strong pipeline visibility, with 75% of contracting revenue secured for FY16**
- **Excellent wins in period demonstrating our market leading position**

Outlook

Disciplined growth in all divisions

Construction

- **Improving market opportunities, supporting growth to target margin of 2.0%**
- **Order book increased to £3.8bn**
- **90% secured for 2016; continuing to conclude legacy contracts, with vast majority practically complete**
- **Continuing to grow long term relationships and national frameworks**
- **Focus on cash and risk management**

- **Excellent results, with strong profits and cash, underpinning a 28% rise in dividend**
- **Improvement in Linden Homes margin, with focus continuing**
- **Galliford Try Partnerships delivering strong growth, with increasing demand for our offering**
- **Construction performance robust, with transformed order book in an improving market**
- **Balance sheet strong and funding secure**
- **High levels of build cost inflation during the year, managed well and starting to moderate**
- **Economy supporting growth in all our divisions**
- **Management strengthened with executive and non-executive appointments**
- **Aiming to reduce dividend cover to 1.5x**
- **Confident in delivery of our enhanced strategy to 2018**

Appendices



Elgin Flood Alleviation Scheme



Wilberforce Manor, Pocklington, East Yorkshire

Appendices

- 1. Cash flow summary**
- 2. Group profit**
 - 2.1 Analysis of PBT, exceptional items and amortisation**
 - 2.2 Net finance costs**
- 3. Housebuilding Division**
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 - 3.2 Forecast land creditors' payment profile**
- 4. Housebuilding: Galliford Try Partnerships business model**
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 - 6.2 Order book**
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1. Cash Flow Summary – Full Year to 30 June 2015

£m	2015	2014
Cash from operating activities	118.5	101.9
Working capital movements	(50.7)	(30.3)
Net cash generated from operations	67.8	71.6
Interest, tax and dividends	(77.5)	(52.4)
Acquisitions, net of cash acquired	2.0	-
Other	(4.5)	(9.9)
Net cash (outflow)/inflow	(12.2)	9.3
Opening net (debt)	(5.1)	(14.4)
Closing net debt	(17.3)	(5.1)
Cash Analysis - £m	2015	2014
Linden Homes (includes loans to JVs)	(560.1)	(536.4)
Galliford Try Partnerships	15.0	28.4
Construction	172.7	151.3
Group and others	355.1	351.6
TOTAL	(17.3)	(5.1)

2.1 Analysis of PBT, exceptional items and amortisation

£m	2015	2014
Profit before tax, amortisation and exceptional items	122.0	96.5
Exceptional (cost)/profit	(3.7)	0.3
Amortisation	(4.3)	(1.6)
Profit before tax	114.0	95.2

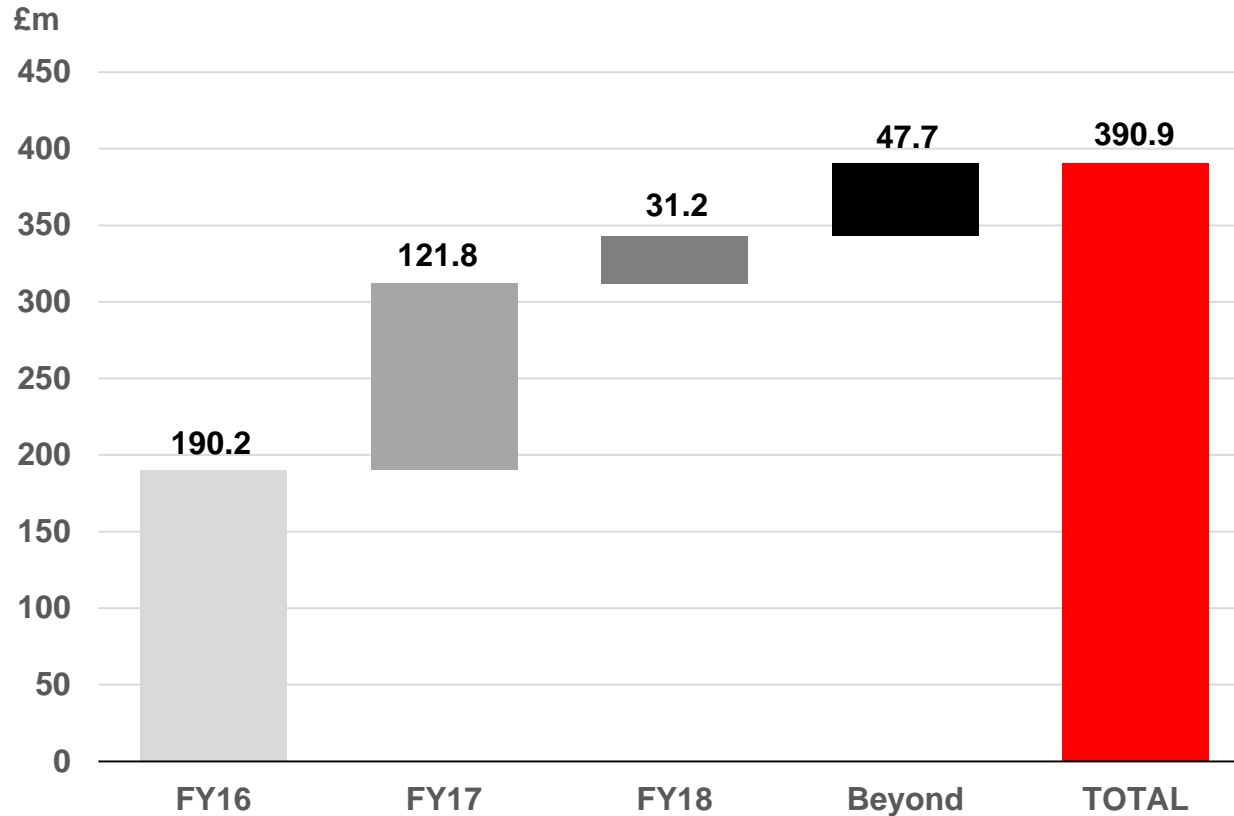
2.2 Net Finance Costs

£m	2015	2014
Net interest payable on borrowings	(12.2)	(12.1)
Interest receivable from joint ventures	3.5	1.3
Unwind of discount on shared equity receivables	0.8	1.6
Unwind of discount on payables	(2.0)	(2.0)
Other	(0.4)	0.4
TOTAL	(10.3)	(10.8)

3.1 Housebuilding – completed units

Units	Linden Homes	Linden Homes	Galliford Try Partnerships	Galliford Try Partnerships	TOTAL	TOTAL
	Incl. JVs	net of partner share	Incl. JVs	net of partner share	incl. JVs	net of partner share
Private	2,059	1,945	188	146	2,247	2,091
Affordable	710	621	220	162	930	783
TOTAL	2,769	2,566	408	308	3,177	2,874
Contracting (equivalent units)	-	-	1,800	1,800	1,800	1,800
TOTAL	2,769	2,566	2,208	2,108	4,977	4,674

3.2 Housebuilding - forecast land creditors' payment profile¹

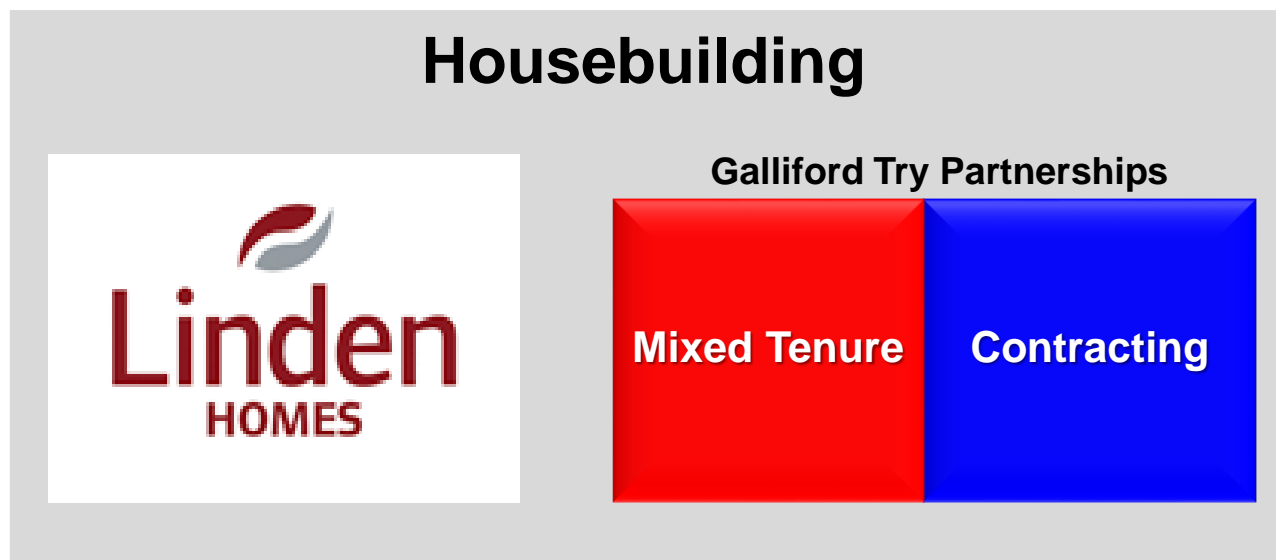


¹ Land creditors include £25.9 million in relation to Shepherd Homes

Appendices

4. Housebuilding – Galliford Try Partnerships business model

- Contractor/developer hybrid and partnering ethos perfectly aligned to market
- Attractive financial characteristics with strong blended margin and returns
 - Good margin and strong cash generation in contracting
 - High development return on capital
- Mixed-tenure value enhanced through use of Linden Homes brand
- Scope to grow in Extra Care and private rented sectors



5.1 Linden Homes – Analysis of revenue 2015

		FY15			
		Completions (Units)		Revenue	ASP
		Gross	Net of JV partner	£m	£000
Direct	- private	1,827	1,827	594	325
	- affordable	523	523	59	113
	Other income	-	-	14	-
	Land sales	-	-	51	-
JOs¹	- private	126	63	13	201
	- affordable	28	14	1	108
		2,504	2,427	732	
JVs²	- private	106	55	33	612
	- affordable	159	84	14	163
TOTAL		2,769	2,566	£779m	£278k

¹ Joint Operations (JOs) proportionally consolidated within Linden Homes under IFRS11

² Joint ventures equity accounted under IFRS11

5.2 Linden Homes – Analysis of revenue 2014

		FY14			
		Completions (Units)		Revenue	ASP
		Gross	Net of JV partner	£m	£000
Direct	- private	2,038	2,038	606	297
	- affordable	502	502	61	121
Other income		-	-	14	-
Land sales		-	-	7	-
JOs¹	- private	88	44	21	497
	- affordable	32	16	2	102
		2,660	2,600	711	
JVs²	- private	118	84	40	474
	- affordable	109	64	9	155
TOTAL		2,887	2,748	£760m	£267k

¹ Joint Operations (JOs) proportionally consolidated within Linden Homes under IFRS11

² Joint ventures equity accounted under IFRS11

5.3 Linden Homes – analysis of sales reserved, contracted, and completed

	Sept 15	June 15	Sept 14
£m			
Private	309	198	301
Affordable	104	102	83
Total	413	300	384
For completion in FY16	296	175	342
For completion post FY16	117	125	42
Total	413	300	384
% of projected FY16 revenue secured	34%	20%	43%
Units			
Private	951	620	891
Affordable	921	899	756
Total	1,872	1,519	1,647

5.4 Linden Homes – revenue analysis regional, at 30 June 2015

TOTAL

- Units 2,769
- Revenue £779.0m



SOUTH

- Units 1,152 (42%)
- Revenue £251.1m (32%)

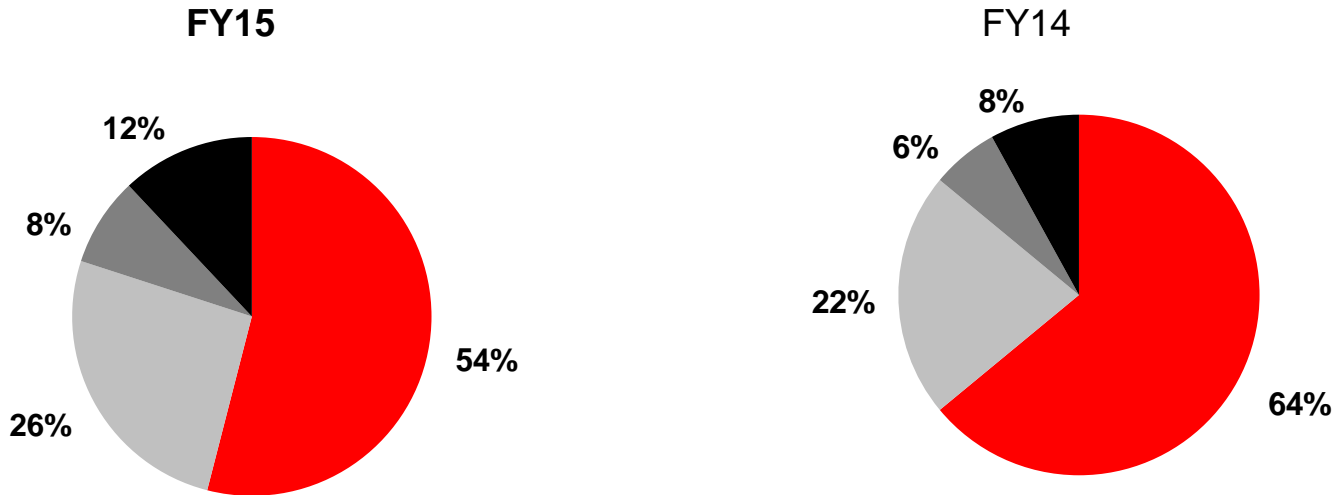
MIDLANDS/EAST/NORTH

- Units 658 (24%)
- Revenue £133.3m (17%)

SOUTH EAST

- Units 959 (34%)
- Revenue £394.6m (51%)

5.5 Linden Homes – sales, completions by buyer type



- Private
- Affordable
- Private with Part Exchange
- Private - Investor

Based on 2,769 completions (2014: 2,887)

5.6 Linden Homes – private sales, analysis of incentives on reservations

Proportion of units	FY15	FY14
No incentives	36%	47%
Incentives		
Part exchange	11%	8%
Assisted move	3%	1%
Help to Buy	28%	34%
Investor sales	22%	10%
TOTAL	100%	100%

5.7 Linden Homes – trading overview

	FY15	FY14
Revenue (£m)	779	760
Land cost	27.0%	24.4%
Build cost	50.5%	54.2%
Gross margin	22.5%	21.4%
Admin expense	6.5%	6.3%
Operating margin	16.0%	15.1%

5.8 Linden Homes – landbank valuation¹

Cost per plot £000	<u>June 2015</u>			<u>June 2014</u>			<u>June 2013</u>		
	South East	South	Midlands/ East / North	South East	South	Midlands/ East / North	South East	South	Midlands/ East / North
Opening landbank	114	38	54	108	38	45	90	32	41
Closing landbank	132	49	54	114	38	54	108	38	45
Weighted ASP in landbank	463	247	228	425	225	199	362	208	178
Plot cost as % of weighted ASP	29%	20%	24%	27%	17%	27%	30%	18%	25%

¹ Excluding strategic landbank of 8,000 plots

5.9 Linden Homes – Strategic land

- **1,500 acres held in strategic landbank at June 2015; 160 acres added in the period**
- **Circa 1,950 plots currently in planning**
- **Planning permission for 470 units in the year**
- **2,430 consented plots delivered to the landbank to date**
- **In excess of 8,000 completions expected from portfolio**

6.1 Construction – segmental analysis

June 2015			
£m	Revenue	Profit from Operations	Margin
Building	906.9	8.0	0.9%
Infrastructure	386.3	7.7	2.0%
TOTAL	1,293.2	15.7	1.2%

June 2014			
£m	Revenue	Profit from Operations	Margin
Building	458.3	3.0	0.7%
Infrastructure	374.6	5.0	1.3%
TOTAL	832.9	8.0	1.0%

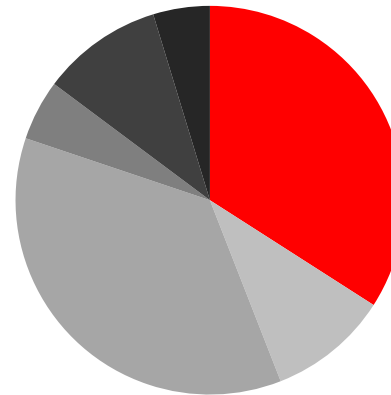
6.2 Construction – Order book

Building



	£m
Education	824
Commercial	331
Other	753
FM	410
Health	252

Infrastructure



	£m
Water	419
Rail	123
Highways	444
Utilities	62
Flood Alleviation	124
Other Civil Engineering	58

7. Strategy assumptions

1. Macro-economic assumptions

- **Economic stability; growth continues as per current consensus**
- **Interest rate rises gradually from first half 2016**
- **Private housing market demand continues 'as is'**
- **Mortgage availability and flexibility maintained**
- **Help to Buy not materially changed from announced scale or duration**
- **Continuing Central Government support for affordable housing**
- **Continuing steady recovery in construction market**

2. Group modelling assumptions

- **Financing in place through period**
- **Dividend cover reducing as indicated**
- **No house price inflation assumed**
- **Average debt rising in line with plan**
- **Landbank target (14,000 units) achieved; expect to stay at, or just above this**
- **Amortisation charge c£4.3m in FY16; c£3.1m in FY17; c£2.1m in FY18**

7. Strategy assumptions (continued)

3. Operating assumptions

Linden Homes

- **Mid/high single digit growth in unit numbers from FY16**
- **Proportionate mix of private/affordable units remains stable**
- **Operating margin progression towards 18% in 2018**
- **No new business units in Linden Homes**

Galliford Try Partnerships

- **Mixed-tenure unit numbers doubling between 2014 and 2016**
- **Total revenue continues to grow strongly**
- **Margin growth to in excess of 4% by 2017-2018**
- **One new Partnerships office (North West) now open**

Construction

- **Revenue growth towards £1.5bn - steady growth over the period from 2015**
- **Margin growth to 2% - steady growth over the period**

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The financial information set out in this document does not constitute the Company’s statutory accounts. Statutory accounts for the financial year ended 30 June 2014, which received an auditors’ report that was unqualified and did not contain any statement concerning accounting records or failure to obtain necessary information and explanations, have been filed with the Registrar of Companies.