MORGAN SINDALL

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MORGAN SINDALL Annual Report & Accounts 1999

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Annual Report & Accounts 1999

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Morgan Sindall is a specialist construction group operating in the UK. It has four main activities - Fit Out, Regional Construction, Affordable Housing and Property Investment.

These activities are carried out by eleven individually branded companies. The management of each of these companies has a great deal of autonomy but they must share our values and believe in aiming high. Our common goal is that the last job should be the best we've ever done and the next one even better.

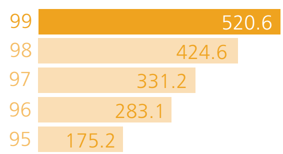
Our Group's record shows the organic growth achieved by our policy of empowered management which has been added to by careful acquisition as opportunities arise. Taken together with the active management of our asset base, these are the keys to achieving our commitment to long term enhancement of shareholder value.

Contents

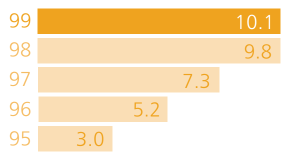
	1999	1998	%
Turnover	**£521m**	£425m	+23
Profit on ongoing activities before taxation	**£13.854m**	£10.018m	+38
Profit on ordinary activities before taxation	**£10.075m**	£9.760m	+3
Earnings per ordinary share (EPS)	**22.17p**	22.15p	–
EPS excluding exceptional loss	**28.30p**	22.15p	+28
Dividends per ordinary share	**8.50p**	6.50p	+31
Net assets	**£37.9m**	£23.2m	+63
Net cash funds	**£22.0m**	£28.4m	-23

Financial Highlights

Turnover £m



Profit before tax £m



'Whilst the size of the Group has increased dramatically, the sense of being different and the determination to succeed are as strong as ever.'

Growth and diversification

1999 was another active and successful year for Morgan Sindall. Strategically our most significant development was the acquisition of Lovell Partnerships. This established a third core business activity for the Group in Affordable Housing, a significant and fast growing sector. Our Regional Construction business has made significant progress and our Fit Out business has had another record year.

Turnover in 1999 reached £521m, an increase of 23% and profits before tax on ongoing businesses was £13.9m, an increase of 38%. Despite the loss arising from a discontinued business of £3.8m, profit before tax was a record £10.1m. The Board is pleased to recommend a final dividend of 6.00p making 8.50p for the year (1998: 6.50p).

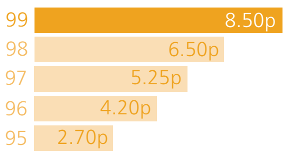
It is ten years since I joined the Board of the privately owned Morgan Lovell, and five years since that company went public by the reverse takeover that created Morgan Sindall. I am delighted to have been part of the team and proud to see the Group become one of the UK's top construction companies.

I think that it is now appropriate for me to step down as Chairman at this year's AGM to allow John Morgan to take on the role as Executive Chairman. At the same time Andy Stoddart will move from Operations Director to Managing Director. I will continue as a Non-Executive Director.

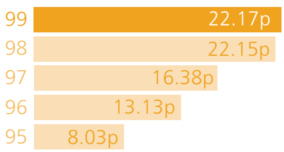
Whilst the size of the Group has increased dramatically, the sense of being different and the determination to succeed are still as strong as ever, and I am sure this momentum will carry the Group to further successes in the future.

Sir Derek Hornby
Chairman

Dividend



Earnings per share



'Our vision is a balanced group of branded companies with above average growth prospects...'

Realising our goals

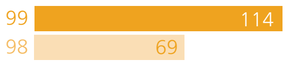
1999 has been a significant year for the Group, not simply because of record turnover and profit, but I believe the diversification into Affordable Housing by the purchase of Lovell Partnerships is a clear demonstration of the way we see Morgan Sindall continuing to develop.

Our Fit Out business, started 20 years ago, has provided a solid base for the Group. The formation of our network of Regional Construction companies began in 1994 and was completed nationally in 1998. They are becoming stronger each year and still have huge potential for growth. The next few years will see our hard work and investment in this business rewarded. The purchase in June 1999 of Lovell Partnerships introduces another core area of activity for us to develop whilst our other two businesses satisfy the demanding overall growth in returns we have set ourselves. Our vision is a balanced group of branded companies with above average growth prospects.

Prospects

The market remains strong and our Fit Out and Regional Construction companies entered 2000 with order books higher than last year, both in absolute terms and budget cover. Lovell Partnerships has strengthened its senior management team and is benefiting from the Group's financial backing. I remain confident of the long term growth potential of this business. Overall I believe the Group is in a great position to move forward. The board changes detailed in the Chairman's Statement reflect the need to ensure separate focus on strategic and operational issues as the Group develops. My enthusiasm and commitment to making Morgan Sindall the most exciting company in our sector remains undiminished.

Year End Market Capitalisation £m



Year End Share Price £'s

Our Fit Out business has had another excellent year. Strong market recognition allows us selectivity in the open market tender work, while repeat business from satisfied clients showed the benefit to both parties of the efficiencies derived from established working relationships. Consequently, turnover of £174m produced operating profits of £7.6m, 20% ahead of last year, which itself was a record year. Morgan Lovell and Overbury have each developed a strong client base and both are aware of the need to be ahead of their competitors in this fast moving sector of the industry.

Morgan Lovell work directly for end user clients and offer a complete workplace solution including consultancy, design, construction and ongoing support. Overbury work for clients who purchase fit out work in the traditional way through professional teams. Both companies operate in London, the Home Counties and the Thames Valley undertaking contracts of up to £15m in value.

Current order levels are satisfactory, albeit that the fast track nature of fit out does not provide long order cover. Over the years brand loyalty has enabled us to be resilient to construction peaks and troughs, but as many companies who have tried to enter the market have found it is a demanding and specialist segment. Both Morgan Lovell and Overbury accept that success is only sustained by delighting clients and tackling each new project accordingly.

Creating value with clients

Fit Out

Turnover £'000s

99	174,146
98	162,967

Operating Profit £'000s

99	7,564
98	6,306

The second half results confirmed the continuing trend in our Regional Construction business of improving performance. Record annual turnover of £275m and operating profits of £3.1m demonstrate the progress being made. All seven operating Brands are now trading profitably and have good order books. We believe this year will prove this business as a major contributor to group profits.

It is five years since Morgan Sindall commenced development of a Regional Construction network, with turnover in the first year being less than £40m. Whilst we have made four further acquisitions during this time, it has been the development of all these companies that has been the main reason for the turnover increase.

This organic growth supports our belief that clients are pleased to entrust their work and build relationships with companies that offer a clear regional presence combined with the technical and financial strength of a large group. Our view remains unchanged that the turnover of this business in its present format can double within three or four years.

On 3 November 1999 we announced the closure of our tendered term maintenance business for housing associations. Although the demand was evident we were unable to find satisfactory bases for trading. This business has adversely affected 1999 results by £3.8m. We will continue to monitor this market through our relationship with housing associations and Lovell Partnerships.

Building relationships

...everybody is constantly saying
what can we do to make it better,
what can we do next?

our parent company provides
the freedom to question
the tradition within this industry

Regional Construction

Turnover £'000s

99	274,516
98	251,365

Ongoing Operating Profit £'000s

99	3,097
98	2,360

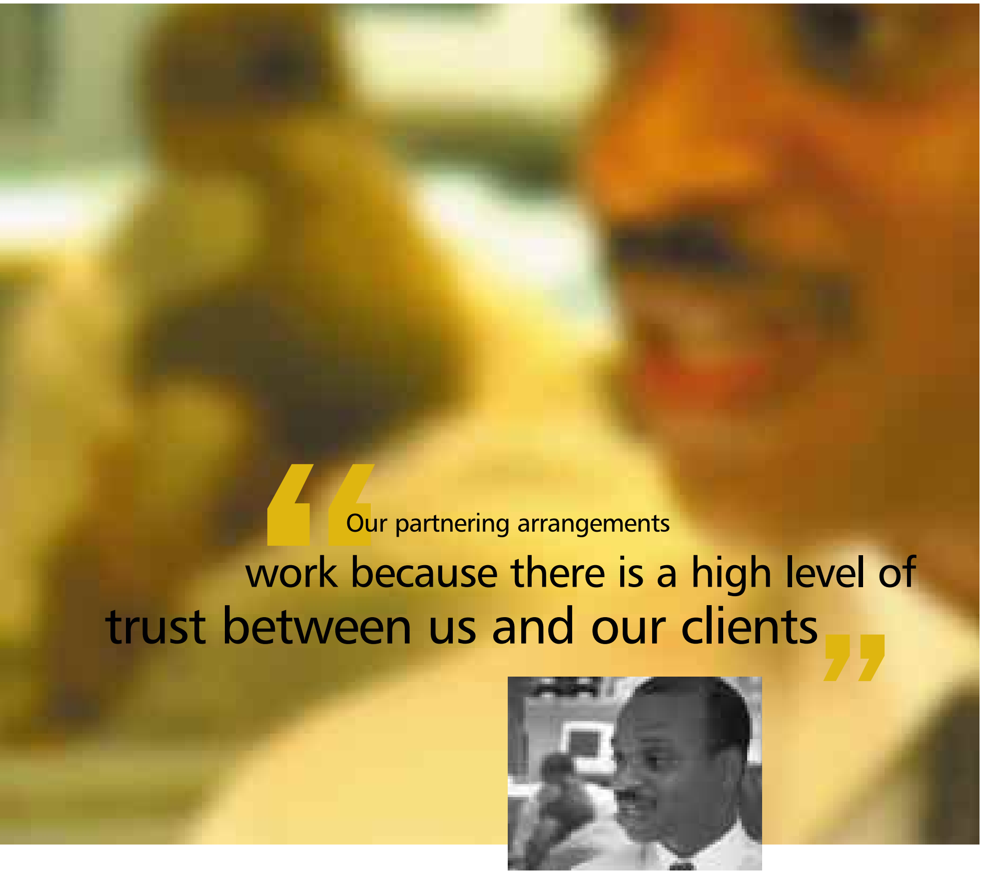
Lovell Partnerships made a positive contribution in its first six months within the Group. Turnover of £65m and operating profits of £1.1m are in line with our expectations at acquisition and similarly our view for 2000 remains unchanged. The inherent project time cycle of this sector, involving lengthy pre-contract negotiations means that the results of our increased investment in this business will take time to materialise.

Since acquisition we have undertaken a thorough review and strengthening of management at both the head and regional offices. This will ensure that the structure is capable of responding to the increased challenge that results from our commitment to build this business.

With the right structure and resource we are looking to move the business forward both in margin and volume terms. Key to meeting this objective is our ability to increase the mix of open market sale units to those built for housing associations. This is particularly relevant in mixed tenure schemes, for which Lovell Partnerships has such a strong track record.

The demand for affordable housing is huge and there are some interesting opportunities for large urban regeneration schemes where Lovell Partnerships is clearly seen as one of the major brands. We are confident of the ability to develop this business to be a significant part of the Morgan Sindall Group.

A major brand



Affordable Housing

Turnover £'000s

99	(6 months)	65,065

Operating Profit £'000s

99	(6 months)	1,057

Before expansion into Affordable Housing, the Group's trading operations were all cash generative and our policy had been to maintain reserves in cash and property investment. Whilst Lovell Partnerships will require working capital investment, the continued strengthening of the balance sheet from the growth in overall activity will result in the Group having ongoing funds to invest. Our approach will continue to be proactive but conservative.

As highlighted in the interim report, the current year's Property profits are mainly attributable to the sale of the office building in Jockey's Fields.

In the coming year the construction of the Wigmore Street offices should be complete, and at present the rental market is strong and at higher levels than when we purchased the building. Out of London, the strong market has enabled us to move ahead with a partnering agreement on our property in Chatham, and we are noting interest in some of the undeveloped sectors of our industrial estate in Cambridge.

Primary Medical Property, our joint venture business which develops and retains primary medical buildings, has had another successful year adding a further seven properties to its portfolio. Whilst it is still premature to expect capital growth from rent reviews, it is clear that yields are already improving as appreciation of this type of investment broadens amongst private and institutional investors.

Increasing returns

"Our approach to property will continue to be proactive but conservative"

Property Profits and Interest £'000s

99	3,661
98	2,794

Committed to brands

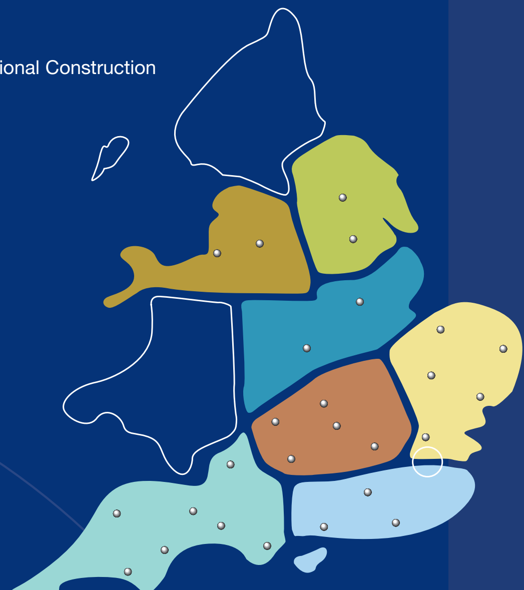
A top 20 UK construction company

2,500 employees

50 offices throughout England and Wales

MORGAN SINDALL

Regional Construction



Jersey & Guernsey

- Barnes & Elliott
- Hinkins & Frewin
- Roberts
- Sindall
- Snape
- Stansell
- Wheatley

Fit Out

Morgan Lovell
The Workplace Specialist
London
Milton Keynes
Redhill
Wokingham

Overbury
The Fitting Out & Refurbishment Specialist
Bracknell
London

Property

Morgan Sindall
London
Cambridge

Primary Medical Property
London
Ipswich
Leeds

Affordable Housing

Lovell Partnerships

Jack Lovell (44)
Client Director

John Bishop (54)
Finance Director

John Morgan (44)
Chief Executive

Andy Stoddart (53)
Operations Director

Bernard Asher (63)
Senior Non-executive

Geraldine Gallacher (40)
Non-executive

Sir Derek Hornby (70)
Chairman

Report of the Directors

Sir Derek Hornby
Chairman of IRG plc and a non-executive director of a number of other companies and charitable trusts. Formerly Chairman of London & Continental Railways, Rank Xerox (UK) Limited and the British Overseas Trade Board.

Bernard Asher
Chairman of Lonrho Africa plc. Vice-Chairman of the Court of Governors of The London School of Economics, Non-Executive Director of Legal & General Group plc, Remy Cointreau and Randgold Resources. Formerly Chairman of HSBC Investment Bank plc and a director of HSBC Plc and Midland Bank Plc.

Geraldine Gallacher
Founder and Managing Director of The Executive Coaching Consultancy having formerly been head of Group Management Development for Burton Group plc.

The directors have pleasure in submitting their report to the members together with the audited accounts for the year ended 31 December 1999.

Principal activities

Morgan Sindall is a specialist construction group with activities including fit out, regional construction, affordable housing and property investment. The principal subsidiary companies are shown on page 44. All activities are carried out in the United Kingdom and the Channel Islands.

Results and dividends

The Group made a profit for the year, after taxation, of £8.165 million.

The final dividend for the year recommended by the directors is 6.00p per ordinary share, which together with the interim dividend of 2.50p per ordinary share gives a total dividend for the year of 8.50p per ordinary share. Preference dividends paid or accrued amounted to £0.275 million.

Review of business and future developments

A general review of the Group's activities, development and future prospects are included in the Chairman's Statement on pages 2 and 3 and the Chief Executive's Review on pages 4 to 13.

Fixed assets

External professional valuations of the Group's investment properties were carried out as at 31 December 1999. The directors have considered the carrying value of the Group's other interests in property and consider that there is no substantial difference between market and balance sheet values.

Directors

The directors at the date of this report are as set out on page 48. Details of the changes to Board positions which will take place in the current year are given in the Chairman's Statement on page 3.

Further information on the Group Board's constitution, policies and procedures is set out under corporate governance on pages 21 to 23.

Mr J J C Lovell and Ms G Gallacher are the directors to retire by rotation, and being eligible offer themselves for re-election. Biographical details of Ms G Gallacher are shown on page 16. Mr J J C Lovell (aged 44) was a co-founder with Mr J C Morgan of Morgan Lovell in 1977. He was managing director of Morgan Lovell and on the reverse take-over which formed the enlarged Group in October 1994 became a director of Morgan Sindall plc. He is currently Client Director, with particular responsibilities for client relationships and marketing strategy.

Non-executive directors

A short biographical note on each independent non-executive director is shown on page 16. The role and responsibilities of the non-executive directors have been formally established by the Board. Further information on these matters may be found under corporate governance on pages 21 and 22.

Corporate governance

The statement on corporate governance appears on pages 21 to 23.

Substantial shareholdings

Excluding directors, on 11 February 2000, the following shareholdings representing 3% or more of the issued ordinary share capital have been notified to the Company:

	Number of Shares	Percentage Holding
Hermes Asset Management Limited	**2,016,000**	**5.42**
Jupiter Asset Management Limited	**1,700,000**	**4.57**

Employment policies

The Company insists that a policy of equal opportunity employment is demonstrably evident throughout the Group at all times. Selection criteria and procedures and training opportunities are designed to ensure that all individuals are selected, treated and promoted on the basis of their merits, abilities and potential. Subject to the nature of its businesses in the construction industry, the policy of the Company is to ensure that there are fair opportunities in the Group for the employment, training and career development of disabled persons, including continuity of employment with re-training where appropriate.

The Group recognises the need to ensure effective communication with employees. Policies and procedures, including in-house newsletters, have been developed, taking account of such factors as location and numbers employed.

Environmental policy

Consistent with the Group's policy of autonomous operation and responsibility, each of the brand businesses has developed its own environmental policy tailored to the particular nature of its own activities. Each policy statement is consistent with the principles contained in the Group environmental policy, copies of which are available on request.

Creditor payment policy

The Company does not adhere to any formal Code regarding payments to its trade creditors. Its current policy in this respect, which the Company endeavours to have its subsidiary and joint venture companies also follow, is to:

1. use unamended terms of Standard Forms of Contract widely recognised in, and drawn up by, bodies representing the industry

2. clearly agree and set down the terms of payment with suppliers and subcontractors

3. make payments in accordance with its obligations.

Calculated in accordance with Regulations made under the Companies Act 1985, as at 31 December 1999, the Group's number of creditor days outstanding was 36.

Year 2000 issues

Following earlier investigative work in January 1998 the Board gave authority to a committee co-ordinated by the Group IT Manager to identify and, subject to approval, introduce standardised IT financial management systems throughout the Group. The committee, which reports to a Main Board director was also charged with identifying, assessing and minimising the risks associated with the year 2000.

As at the date of this report, no problems have arisen which ought to be brought to the attention of shareholders.

In view of the nature of the Group's activities and the implementation of new IT systems as a part of the Group's developing control requirements, the Board consider that the external costs attributable solely to year 2000 issues were not significant.

Annual General Meeting

The Annual General Meeting will be held on 11 April 2000. The notice of the meeting is set out in pages 45 to 47 of this Annual Report. The notice contains items which are special business, being an increase to the Company's authorised share capital, the authority to the Board to allot equity securities and changes to the retirement by rotation provisions for directors. Explanatory notes on the special business items are shown on page 47.

Political and charitable contributions

During the year charitable contributions amounted to £16,000. No contributions were made to any political parties during the year.

Auditors

A resolution for the reappointment of Deloitte & Touche as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Remuneration report

The remuneration committee is comprised of:
Ms G Gallacher (Chairman)
Mr B H Asher
Sir D P Hornby

Policy on executive directors' remuneration
The remuneration of the executive directors is determined by the remuneration committee ("the committee").

The committee seeks to develop remuneration packages which satisfy the following principles:

- to attract, retain and motivate the best possible person for each position;
- to recognise the importance of achieving the expectations of performance in short and long term;
- to align the interests of executives with those of the shareholders.

The committee reviews salaries annually and seeks independent professional advice when appropriate.

Remuneration details
Details of the remuneration of all directors who have held office during the year are shown in Note 11 to the Accounts.

Bonus arrangements and Long Term Incentive Plan
Performance related bonuses are a key feature of remuneration policy throughout the Group. Performance targets are set against matters in which the individual concerned has a direct influence. In subsidiary companies this means the performance of the relevant individual brand. For executive directors of Morgan Sindall plc and senior head office personnel the cash bonus is based on the performance of the Group against targets set annually by the remuneration committee. The targets comprise a scale that takes into account previous year's result and growth expectations both internally set and those externally published.

The Long Term Incentive Plan (the 'LTIP') approved by shareholders is designed to provide additional rewards for consistent out-performance and service over the longer period. It was introduced in 1997 for the executive directors of the Company and certain key senior management agreed by the remuneration committee. Shares are conditionally awarded to participants in each financial year and can be allocated in whole or part after the Group's performance over the next three financial years has been measured and compared to a selected peer group.

The comparison made is of the increase in total shareholder value over those years with the corresponding increase of the fourteen companies listed in the Financial Times as construction companies which are considered by the remuneration committee as having a comparable business to the Group.

At the end of each three year period shares conditionally awarded can be allocated if the Company is ranked first in the peer group and none will be allocated if the ranking is in the middle of the peer group or lower. Shares are allocated on a graduated scale between these two positions.

Participation in the LTIP is voluntary and requires the individual to forego payment of a proportion of the cash bonus part of remuneration for each year in return for the conditional award of the number of shares in the Company that the cash sum concerned would purchase at the then market price.

The remuneration committee has confirmed that fourth position in the peer group has been achieved for the three years to 31 December 1999 and that an allocation of shares from those conditionally awarded for 1997 will be made on 30 June 2000.

The interests of directors participating in the plan are the shares conditionally awarded as shown below:

	As at 31 December 1999	As at 31 December 1998
J C Morgan	91,820	60,348
J M Bishop	83,636	54,412
J J C Lovell	71,922	48,104
A M Stoddart	84,803	55,579

Once shares have been allocated, a participant is entitled to dividends paid in respect of those shares and to exercise voting rights. The participant is not entitled to transfer, sell or otherwise deal in the shares until a further two years have elapsed.

None of the shares conditionally awarded to the executive directors have lapsed during the period.

Service contracts
Executive directors' contracts are terminable on one year's notice.

The service contracts of the directors who are seeking re-election at the Annual General Meeting, Mr J J C Lovell and Ms G Gallacher, do not have a notice period for termination which is in excess of one year's duration.

Directors' interests
The shareholdings of all directors are shown in Note 31 to the Accounts.

Pensions
The Company contributes 10% of base salary to defined contribution schemes of the individual director's choice. There are no arrangements for the provision of benefits in excess of the Inland Revenue cap.

Share option schemes

It is the Company's policy not to grant share options to the directors.

Details of options granted to employees in the Group are shown in Note 23 to the Accounts. The total number of options which may be granted at any time is fixed by the remuneration committee acting with the advice of the Operations Director and the Finance Director, and the recommendations of subsidiary company Managing Directors.

No further options can be granted under the Company's 1988 Scheme. The exercise of options granted under the 1995 Scheme will be subject to performance targets and will normally be exercisable only if the percentage growth in earnings per share of the Company over a five year period has at least been equal to the percentage growth in earnings per share of at least three-fourths of the constituent companies in the FTSE 100 index over the same period.

By order of the Board
W R Johnston
Company Secretary

15 February 2000

Policy statement

Morgan Sindall plc supports the Principles of Good Governance and the Code of Best Practice ('the Combined Code'). Accordingly, this report will also deal with the requirements of paragraphs (a) and (b) of Stock Exchange Listing Rule 12.43A relating to Section 1 of the Combined Code.

This report sets out how the principles of the Combined Code have been applied.

Board constitution and procedures

The Board is comprised of seven directors of whom three are non-executive and four are executive directors. The roles of Chairman and Chief Executive are clearly defined and separate.

All of the non-executive directors are considered to be independent of management and free from any business or other relationship which could materially affect their independent judgement. Mr B H Asher is the senior independent director.

The composition of the Board satisfies the Code Principles and Provisions that the Board should have a balance of executive and non-executive directors in terms of number and relevant experience to enable it to have effective leadership and control of the Company and its subsidiaries. It also ensures that the decision making process cannot be dominated by any individual or small group of individuals.

The Board met on eleven scheduled occasions during the year in addition to ad hoc meetings convened for particular purposes. For each of the scheduled meetings, a comprehensive information pack is provided in advance of the meeting to allow for proper detailed consideration. The key purposes of these meetings were to review all significant aspects of the Group's activities, supervise the executive management and to make decisions in relation to those matters which are specifically reserved to the Board.

There are agreed procedures by which directors are able to take independent professional advice on matters relating to their duties, if necessary, at the expense of the Company. For certain purposes the Company Secretary is regarded as falling within that category of advisers and has been instructed by the Board to act accordingly. The Board has also resolved that any question of the removal from office of the Company Secretary is a matter to be considered by the Board as a whole.

As regards the periodic re-election of all directors (including non-executives) the practices of the Board comply with the Combined Code. Two changes to the Articles of Association of the Company are included in the Special Business to be dealt with at the forthcoming Annual General Meeting. These changes merely formalise in the Company's constitutional document what has in any event been the established practice of the Board. Where a non-executive is appointed for a specified period, the appointment is in any case subject to Companies Act provisions regarding the removal of a director.

Board committees

The Board has established an audit, a remuneration and a nominations committee.

Audit committee

The audit committee is comprised of the three non-executive directors. Its duties include keeping under review the scope and results of the audit, its cost effectiveness and the objectivity of the auditors. Meetings of the committee may be attended by the Finance Director or the Chief Executive and by a representative of the external auditors. The committee meets at least twice yearly and in addition, the external auditors may request a meeting at any time they consider it necessary.

Remuneration committee

The remuneration committee is composed of the three non-executive directors and meetings are normally attended by the Chief Executive. Meetings will usually be held twice in each year to cover all elements of the directors' remuneration. A remuneration report is included in the Directors' Report on pages 19 and 20.

Nominations committee

The Board considers that because of its small size and the manner in which it conducts its business, the full board will comprise the nominations committee.

The Board's policy on appointments to it is that every Board member should have the opportunity of individual meetings with prospective candidates.

Going concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt a going concern basis in preparing the financial statements.

Relations with shareholders

The Company actively seeks to enter into dialogue with institutional shareholders whenever possible. It also endorses the Combined Code principles generally on the conduct of Annual General Meetings including that it be used as an opportunity for effective communication with private shareholders whose participation in the proceedings should be encouraged.

Internal control statement

During the year to 31 December 1999, all procedures necessary to implement 'Internal Control: Guidance for directors on the Combined Code' were established and put in place. This report follows the transitional approach to the internal control aspects of the Combined Code set out in the letter from the London Stock Exchange to listed companies dated 27 September 1999.

Wider aspects of internal control

The Board has reserved to itself specific responsibility for the formulation of the risk management strategy of the Group.

New procedures have been formulated with the help of external consultants. A formal process is now in place through which the Board identifies the significant risks attached to its strategic objectives, confirms the control strategy for each risk, and identifies the appropriate early warning mechanism for each risk. A risk management policy document has been adopted by the Board setting out the Board's role and responsibilities, its overall approach to management and acceptance of risk and outlines the way in which it will annually review the effectiveness of the Group's internal controls. This approach to risk management and the acceptance of risk has been communicated to the directors of each brand business who have in turn undertaken their own risk identification and assessment exercise tailored to their own individual circumstances.

Risk management and internal control are now considered by the Boards of the Company and each brand business at their monthly meetings. In addition, annually there will be comprehensive assessment of risk and controls.

The Board has also reserved to itself the evaluation of any risk arising from the acquisition or development of any new businesses or activities.

Internal financial control

The Board has formally acknowledged that it has overall responsibility for the Group's system of internal financial control and for ongoing review of its effectiveness. Such a system can only provide reasonable, but not absolute, assurance that the Group's assets are correctly stated and are protected against loss. Key features of the system are described under the following headings:

Financial information

The Board recognises that an essential part of the responsibility for running a business is the effective safeguarding of assets, the proper recognition of liabilities and the accurate reporting of profits. The Group has a comprehensive system for monthly reporting to the Board. A group executive director also attends the monthly board meeting of each brand business.

Investment and capital expenditure appraisal

There are clear policies, detailed procedures and defined levels of authority in relation to investment, capital expenditure, significant cost commitments and asset disposals.

Computer systems
The Group has established controls and procedures over the security of data held on computer systems. These controls and procedures are reviewed under the rolling examination programme described below under 'Internal audit'.

Controls over central functions
A number of the Group's key functions, including treasury and insurance, are dealt with centrally. Each of these functions have detailed procedures manuals.

Internal audit
The Board reviews from time to time the need or otherwise for an internal audit function and remains of the opinion that such a function is not necessary. Instead, led by specialist central Group personnel, there is a rolling programme of Peer Group examination in which selected staff participate in the examination and review of the practices and procedures of brand businesses other than their own. It is felt that this programme not only provides many of the benefits to be derived from an internal audit function but also assists in the professional development of the individual staff concerned whilst at the same time identifying and providing a mechanism for the cross-fertilisation of ideas and best practice throughout the Group.

The Board has conducted a review of the effectiveness of the system of internal financial control for the year ended 31 December 1999 and up to the date of this report. The review was performed on the basis of the criteria set out in the Guidance for Directors 'Internal Control and Financial Reporting' issued in December 1994.

Compliance statement

The Company has throughout the year been in compliance with the Code Provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange.

As permitted by the London Stock Exchange, the Company has complied with Code provision D.2.1 on internal control by reporting on internal financial control in accordance with the guidance on internal control and financial reporting that was issued in December 1994.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

1. Select suitable accounting policies and then apply them consistently
2. Make judgements and estimates that are reasonable and prudent
3. State whether applicable accounting standards have been followed

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group, for the Group systems of internal financial control and for the prevention and detection of fraud and other irregularities.

Auditors' Report to the Members of Morgan Sindall plc

We have audited the financial statements on pages 25 to 44 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 31 and 32.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, as described on this page of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement on page 23 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Leda House, Station Road, Cambridge

15 February 2000

	Notes	1999 £'000s	1999 £'000s	1998 £'000s	1998 £'000s
Turnover	1				
Continuing operations			**454,320**		423,169
Acquisitions			**65,065**		–
Discontinued operations			**1,900**		3,235
Less share of joint venture turnover			**(658)**		(1,837)
Group turnover			**520,627**		424,567
Cost of sales			**(465,584)**		(379,084)
Gross profit	1		**55,043**		45,483
Administrative expenses			**(44,299)**		(38,081)
Other operating income	2		**983**		1,045
Operating profit					
Continuing operations		**11,320**		8,705	
Acquisitions		**1,057**		–	
Discontinued operations		**(650)**		(258)	
Total operating profit	1,3		**11,727**		8,447
Exceptional loss on closure of discontinued business	26		**(3,129)**		–
Share of profits of joint venture			**51**		67
Net interest receivable	4		**1,426**		1,246
Profit on ordinary activities before taxation			**10,075**		9,760
Tax charge on profit on ordinary activities	5		**(1,910)**		(2,046)
Profit on ordinary activities after taxation			**8,165**		7,714
Dividends on equity and non-equity shares	6		**(3,439)**		(2,464)
Retained profit for the year			**4,726**		5,250
Earnings per ordinary share	8		**22.17p**		22.15p
Earnings per ordinary share before exceptional loss	8		**28.30p**		22.15p
Diluted earnings per ordinary share	8		**21.34p**		21.11p

Group Balance Sheet
at 31 December 1999

	Notes	1999 £'000s	1999 £'000s	1998 £'000s	1998 £'000s
Fixed assets					
Intangible assets	12		**11,768**		3,970
Tangible assets	13		**12,637**		11,384
Share of joint venture gross assets		**13,697**		6,754	
Share of joint venture gross liabilities		**(12,904)**		(6,570)	
Investment in joint venture	14		**793**		184
Investment in own shares	14		**1,170**		690
			26,368		16,228
Current assets					
Stocks	15		**24,812**		7,155
Debtors	16		**88,820**		67,828
Cash at bank and in hand	17		**22,042**		28,386
			135,674		103,369
Creditors: amounts falling due within one year	18		**(124,113)**		(96,415)
Net current assets			**11,561**		6,954
Net assets			**37,929**		23,182
Capital and reserves					
Called up share capital	23		**6,714**		6,619
Share premium account			**11,794**		3,419
Revaluation reserve	24		**3,963**		2,620
Profit and loss account			**15,458**		10,524
Total shareholders' funds			**37,929**		23,182
Shareholders' funds are attributable to:					
Equity shareholders' funds			**33,076**		18,247
Non-equity shareholders' funds			**4,853**		4,935
			37,929		23,182

Approved by the Board on 15 February 2000

J C Morgan
J M Bishop

	Notes	1999 £'000s	1998 £'000s
Fixed assets			
Tangible assets	13	**8,732**	7,503
Investments	14	**63,113**	35,302
		71,845	42,805
Current assets			
Stocks	15	**6,511**	6,992
Debtors	16	**3,697**	3,655
Cash at bank and in hand	17	**–**	3,289
		10,208	13,936
Creditors: amounts falling due within one year	18	**(21,794)**	(16,162)
Net current liabilities		**(11,586)**	(2,226)
Total assets less current liabilities		**60,259**	40,579
Provisions for liabilities and charges	19	**(80)**	(80)
Net assets		**60,179**	40,499
Capital and reserves			
Called up share capital	23	**6,714**	6,619
Share premium account		**11,794**	3,419
Revaluation reserve	24	**3,074**	2,289
Special reserve		**13,644**	13,644
Profit and loss account		**24,953**	14,528
Total shareholders' funds		**60,179**	40,499
Shareholders' funds are attributable to:			
Equity shareholders' funds		**55,326**	35,564
Non-equity shareholders' funds		**4,853**	4,935
		60,179	40,499

Approved by the Board on 15 February 2000

J C Morgan
J M Bishop

for the year ended 31 December 1999

	Notes	1999 £'000s	1998 £'000s
Net cash inflow from operating activities	28	**12,648**	9,276
Returns on investments and servicing of finance			
Interest received		**1,494**	1,358
Interest paid		**(395)**	(412)
Dividends paid to preference shareholders		**(275)**	(278)
		824	668
Taxation			
Corporation tax paid		**(2,191)**	(1,264)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(3,286)**	(2,000)
Receipts from sale of tangible fixed assets		**778**	6,687
Payments to acquire fixed asset investments		**(480)**	(190)
		(2,988)	4,497
Acquisitions and disposals			
Purchase of subsidiary undertakings	25	**(20,689)**	(424)
Net cash/(overdrafts) acquired with subsidiary undertakings	25	**9**	(888)
Sale of subsidiary undertaking		**–**	35
Net cash disposed of with subsidiary undertaking		**–**	(90)
		(20,680)	(1,367)
Equity dividends paid		**(2,427)**	(1,889)
Net cash (outflow)/inflow before financing		**(14,814)**	9,921
Financing			
Issue of shares, net of expenses		**8,470**	79
Loans repaid		**–**	(4,334)
Net cash inflow/(outflow) from financing activities		**8,470**	(4,255)
(Decrease)/increase in cash	29	**(6,344)**	5,666

Group	Share premium account £'000s	Revaluation reserve £'000s	Profit and loss account £'000s	Total reserves £'000s	Share capital £'000s	**1999 Share-holders' funds £'000s**	1998 Share-holders' funds £'000s
Balance at 1 January	3,419	2,620	10,524	16,563	6,619	**23,182**	17,398
Retained profit for year	–	–	4,726	4,726	–	**4,726**	5,250
New shares issued net of expenses	7,989	–	–	7,989	162	**8,151**	124
Converted preference shares	81	–	–	81	(81)	**–**	–
Options exercised	305	–	–	305	14	**319**	79
Goodwill realised on discontinued operations	–	–	68	68	–	**68**	–
Transfer of realised revaluation reserve	–	(140)	140	–	–	**–**	–
Surplus on revaluation	–	1,483	–	1,483	–	**1,483**	331
Balance at 31 December	11,794	3,963	15,458	31,215	6,714	**37,929**	23,182

Included within the profit and loss account balance at 31 December 1999 is an amount for unrealised goodwill totalling £7,034,000 (1998: £7,102,000).

Company	Share premium account £'000s	Special reserve £'000s	Revaluation reserve £'000s	Profit and loss account £'000s	Total reserves £'000s	Share capital £'000s	**1999 Share-holders' funds £'000s**	1998 Share-holders' funds £'000s
Balance at 1 January	3,419	13,644	2,289	14,528	33,880	6,619	**40,499**	37,945
Retained profit for year	–	–	–	10,285	10,285	–	**10,285**	2,351
New shares issued	7,989	–	–	–	7,989	162	**8,151**	124
Converted preference shares	81	–	–	–	81	(81)	**–**	–
Options exercised	305	–	–	–	305	14	**319**	79
Transfer of realised revaluation reserve	–	–	(140)	140	–	–	**–**	–
Surplus on revaluation	–	–	925	–	925	–	**925**	–
Balance at 31 December	11,794	13,644	3,074	24,953	53,465	6,714	**60,179**	40,499

Statement of Total Recognised Gains and Losses

for the year ended 31 December 1999

	1999 £'000s	1998 £'000s
Profit for the financial year before dividends	**8,165**	7,714
Share of joint venture's surplus on revaluation of investment property	**558**	331
Surplus on revaluation of investment property	**925**	–
Total recognised gains and losses	**9,648**	8,045

Note of Historical Cost Profits and Losses

for the year ended 31 December 1999

	1999 £'000s	1998 £'000s
Profit on ordinary activities before taxation	**10,075**	9,760
Realisation of property valuation gains of prior years	**140**	4,032
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**6**	19
Historical cost profit on ordinary activities before taxation	**10,221**	13,811
Historical cost profit on ordinary activities after taxation and dividends	**4,872**	9,301

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed asset properties, and in accordance with applicable accounting standards. Compliance with SSAP19 accounting for investment properties requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation is given below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings.

Acquisitions and disposals

The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the date of acquisition. Goodwill is the difference between the fair value of consideration given on acquisition of a business and the aggregate fair value of its separable net assets. Goodwill arising on consolidation is capitalised and written off in equal instalments over its useful economic life of 20 years.

Goodwill that arose on acquisitions prior to 31 December 1997 is eliminated against the profit and loss reserve. Amounts will be charged or credited to the profit and loss account on subsequent disposal of the business to which it relates.

Turnover

Turnover is defined as the value of goods and services rendered excluding VAT.

Fixed asset investments

Except as stated below, investments held as fixed assets are stated at cost less provision for any impairment in value. In the consolidated accounts the Group's share of the results of the joint venture is shown each year in the profit and loss account and the Group's share of retained profits and reserves is added to the cost of the investment in the balance sheet.

Fixed assets and depreciation

By adopting Financial Reporting Standard 15, non-investment properties are now held at cost. Under the transitional rules of the Standard, the Group has retained the book amounts of certain revalued properties and the valuation has not been updated. The date of the last valuation was 21 September 1994.

No depreciation is provided on freehold land. On other assets depreciation is provided in equal annual instalments at rates calculated to write off the cost or valuation of fixed assets over their estimated useful lives as follows:

Freehold buildings	–	50 years
Leasehold property	–	period of the lease
Plant, machinery, motor vehicles and equipment	–	between 3 and 10 years

No depreciation is provided in respect of freehold investment properties which are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally held accounting principle set out in SSAP19. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation.

Stocks

Stocks are valued at the lower of cost and net realisable value. Interest incurred on borrowings to finance specific developments is capitalised.

Contract accounting

Contracts are accounted for as long term contracts. Anticipated net sales value of contracts include a proportion of attributable profit where a profitable outcome can be foreseen, provision being made for foreseeable losses. Turnover less progress payments is recorded in "amounts recoverable on contracts", within debtors. Where progress payments exceed turnover and other contract balances the excess is shown as "payments on account" in creditors.

Deferred taxation

Provision under the liability method is made for deferred taxation at the current rate of corporation tax on all timing differences, to the extent that they are expected to crystallise.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the leases.

Pensions

The Group contributes to The Morgan Sindall Retirement Benefits Plan and to other employees' personal pension arrangements which are of a defined contribution type. Subject to the circumstances referred to in Note 27, the annual costs are charged to the profit and loss account.

1 Analysis of turnover, gross profit, operating profit and net assets

	1999 Turnover £'000s	1999 Profits/(losses) £'000s	1999 Net assets £'000s	1998 Turnover £'000s	1998 Profits/(losses) £'000s	1998 Net assets £'000s
Regional construction	274,516	3,097	(684)	251,365	2,360	(2,033)
Fit out	174,146	7,564	(4,427)	162,967	6,306	(11,005)
Affordable housing	65,065	1,057	8,546	–	–	–
Property	5,000	2,235	14,866	7,000	1,548	14,404
Group activities	–	(1,576)	(4,190)	–	(1,509)	(8,595)
Ongoing activities	518,727	12,377	14,111	421,332	8,705	(7,229)
Discontinued operations	1,900	(650)	1,776	3,235	(258)	2,025
	520,627	11,727	15,887	424,567	8,447	(5,204)
Net cash balances			22,042			28,386
Net assets			37,929			23,182

Segmental net assets are stated after deducting interest bearing net cash balances.

	Continuing operations £'000s	Acquisitions £'000s	Discontinued operations £'000s	1999 Total £'000s	1998 Total £'000s
Group turnover	453,662	65,065	1,900	520,627	424,567
Cost of sales	(403,989)	(59,403)	(2,192)	(465,584)	(379,084)
Gross profit	49,673	5,662	(292)	55,043	45,483
Administrative expenses	(39,336)	(4,605)	(358)	(44,299)	(38,081)
Other operating income	983	–	–	983	1,045
Operating profit	11,320	1,057	(650)	11,727	8,447

2 Other operating income

	1999 £'000s	1998 £'000s
Rent receivable	983	1,045

3 Operating profit

Operating profit is stated after charging

		1999 £'000s	1998 £'000s
Depreciation		1,660	1,507
Amortisation of goodwill		379	191
Hire of plant and machinery		6,155	4,584
Operating lease costs	Land and buildings	1,759	1,026
	Other	2,517	1,269
Auditors' remuneration	Audit – Morgan Sindall plc	15	11
	Audit – Subsidiary undertakings	170	139
	Other	30	34

Further fees of £71,000 (1998: nil) paid to Deloitte & Touche in 1999 are included in the cost of investment in subsidiary undertakings.

4 Net interest receivable

	1999 £'000s	1998 £'000s
Interest receivable	**1,494**	1,358
Interest payable on bank loans and overdrafts	**(395)**	(394)
Interest payable on other loans	**–**	(18)
	1,099	946
Add: Interest capitalised	**327**	300
	1,426	1,246

5 Tax charge on profit on ordinary activities

	1999 £'000s	1998 £'000s
Corporation tax payable at 30.25% (1998: 31%)	**3,000**	1,773
(Over)/under provision in prior years	**(143)**	273
Share of tax of joint venture	**–**	–
Tax on exceptional loss	**(947)**	–
	1,910	2,046

The tax charge for the year is lower than the standard rate due to the availability of tax losses brought forward.

6 Dividends on equity and non-equity shares

	1999 £'000s	1998 £'000s
Non-equity dividends on preference shares		
Paid	**219**	219
Accrued	**56**	59
	275	278
Equity dividends on ordinary shares		
Interim paid 2.50p (1998: 2.05p)	**929**	688
Final proposed 6.00p (1998: 4.45p)	**2,235**	1,498
	3,164	2,186
	3,439	2,464

7 Profit of parent company

The Company has taken advantage of s230 of the Companies Act 1985 and consequently the profit and loss account of the parent company is not presented as part of these accounts. The profit of the parent company for the financial year amounted to £13,724,000 (1998: £4,815,000).

8 Earnings per ordinary share

The calculation of the earnings per share is based on the weighted average number of 35,591,000 ordinary shares in issue during the year (1998: 33,575,000) and on the profits for the year attributable to ordinary shareholders of £7,890,000 (1998: £7,436,000).

In calculating the earnings per share before exceptional loss, earnings are adjusted for the exceptional loss of £3,129,000 (1998: nil) and the tax on exceptional loss of £947,000 (1998: nil) making adjusted earnings of £10,072,000 (1998: £7,436,000).

In calculating the diluted earnings per share, earnings are adjusted for the preference dividend of £275,000 (1998: £278,000) making adjusted earnings of £8,165,000 (1998: £7,714,000). The weighted average number of ordinary shares are adjusted for the dilutive effect of the convertible preference shares by 1,941,000 (1998: 1,974,000) and share options by 722,000 (1998: 999,000) giving an adjusted number of ordinary shares of 38,254,000 (1998: 36,548,000).

9 Employees

	1999 No.	1998 No.
The average number of people employed by the Group during the year was:	2,122	1,869

10 Staff costs

	1999 £'000s	1998 £'000s
Wages and salaries	56,932	46,461
Social security costs	5,732	4,284
Pension costs	1,205	1,051
	63,869	51,796

11 Directors' remuneration

	Salary and fees £'000s	Bonus £'000s	Benefits £'000s	Pension £'000s	1999 Totals £'000s	1998 Totals £'000s
J C Morgan (Highest paid director)	147	32	16	15	210	275
A M Stoddart	137	29	18	14	198	259
J M Bishop	137	29	13	14	193	254
J J C Lovell	111	24	13	11	159	206
B J Moorhouse*	–	–	–	–	–	231
Executive directors	532	114	60	54	760	1,225
Sir D P Hornby (Chairman)	36	–	–	–	36	36
G Gallacher	20	–	–	–	20	20
B H Asher	20	–	–	–	20	17
Non executive directors	76	–	–	–	76	73
Totals	608	114	60	54	836	1,298

The totals of directors' remuneration shown above include fees of £76,000 (1998: £73,000). Pension contributions made on behalf of the executive directors are made to money purchase pension schemes. Further details of the directors' remuneration are contained in the Directors' Report on pages 19 and 20.

* Includes £180,000 compensation for loss of office in 1998.

Long term incentive plan

A long term incentive plan has been established as explained in detail in the long term incentive plan section of the Directors' Report on page 19. Conditional awards which have been made are shown therein. An amount of £133,000 has been accrued for potential awards relating to 1999 which will be calculated based on the three year period ending 31 December 2001.

12 Intangible fixed assets

Group	Goodwill £'000s
Cost or valuation	
At 1 January 1999	4,161
Additions (see note 25)	8,177
At 31 December 1999	**12,338**
Amortisation	
At 1 January 1999	191
Provided in the year	379
At 31 December 1999	**570**
Net book value at 31 December 1999	**11,768**
Net book value at 31 December 1998	3,970

13 Tangible fixed assets

(a) Group	Plant, machinery & equipment £'000s	Motor vehicles £'000s	Freehold property £'000s	Leasehold property £'000s	Total £'000s
Cost or valuation					
At 1 January 1999	5,655	1,249	6,367	3,129	16,400
Additions	1,868	54	1,034	330	3,286
Surplus/(deficit) on revaluation	–	–	812	(44)	768
Acquisition of subsidiary undertaking	47	–	–	–	47
Transfer to current assets	–	–	(535)	–	(535)
Reclassification	49	–	–	(49)	–
Disposals	(648)	(452)	(640)	(117)	(1,857)
At 31 December 1999	**6,971**	**851**	**7,038**	**3,249**	**18,109**
Depreciation					
At 1 January 1999	3,413	1,030	177	396	5,016
Provided in the year	1,357	83	46	174	1,660
Surplus on revaluation	–	–	–	(157)	(157)
Acquisition of subsidiary undertaking	4	–	–	–	4
Reclassification	2	–	–	(2)	–
Disposals	(584)	(391)	–	(76)	(1,051)
At 31 December 1999	**4,192**	**722**	**223**	**335**	**5,472**
Net book value at 31 December 1999	**2,779**	**129**	**6,815**	**2,914**	**12,637**
Net book value at 31 December 1998	2,242	219	6,190	2,733	11,384

13 Tangible fixed assets *(continued)*

(b) Company	Plant, machinery & equipment £'000s	Freehold property £'000s	Leasehold property £'000s	Total £'000s
Cost or valuation				
At 1 January 1999	168	5,832	1,888	7,888
Additions	13	1,034	51	1,098
Surplus/(deficit) on revaluation	–	812	(44)	768
Transfer to current assets	–	(535)	–	(535)
Disposals	(19)	(125)	(20)	(164)
At 31 December 1999	**162**	**7,018**	**1,875**	**9,055**
Depreciation				
At 1 January 1999	61	173	151	385
Provided in the year	49	44	37	130
Surplus on revaluation	–	–	(157)	(157)
Disposals	(18)	–	(17)	(35)
At 31 December 1999	**92**	**217**	**14**	**323**
Net book value at 31 December 1999	**70**	**6,801**	**1,861**	**8,732**
Net book value at 31 December 1998	107	5,659	1,737	7,503

The net book value of land and buildings comprises:	Group		Company	
	1999 £'000s	1998 £'000s	**1999 £'000s**	1998 £'000s
Investment properties				
Freehold	**3,655**	3,072	**3,655**	2,767
Short leasehold	**1,600**	1,466	**1,600**	1,466
	5,255	4,538	**5,255**	4,233
Other properties				
Freehold	**3,160**	3,118	**3,146**	2,892
Short leasehold	**1,314**	1,267	**261**	271
	4,474	4,385	**3,407**	3,163
Total net book value	**9,729**	8,923	**8,662**	7,396

Land and buildings at cost or valuation are stated:	Group		Company	
	1999 £'000s	1998 £'000s	**1999 £'000s**	1998 £'000s
At valuation				
1994	**1,626**	1,626	**1,626**	1,626
1998	**–**	4,668	**–**	4,363
1999	**5,250**	–	**5,250**	–
At cost	**3,411**	3,202	**2,017**	1,731
	10,287	9,496	**8,893**	7,720

Comparable amounts determined according to the historical cost convention:	Cost **1999 £'000s**	Accumulated depreciation **1999 £'000s**	Net book value **1999 £'000s**	Net book value 1998 £'000s
Land and buildings	**7,946**	**1,248**	**6,698**	6,303

An independent valuation of the Group's investment properties was undertaken by Healy & Baker Real Estate Consultants as at 31 December 1999 on the basis of Existing Use Value in accordance with the RICS Appraisal and Valuation Manual. The directors have reflected these valuations in the financial statements as at the date of the valuation. The net surplus arising on revaluation of £925,000 was taken to the revaluation reserve.

14 Investments

(a) Group	Joint venture £'000s	Own shares at cost £'000s
At 1 January 1999	184	690
Additions	–	480
Share of results for the year	51	–
Share of revaluation reserve	558	–
At 31 December 1999	**793**	**1,170**

Investment in joint venture
The Group's joint venture investment is in Primary Medical Property Limited, which develops and invests in primary care health centres. The principal place of business of Primary Medical Property Limited is 77 Newman Street, London W1P 3LA. Morgan Sindall plc's involvement in the management of Primary Medical Property Limited is restricted to the appointment of two directors under the terms of a shareholder agreement under which certain matters may only be undertaken by the Company with the approval of all directors.

Investment in own shares
The own shares at cost represent 588,181 Morgan Sindall plc ordinary shares held in trust in connection with the long term incentive plan as detailed in the Directors' Report on page 19. Based on the Company's share price on 31 December 1999 of £3.06, the market value of the shares was £1,799,834.

(b) Company	Own shares £'000s	Subsidiary undertakings Shares £'000s	Subsidiary undertakings Loans £'000s	Joint venture shares £'000s	Total £'000s
Cost					
At 1 January 1999	690	33,893	2,251	4	36,838
Additions	480	28,189	–	–	28,669
Repaid during the year	–	–	(611)	–	(611)
At 31 December 1999	**1,170**	**62,082**	**1,640**	**4**	**64,896**
Provisions					
At 1 January 1999	–	852	680	4	1,536
(Release of provisions)/ provisions created in year	–	(139)	386	–	247
At 31 December 1999	**–**	**713**	**1,066**	**4**	**1,783**
Net book value at 31 December 1999	**1,170**	**61,369**	**574**	**–**	**63,113**
Net book value at 31 December 1998	690	33,041	1,571	–	35,302

The additions to shares in subsidiary undertakings include the acquisition of Lovell Partnerships (see note 25), the issue of £3,400,000 share capital by existing subsidiaries and the transfer of the shareholding in Overbury plc from Morgan Lovell plc at a nominal value of £4,100,000.

15 Stocks

	Group		Company	
	1999	1998	**1999**	1998
	£'000s	£'000s	**£'000s**	£'000s
Development works and building land	**23,863**	4,364	**5,931**	4,364
Trading properties	**863**	2,628	**580**	2,628
Materials and equipment	**86**	163	**–**	–
	24,812	7,155	**6,511**	6,992

Included within development works and building land is £224,000 (1998: £177,000) in respect of interest capitalised.

16 Debtors

	Group		Company	
	1999	1998	**1999**	1998
	£'000s	£'000s	**£'000s**	£'000s
Trade debtors	**48,387**	31,591	**270**	219
Amounts recoverable on contracts	**36,755**	33,826	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**3,014**	2,452
Amounts owed by joint venture	**276**	40	**40**	40
Corporation tax recoverable	**–**	–	**–**	200
Other debtors	**2,196**	1,369	**163**	614
Prepayments and accrued income	**1,206**	1,002	**210**	130
	88,820	67,828	**3,697**	3,655

17 Cash at bank and in hand

The Group's financial instruments comprise cash and various short-term items such as trade debtors and trade creditors that arise directly from its operations. In particular the Group holds cash in the form of sterling deposits with counterparties, which are at a fixed interest rate and for periods not exceeding three months.

The objective of placing these deposits with financial institutions approved by the Board is to maximise interest received. The Group's treasury policy sets out lending limits and minimum liquidity requirements to be met. By lending surplus funds to counterparties the Group's risk profile is not significantly changed.

During the period under review the Group did not enter into derivative transactions and has not undertaken trading in any financial instruments.

18 Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	**1999**	1998
	£'000s	£'000s	**£'000s**	£'000s
Bank overdraft	**–**	–	**1,119**	–
Payments on account	**8,162**	–	**–**	–
Trade creditors	**49,127**	32,271	**695**	74
Amounts owed to subsidiary undertakings	**–**	–	**15,815**	11,543
Other creditors	**2,917**	1,988	**127**	167
Corporation tax	**1,388**	1,669	**262**	–
Other tax and social security	**2,253**	2,896	**36**	185
Accruals and deferred income	**57,975**	56,034	**2,069**	2,636
Dividend	**2,291**	1,557	**1,671**	1,557
	124,113	96,415	**21,794**	16,162

19 Provisions for liabilities and charges

	Group		Company	
	1999	1998	**1999**	1998
	£'000s	£'000s	**£'000s**	£'000s
Provisions for losses:				
At 1 January 1999	**–**	218	**80**	173
Reclassified as investment	**–**	(218)	**–**	–
Released to profit and loss account	**–**	–	**–**	(93)
At 31 December 1999	**–**	–	**80**	80

The amounts of deferred taxation provided and not provided in the accounts are as follows:

Group	Provided		Not provided	
	1999	1998	**1999**	1998
	£'000s	£'000s	**£'000s**	£'000s
Capital allowances in excess of depreciation	**–**	–	**154**	235
Taxation loss relief and other timing differences	**–**	–	**(154)**	(235)
	–	–	**–**	–

There are taxation losses to carry forward of approximately £10 million (1998: £7 million).

20 Operating lease commitments

At 31 December 1999 the Group was committed to making the following payments during the next year in respect of non-cancellable operating leases.

	Land and buildings	Other
Leases which expire:	£'000s	£'000s
Within one year	68	589
Within two to five years	533	2,184
After five years	1,253	148
	1,854	**2,921**

21 Financial commitments

	Group		Company	
	1999	1998	**1999**	1998
Capital expenditure	**£'000s**	£'000s	**£'000s**	£'000s
Authorised and contracted	**53**	78	**–**	–

22 Contingent liabilities

Group bank accounts and performance bond facilities are supported by cross-guarantees given by the Company and participating trading companies in the Group. The overdraft facility of the joint venture is supported by a Group guarantee.

23 Called up share capital

	1999		1998	
	No. '000s	**£'000s**	No. '000s	£'000s
Authorised				
Ordinary shares of 5p each	**42,960**	**2,148**	42,960	2,148
5.625% Convertible cumulative redeemable preference shares of £1 each	**5,000**	**5,000**	5,000	5,000
	47,960	**7,148**	47,960	7,148
Issued and fully paid				
Ordinary shares of 5p each	**37,222**	**1,861**	33,661	1,684
5.625% Convertible cumulative redeemable preference shares of £1 each	**4,853**	**4,853**	4,935	4,935
	42,075	**6,714**	38,596	6,619

Ordinary shares

The ordinary shares of 5p each of the Company issued during the year are shown below. Details of the share option schemes referred to are given later in this note.

1. 3,249,612 ordinary shares by way of a Placing and Open Offer at 255p per share, the new shares being admitted to the Official List on 21 June 1999.
2. 184,850 ordinary shares in respect of options exercised under the Company's 1988 Scheme (referred to below) for total consideration of £201,878.
3. 93,000 ordinary shares in respect of options exercised under the Company's 1995 Scheme (referred to below) for total consideration of £116,930.
4. 33,179 ordinary shares in respect of conversion rights attached to 82,950 convertible preference shares exercised as at 30 June 1999.

Preference shares

The convertible preference shares are convertible at the option of the holder on 30 June in each of the years 1991 to 2003 inclusive on the basis of 40 ordinary shares for every 100 convertible preference shares. After conversion of 75% of the convertible preference shares the Company has the right to require the conversion of the outstanding balance. The convertible preference shares are redeemable at par at the Company's option after the last date of conversion in 2003 and are finally redeemable on 30 June 2005. There is no premium payable on a return of capital on a winding up and the convertible preference shares do not entitle the holders to any participation in the profits or assets of the Company beyond their preference dividend entitlement.

Options

The company has two share option schemes. The first scheme ('the 1988 Scheme') was introduced on 21 January 1988 and the second scheme ('the 1995 Scheme') received shareholders' approval on 24 May 1995. Options granted under the 1988 Scheme are exercisable between three and ten years from the date of grant and under the 1995 Scheme are exercisable between five and seven years from the date of grant. The period for the granting of options under the 1988 Scheme expired in January 1998. As at 31 December 1999 there remain 366,525 options outstanding under that Scheme exercisable at prices between £0.73 and £1.71. At the same date there were 1,568,925 options outstanding under the 1995 Scheme exercisable at prices between £0.73 and £2.01.

No options have been granted to any members of the Morgan Sindall plc Board.

24 Revaluation reserve

	Group		Company	
	1999	1998	**1999**	1998
	£'000s	£'000s	**£'000s**	£'000s
Investment property revaluation reserve	**2,854**	2,069	**2,854**	2,069
Other property revaluation reserve	**1,109**	551	**220**	220
	3,963	2,620	**3,074**	2,289

25 Acquisitions

Lovell Partnerships

On 16 June 1999 the Company acquired the entire issued share capital of Lovell Partnerships Limited, Lovell Partnerships (Northern) Limited and Lovell Partnerships (Southern) Limited ("Lovell Partnerships") for cash consideration of £20.3m. The consolidated profits/(losses), after taxation, of Lovell Partnerships were as follows:

	£'000s
Financial year ended 30 September 1998	888
1 October 1998 to date of acquisition (includes exceptional write-off of intercompany debt of £6,532,000)	(6,592)

The following table analyses the book value of the major categories of assets and liabilities acquired:

	Book value at date of acquisition £'000s	Provisional fair value adjustments £'000s	Note	Provisional fair value of net assets £'000s
Tangible fixed assets	–	43	a	43
Work in progress	18,815	(2,262)	b	16,553
Trade debtors	12,069	(200)	b	11,869
Other debtors	946	–		946
Bank	9	–		9
Trade creditors	(8,236)	(53)	c	(8,289)
Other creditors and accruals	(8,380)	(239)	c	(8,619)
Net assets	15,223	(2,711)		12,512
Cash consideration				20,316
Acquisition cost				373
Total cost				20,689
Goodwill				8,177

The acquisition has been accounted for by the acquisition method of accounting. The provisional fair value adjustments are explained as follows:
a: Adjustments to align accounting policies
b: Adjustment to carrying value of assets
c: Provision for known liabilities

Cash flow

During the year, acquisitions contributed £5,580,000 to the Group's net operating cash flows, paid £235,000 in respect of net returns on investment and servicing of finance and paid £238,000 on investing activities.

26 Exceptional loss on closure of discontinued business

On 3 November 1999, the Company announced the Group's withdrawal from tendered term maintenance work for housing associations. At the year end the maintenance operation of SMHA Limited has been discontinued and existing agreements have been phased out. This has resulted in a charge in the year of £3,129,000, which represents the write down of assets to recoverable amounts and closure costs, and includes an amount of £68,000 goodwill previously eliminated against the profit and loss reserve.

27 Pensions

Defined contribution and hybrid schemes

The Morgan Sindall Retirement Benefits Plan was established on 31 May 1995 and operates on defined contribution principles where contributions are invested to accumulated capital sums to provide members with retirement and death benefits. The Plan includes some defined benefit liabilities and transfers of funds representing the accrued benefit rights of former active and deferred members of pension plans of companies which are part of the Group as it now stands. In addition the Plan provides final salary related benefits for the members of the former Sindall Group Pension Fund in respect of benefits accrued before 31 May 1995.

Subject as provided below, pension costs for the Plan and for other small defined contribution schemes in the Group represent the employers' contributions actually paid in the year together with employers' contributions to the personal pension plans of individuals, where applicable.

The latest actuarial valuation was dated 1 June 1998 and was prepared using the assumptions of rate of investment return of 6.5% per annum, rate of earnings escalation of 5.5% per annum and rate of inflation of 4.5% per annum. The ongoing liabilities of the Plan were assessed using the attained age method whereas the assets were taken at realisable market value. The defined benefit liabilities are fully funded. The actuarial valuation referred to shows that on an ongoing basis, the value of the assets represented 137% of the value of these liabilities. The actuarial valuation also showed that the realisable market value of the Plan's assets is in excess of its minimum liabilities when assessed on the Minimum Funding Requirement basis (as defined in the Pensions Act 1995).

Accordingly, on the recommendation of the Plan actuary, certain employers' contributions during the year have been funded using the unallocated reserve of the Plan assets and in these circumstances no charge to the profit and loss account of the employer is recorded. The Plan actuary has recommended that this practice should continue to apply until 31 May 2000 when the actuary will conduct a further review. The contributions paid by the Group for the year amounted to £1,205,000.

28 Reconciliation of operating profit to net cash inflow from operating activities

	1999 £'000s	1998 £'000s
Operating profit	**11,727**	8,447
Depreciation of tangible fixed assets	**1,660**	1,507
Amortisation of goodwill	**379**	191
Profit on disposal of business	**–**	(40)
(Loss)/profit on sale of fixed assets	**28**	(494)
Increase in stocks and work in progress	**(242)**	(285)
Increase in debtors	**(8,177)**	(8,444)
Increase in creditors	**10,334**	8,394
Exceptional loss	**(3,061)**	–
Net cash inflow from operating activities	**12,648**	9,276

29 Reconciliation and analysis of net cash flow to movement in net cash

	1998 £'000s	Cash flow £'000s	**1999 £'000s**
Cash at bank and in hand	28,386	(6,344)	**22,042**

30 Additional information on subsidiary undertakings and joint venture

The Company acts as a holding company for the Group and has the following principal subsidiary undertakings and joint venture which affected the Group's results or net assets.

Subsidiary undertakings	*Activity*
Barnes & Elliott Limited	Construction
Hinkins & Frewin Limited	Construction
Lovell Partnerships Limited	Affordable Housing
*Morgan Lovell London Limited	Office design, fitting out and refurbishment specialists
*Morgan Lovell Regions Limited	Office design, fitting out and refurbishment specialists
Overbury plc	Fitting out and refurbishment contractor
Roberts Construction Limited	Construction
(formerly Roberts R Roberts (Leeds) Limited)	
Sindall Limited	Construction
SMHA Limited (formerly Sindall Maintenance Limited)	Construction
*Snape Limited	Construction
Stansell Limited	Construction
*Stansell QVC Limited	Construction
The Snape Group Limited	Intermediate holding company
Wheatley Construction Limited	Construction
Joint venture	
Primary Medical Property Limited (50%)	Development and investment of medical properties

All subsidiary undertakings are wholly owned unless shown otherwise and with the exception of companies marked * all shareholdings are in the name of Morgan Sindall plc. With the exception of Stansell QVC Limited, registered and operating in Jersey, all undertakings are registered in England and England is the principal place of business.

31 Directors' interests

According to the register maintained as required by the Companies Act 1985, the interests of the directors in office at 31 December 1999 and 1 January 1999 were as follows:

	5p Ordinary Beneficial 31 December 1999	5p Ordinary Beneficial 1 January 1999
Sir D P Hornby	5,452	5,452
J C Morgan	6,206,926	6,206,926
J M Bishop	12,814	20,000
J J C Lovell	6,183,706	6,183,706
A M Stoddart	5,000	5,000
G Gallacher	–	–
B H Asher	–	–

No director had any non beneficial interest in the ordinary shares or any interest in the preference shares of the Company. There have been no changes in the interests of the directors between the year end and 15 February 2000. No director had any material interest in any contract with the Company.

32 Related party transaction

During the year the Company appointed IRG plc as its Registrars. Sir Derek Hornby is the non-executive Chairman of IRG plc. From the date of taking up their duties on 22 November 1999 to the end of the period, IRG plc have been paid £1,550 for their services. No amounts are outstanding at the year end.

Notice is hereby given that the forty-third Annual General Meeting of the Company will be held in the Drawing Room of The Armourers' Hall, 81 Coleman Street, London, EC2R 5BJ at 12 noon on Tuesday 11 April 2000 for the following purposes:

Ordinary business

1. To receive the Reports of the Directors and the Auditors and the Accounts for the year ended 31 December 1999.

2. To declare a final dividend of 6.00 pence per Ordinary Share.

3. To re-elect Mr J J C Lovell a Director.

4. To re-elect Ms G Gallacher a Director

5. To re-appoint Deloitte & Touche as Auditors.

6. To authorise the Directors to fix the Auditors' remuneration.

Special business

To consider and if thought fit pass the following resolutions of which resolutions 7 and 8 will be proposed as Ordinary Resolutions and resolutions 9 and 10 will be proposed as Special Resolutions.

7. That the authorised share capital of the Company be increased from £7,148,000 to £7,500,000 by the creation of 7,040,000 new Ordinary Shares of 5p each ranking pari passu in all respects with the existing Ordinary Shares.

8. That subject to the passing of the previous resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ('the Act') to exercise all of the powers of the Company to allot relevant securities (within the meaning of that section) of the Company up to an aggregate amount of £638,895.50 such authority (unless previously revoked or varied) to expire on the earlier of the conclusion of the Company's next Annual General Meeting and fifteen months from the date of the passing of this resolution save that the Company may make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

9. That, subject to the passing of the previous resolution, the Directors be and they are hereby authorised and empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority given in the previous resolution as if section 89(1) of the Act did not apply to such allotment, provided that such power be limited to:

i) the allotment of equity securities which are offered to all the holders of equity securities of the Company (at a date specified by the Directors) where the equity securities respectively attributable to the interests of such holders are as nearly as practicable in proportion to the respective number of equity securities held by them, but subject to such exclusions and other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements and any legal or practical problems under any laws, or requirements of any regulatory body or stock exchange in any territory or otherwise; and

ii) the allotment (otherwise than pursuant to sub-paragraphs i) above and iii) below) of equity securities up to an aggregate nominal amount of £93,055.23; and

iii) the allotment of equity securities up to a total nominal amount of £97,050.20 in connection with the satisfaction of conversion rights attached to the 5.625% Convertible Cumulative Redeemable Preference Shares of £1 each currently in issue

and this power shall expire on the earlier of the conclusion of the Company's next Annual General Meeting and fifteen months from the date of the passing of this resolution save that the Company may make an offer or enter into an agreement before the expiry of that date which would or might require equity securities to be allotted after that date and the Directors may allot equity securities in pursuance of such an offer as if the power conferred hereby had not expired.

10. That the Articles of Association of the Company be amended as follows:

i) by deleting the second sentence in article 85; and

ii) by adding the following sentence to the end of article 86:

"In addition, any Director who would not otherwise be required to retire shall retire by rotation at the third Annual General Meeting after his last appointment or re-appointment."

By order of the Board

W R Johnston
Company Secretary
15 February 2000

Registered Office
77 Newman Street
London
W1P 3LA

Notes

1. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on a poll in his place. A proxy need not also be a member of the Company. A form of proxy accompanies this notice.

2. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

3. In the case of a corporation the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or a duly authorised officer of the corporation.

4. To be effective, the form of proxy, together with any power of attorney or other authority under which it is executed or a notarially certified copy thereof must be sent to IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU as to arrive no later than 12 noon on 9 April 2000.

5. Short biographical details of the directors seeking re-election are shown on page 16 and 17.

6. Service contracts of Directors will be available for inspection at 77 Newman Street, London, W1P 3LA during usual business hours on any business day from the date of this notice until the date of the meeting and for 15 minutes prior to the meeting at The Armourers' Hall, 81 Coleman Street, London, EC2R 5BJ.

7. The Company, pursuant to regulation 34 of The Uncertificated Securities Regulations 1995, specifies that only those ordinary shareholders registered in the register of members of the Company 48 hours before the meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

8. **Resolution 7**

Pursuant to resolution 7 the authorised share capital of the Company would be increased from £7,148,000 to £7,500,000 representing an increase in the current authorised share capital of approximately 5% and an increase of approximately 16% in the current authorised Ordinary Share capital. This increase is being sought to ensure that the Company has adequate flexibility should the need arise to issue further Ordinary Shares, particularly following the new Ordinary Shares issued under the open offer in 1999, and the Ordinary Shares reserved for issue pursuant to the exercise of options and the conversion of Preference Shares requiring the issue of new Ordinary Shares.

9. **Resolution 8**

When resolution 8 in the notice of the Annual General Meeting is passed, the Board will have general and unconditional authority to allot 12,777,910 Ordinary Shares, which authority will expire fifteen months from the date on which this resolution is passed or, if earlier, at the conclusion of the next Annual General Meeting. Of that number, 3,976,453 authorised but unissued Ordinary Shares will be reserved in respect of share options granted under the two Share Option Schemes which members have approved and to provide for the conversion of Preference Shares. Accordingly, following the passing of this resolution 8,801,457 Ordinary Shares, representing approximately 24 per cent of the issued Ordinary Share capital of the Company, will remain authorised, unissued and unreserved.

10. **Resolution 9**

In addition to the above, on the passing of resolution 9, the Board will have authority to allot equity securities up to an aggregate value of £93,055.23, representing approximately 5 per cent of the issued Ordinary Share capital of the Company, for cash otherwise than pro-rata to existing shareholders, which authority will expire fifteen months from the date on which the resolution is passed or, if earlier, at the conclusion of the next Annual General Meeting of the Company. The Board will also have authority to allot equity securities in order to satisfy the conversion rights attaching to the Preference Shares. However, currently there is no intention to issue any further share capital otherwise than pursuant to the exercise of conversion rights in respect of the Preference Shares in issue and in the exercise of any options under the two Share Option Schemes.

11. **Resolution 10**

Pursuant to resolution 10 it is proposed to amend the Articles of Association to ensure compliance with the Combined Code of the London Stock Exchange. Following this amendment, all directors, including the Chief Executive or Managing Director, will be subject to retirement by rotation and each director will be required to submit himself for re-election at least at every third Annual General Meeting. However, both of the changes in the resolution merely formally reflect what has been the Company's policy and practice since 1994.

Private Shareholders

For ease of reference paragraph C.2 of the Principles of Good Governance as set out in Section 1 of the Combined Code is reproduced below.

C.2 Constructive Use of the AGM

Principle

Boards should use the AGM to communicate with private investors and encourage their participation.

Code Provisions

C.2.1 Companies should count all proxy votes and, except where a poll is called, should indicate the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands.

C.2.2 Companies should propose a separate resolution at the AGM on each substantially separate issue, and should in particular propose a resolution at the AGM relating to the report and accounts.

C.2.3 The chairman of the board should arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the AGM.

C.2.4 Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders at least 20 working days before the meeting.

Directors
Sir D P Hornby (Non-Executive Chairman)
J C Morgan (Chief Executive)
J M Bishop
J J C Lovell
A M Stoddart
B H Asher (Non-Executive)
G Gallacher (Non-Executive)

Secretary
W R Johnston

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Leda House, Station Road, Cambridge CB1 2RN

Tax Advisors
Grant Thornton,
Grant Thornton House, Melton Street, Euston Square,
London NW1 2EP

Clearing Bankers
Lloyds TSB Bank plc,
Po Box 17328, 11-15 Monument Street, London EC3V 9JA

Merchant Bankers
Close Brothers Corporate Finance Limited,
10 Crown Place, Clifton Street, London EC2A 4FT

Brokers
Peel, Hunt & Company Limited,
62 Threadneedle Street, London EC2R 8HP

Registrars
IRG plc,
Bourne House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU

Shareholder communication
Contact with existing and prospective shareholders is welcomed by the Company. If you have any questions or enquiries about the Company or the activities of the Group, please contact: Jack Lovell, Client Director, at the registered office.

Web Site
www.morgansindall.co.uk

Share prices (FT Cityline)
Current buying and selling prices of the Company's shares, together with recorded information on key dates, can be obtained by dialling 0336 434027.

Financial Calendar

Annual General Meeting:	11 April 2000
Ordinary shares	
Final dividend:	
Ex-dividend date:	13 March 2000
Record date:	17 March 2000
Payment date:	13 April 2000
Interim results announcement:	August 2000
Preference shares	
Dividend payment dates:	15 April 2000
	15 October 2000
Next conversion date:	30 June 2000

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