

Interior Services Group

ISG



BP – London Fit Out

New Investors

March 2006

- Services & Brands
- Vision & Mission
- Growth Drivers
- Style & Motivation
- History
- Business Features
- Customers
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- Strategy
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Services & Brands



UK London

new build
refurbishment
fit out



100%

UK Regions

new build
refurbishment
fit out



100%

Europe

fit out



49%



20%

INTERIOR ALPHA GMBH

36%

Asia

fit out
project management
facilities management



22%



“to be the leading premium brand provider of construction services in the UK, with an international capability”

a 5 star business



- best in class services
- 'value driven' customers
- 'mission critical' projects
- 'relationship driven' approach
- growing business, organic + acquisitions
- wider range of sectors + geographies

Occupier Demands

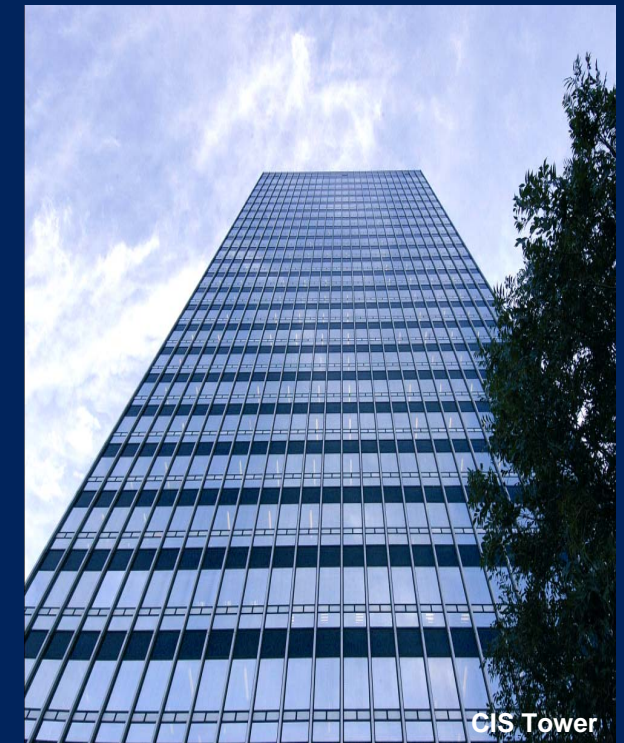
- Greater use of technology
- Shorter term leases / serviced offices
- Global purchasing

Structural

- Effects or mergers and acquisitions
- New uses for existing buildings
- Importance of London – UK

Economic

- Public sector / PFI
- Productivity through new ways of working
- Supply chain management / partnering
- Emerging markets China

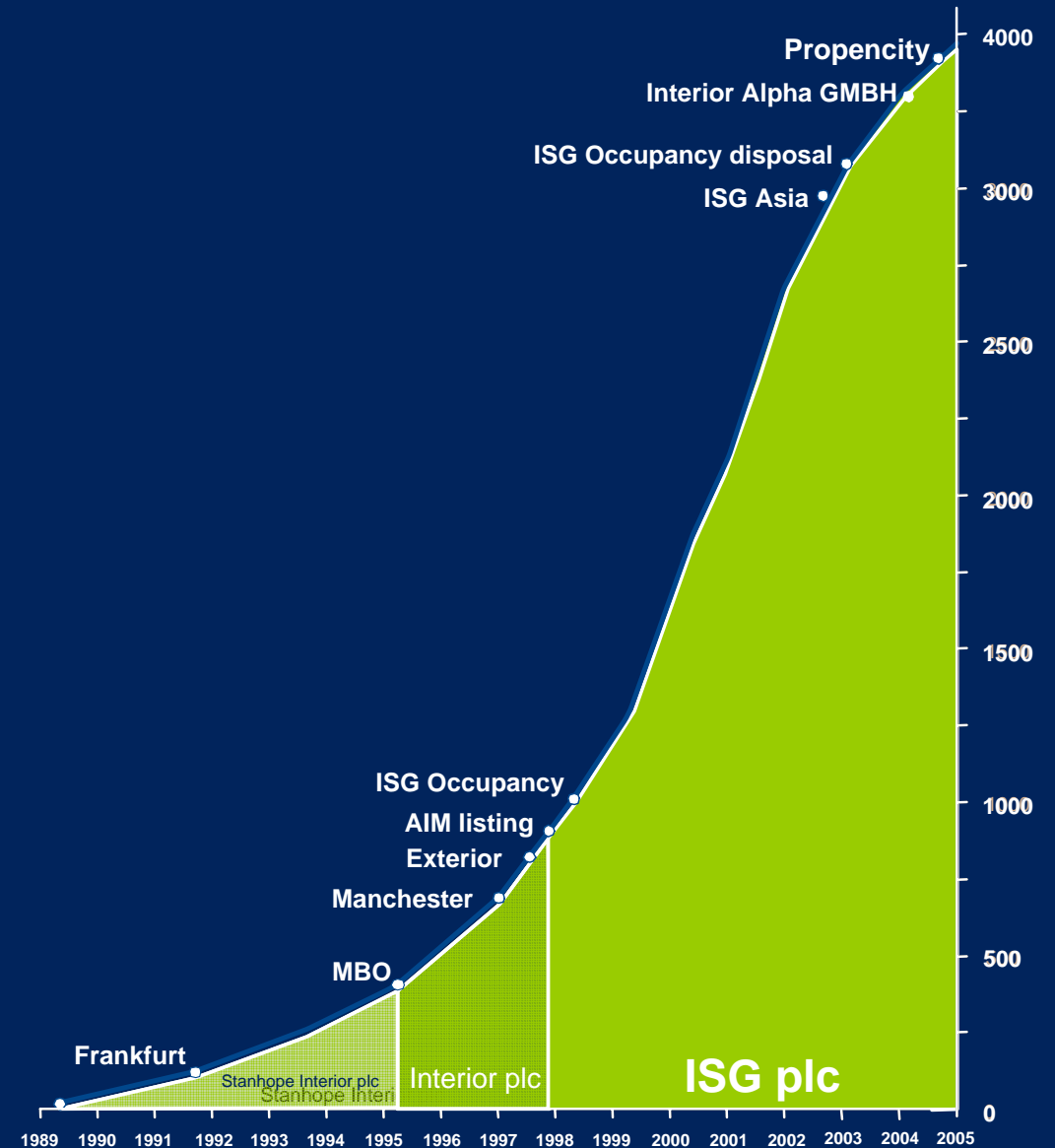


- we are passionate about our work
- we are committed to the creation of lasting relationships
- we are obsessive about detail
- we understand that process creates value
- we encourage ambition in our staff
- we take ownership of our customers' problems
- we believe that our role is to help create better businesses



Background

- 1989 Stanhope Interior
- 1995 MBO → Interior plc
- 1997 Exterior formed
- 1998 AIM listing
- 1998 ISG Occupancy formation
- 2002 49% ISG City Axis
- 2003 22% ISG Asia swap
- 2004 ISG Occupancy disposal
- 2004 Interior ALPHA GmbH 36%
- 2005 Propensity acquisition



- Management service
- Risk averse – back to back supplier contracts + scale limits
- Risk rankings – low/high : 50/50 split
- Little or no D+B/Lump sum single stage
- No PFI – yet
- Client default insurance



Margins

- Fit Out
 - Refurb
 - New Build
- } - O/A target 15% on fee income

Profit Recognition Timing

- Special Works/Retail - up to 3 months
- Fit Out - up to 9 Months
- Refurb - up to 15 Months
- New Build - up to 18 Months

Win Rates

- London 1 : 2
- Regions 1 : 5

Scale

- Special Works/Retail - £50k → £1.0m
- Fit Out - £1.0m → £50m+
- Refurb (London) - £2m → £50m
- Refurb (Regions) - £50k → £10m
- New Build (London) - £2m → £50m+
- New Build (Regions) - £50k → £10m

London

Ascot Racecourse
Asticus
Bexley Academy
Blackstone Group
BT
CIT Group
CSFB
Derwent Valley
Diageo
Electronic Arts
Goldsmiths College
Great Portland Estates

London

Hammerson
Hutchison Whampoa
Imperial College
London Stock Exchange
Marks & Spencer
Mellon Financial
RBS
Royal Festival Hall
Royal & Sun Alliance
Slaughter & May
The Royal Exchange
Secondsite Properties

Regions

Argos
Bank of America
Barratts
Edinburgh's Telford College
Hanover Housing
HMP Framework Agreement
Holiday Inn
Newmarket Racecourse
Primark
Selfridges
Team Mobile
Virgin Active
Wigan & Leigh Colleges



Government Offices – IPCC



Retail - Erco



Residential - Wandsworth



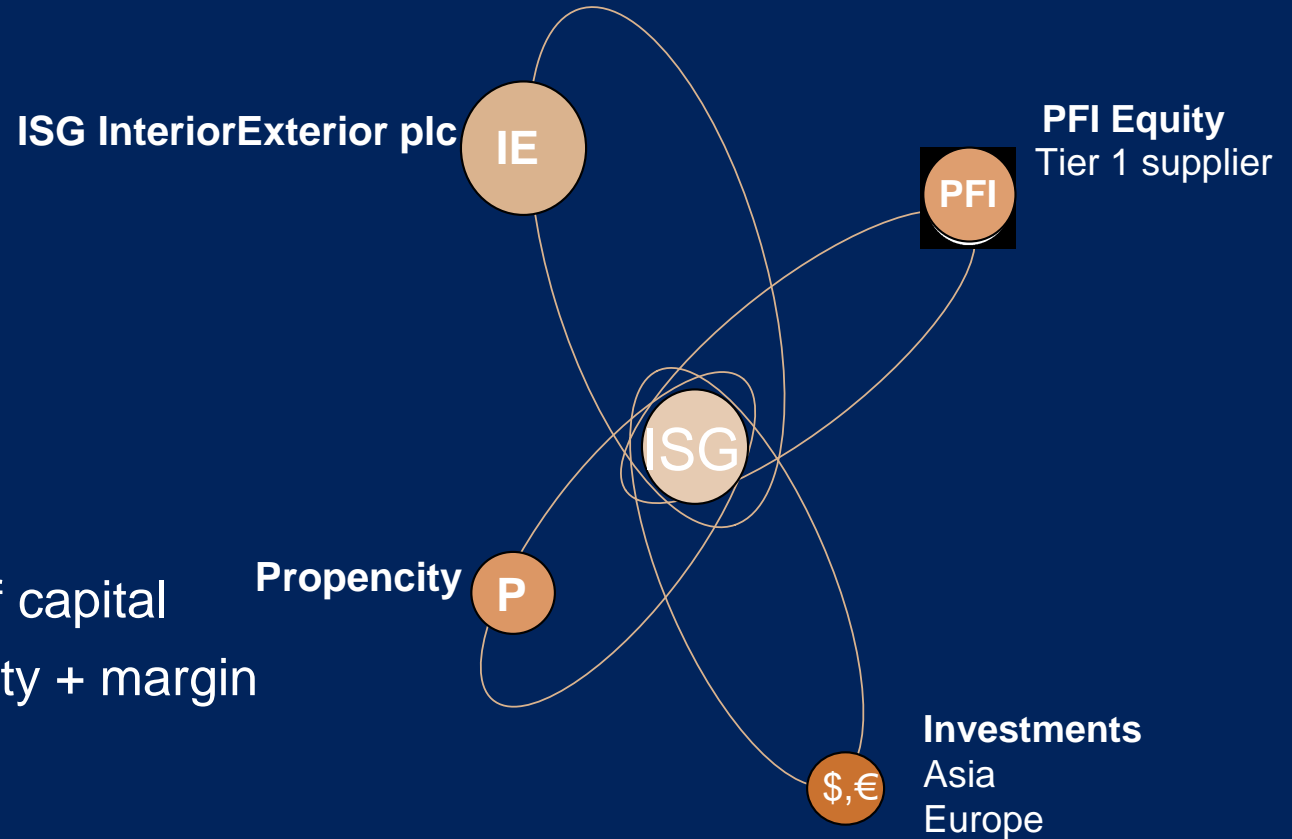
Leisure - Roehampton



Education - University of London



Commercial Offices - Derwent Valley



Objectives

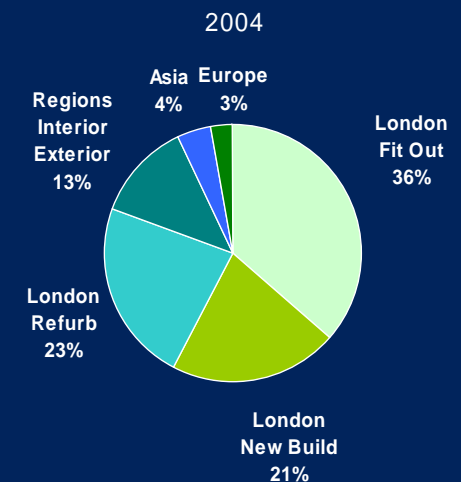
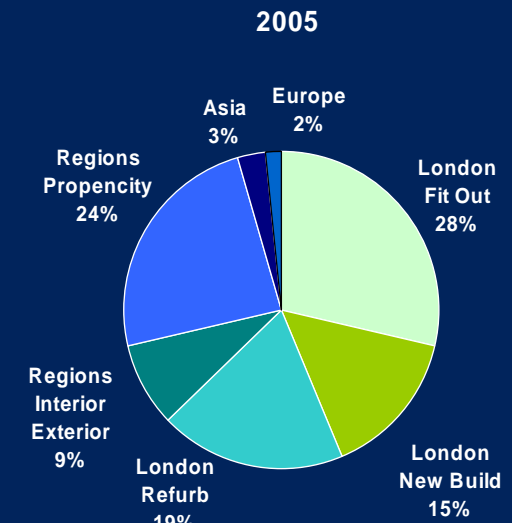
- growth
- improved use of capital
- improved visibility + margin

Plan

- research PFI potential
- Interior Exterior organic growth
- acquisitional growth

Fee Income Split

	2005	2004
	£m	£m
London		
- Fit Out	10.2	6.7
- Refurb	6.8	4.2
- New Build	5.4	3.9
Regions		
- Propensity	8.6	-
- Interior Exterior	3.1	2.3
Overseas		
- Asia	1.0	0.8
- Europe	0.6	0.5
Group Total	35.7	18.4

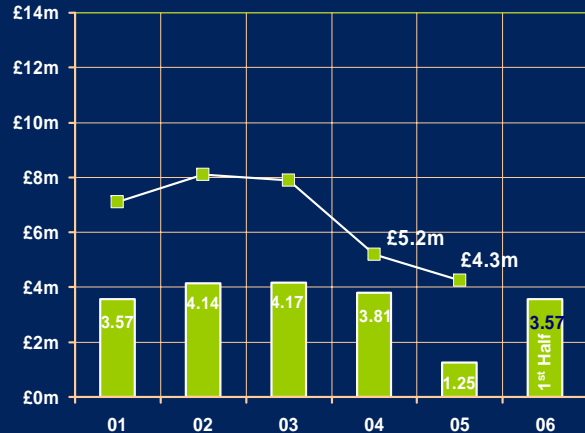


- Increasing volumes
- Improving owner & occupier demand
- Improving margins

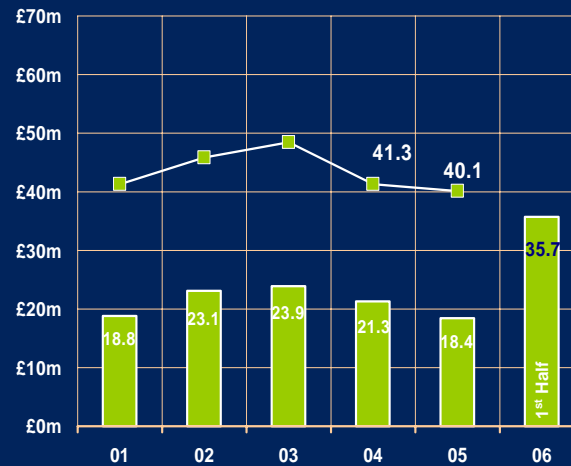
Key Performance Indicators



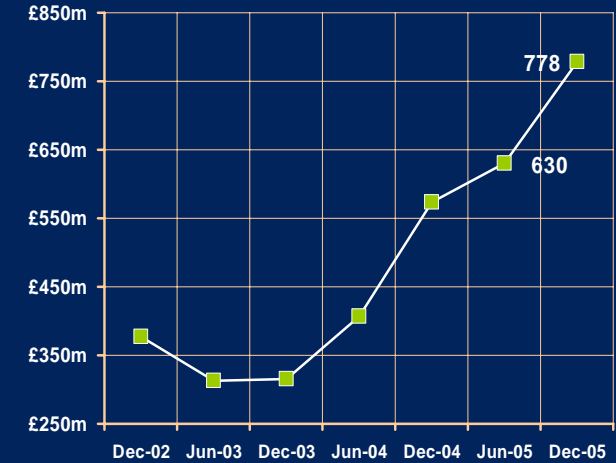
Profit before tax



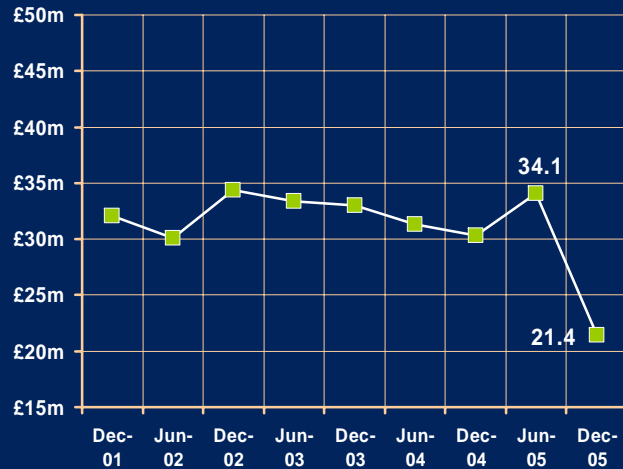
Fee income*



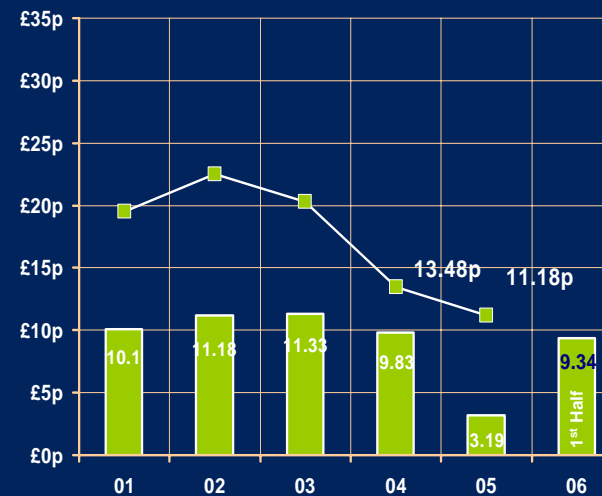
Order book *



Net cash



Adjusted earnings per share



* Ongoing Activity

- Order book up to record £778m
- Volumes set to increase in 2nd half
- Improving demand from owners + occupiers
- Fit out % mix to increase
- Longer term margin improvement
- Regional expansion opportunities
- Overseas contribution improvement potential
- Succession

Financial Highlights

ISG

6 months to Dec 2005

	2005 £m	2004 £m	% £m
Gross Value of Work performed	£326m	£179m	82%
Fee Income	£35.7m	£18.4m	94%
PBT (pre amortisation & exceptional)	£3.6m	£1.25m	186%
PBT (after goodwill & exceptional)	£3.1m	£1.2m	153%
EPS - Basic	7.48p	3.07p	144%
- Adjusted	9.34p	3.19p	193%
DPS	3.0p	2.75p	9%
Net Cash	£21.4m	£30.3m	(29%)

Financial Analysis



Balance Sheet

	2005 Dec £m	2005 Jun £m*	2004 Dec £m*
Fixed Assets – Tangible	3.7	1.8	1.8
Fixed Assets – Intangible	34.1	0.9	0.9
Total Fixed Assets	<u>37.8</u>	<u>2.7</u>	<u>2.7</u>
Working Capital	(42.2)	(23.4)	(18.2)
Net Cash	21.4**	34.1	30.3
Net Shareholders' Funds	<u><u>17.0</u></u>	<u><u>13.4</u></u>	<u><u>14.8</u></u>

* Restated for FRS21

** Net of £9.2m loan

Appendix – Financial Analysis

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Movement on Shareholders' Funds

	2005	2004
	£m	£m*
Group Operations	2.4	0.8
Dividends paid	(1.7)	(1.4)
Amortisation of Goodwill	(0.5)	-
FX gain	0.1	-
Issue of shares	1.9	0.2
Total Movement	<u>2.2</u>	<u>(0.4)</u>

* Restated for FRS21 adoption to show dividend paid as opposed to proposed.

Appendix – Financial Analysis

ISG

Cash Flow Summary

	2005	2004
	£m	£m
Cash Flow from Operating Activities	5.2	(1.8)
Dividends from Associates	0.1	0.1
Net Interest Received	0.6	0.5
Tax	(0.6)	0.1
Dividend Paid	(1.7)	(1.4)
Fixed Assets Acquired	(0.2)	(0.2)
Acquisition of subsidiary including overdrafts	(15.2)	-
Proceeds from sale of Group Investment	-	1.5
Issue of new shares	0.1	0.2
Bank Loans	9.4	-
Total	(2.3)	(1.0)