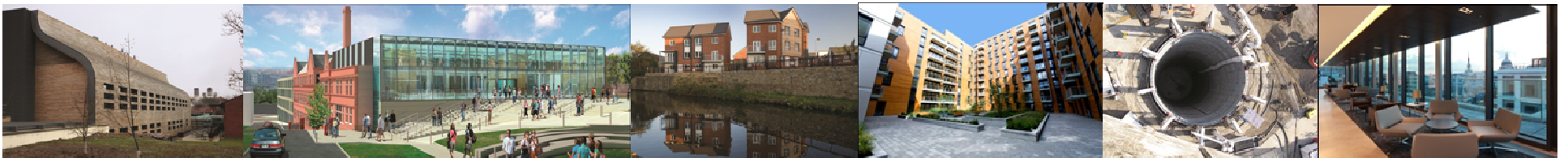


# MORGAN SINDALL

## Cognos at Morgan Sindall Group

May 2012

By Dan Engler



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- Reasons for looking at a solution like Cognos FSR
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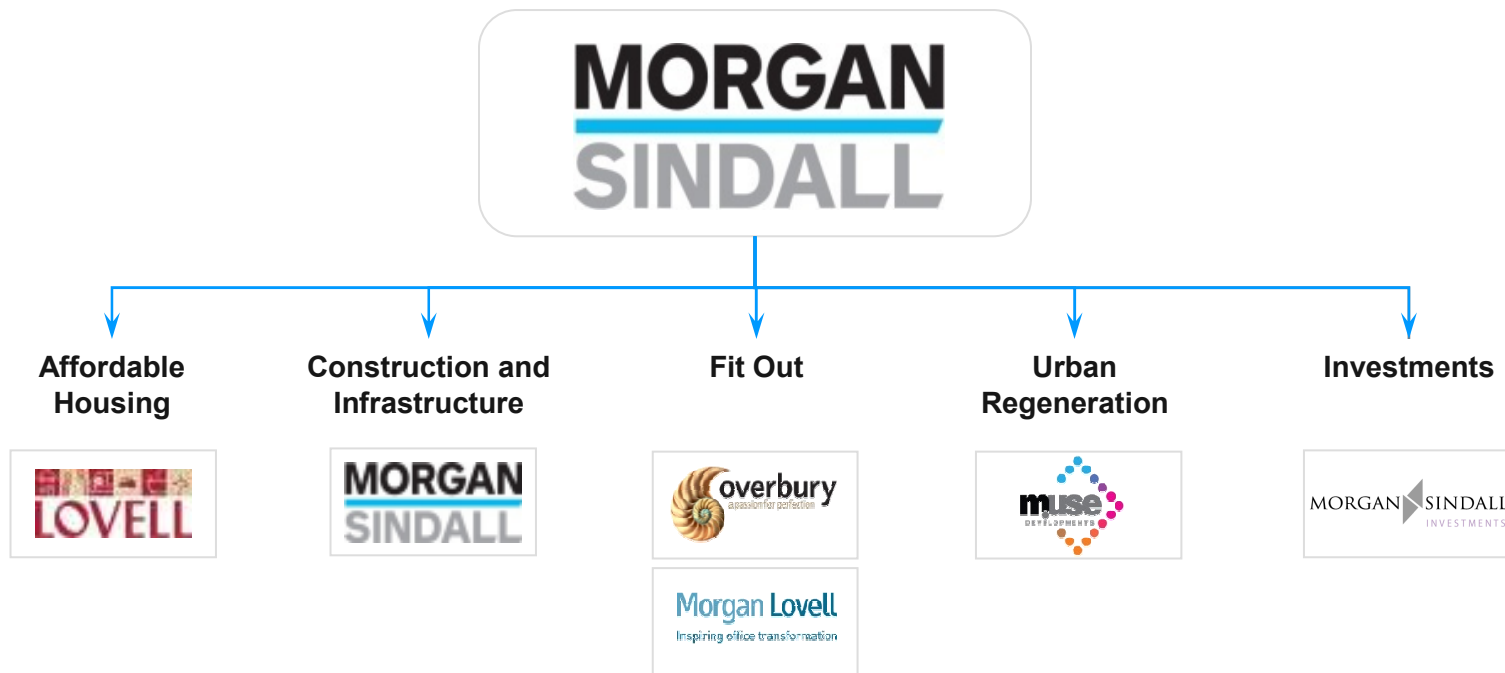
## Background – Morgan Sindall

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- Construction and regeneration group – employs over 5,000 people
- Revenue of £2.2 billion with PBTA of £45.3 million in year to 31 December 2011
- Balance between public and private sectors and across industry sectors
- Strategy to be market leaders in our chosen sectors
- Leading construction and regeneration specialist



# Background – Morgan Sindall (2)



## Background – Dan Engler

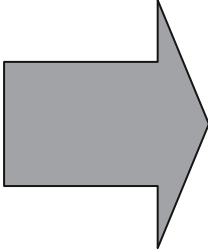
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- Group Finance Manager
- One of three people in head office finance team
- Responsible for group consolidation and reporting of statutory results
- Develop management reporting within the group



## Reasons for looking at a solution like Cognos FSR

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- Year end process a manual exercise, input from various sources producing a number of outputs
    - Company secretarial
    - Finance
    - Main board
    - Other external parties
  - RNS stock exchange announcement
  - Glossy accounts
  - PowerPoint analysts' presentation
- Information duplicated between various outputs but absence of link to data source led to manual rekeying
  - Risk of errors and version control issues
  - Large amount of proof reading and double checking information
  - Inefficient process to get over the line...



# Why we chose Cognos FSR

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- Ease of use
  - Simple interface
- Links to Excel
  - Links to our existing source of consolidation workings
- Utilises Word and Excel 'objects' to produce output
  - Not learning a new system
  - Easily adopted by users not involved in the financial consolidation
- Reduces duplication of effort from replicating information into different documents
- Future use of output in Adobe InDesign for use by external design house
  - Improve efficiency, reducing errors and costs



## What we have done with Cognos FSR (so far)

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- 2011 interims RNS Stock Exchange announcement and 31 December 2011 Annual Report and Accounts and RNS Stock Exchange announcement
- Source for analysts' PowerPoint presentations data
- 'Variablised' all numbers in front end narrative
- Linked Cognos FSR to Excel back end reporting from Cognos Controller consolidation system
- Taken one person out of the process – 'Gatekeeper' role





## What we have done with Cognos FSR (2) – variablised the narrative

### Divisional Highlights

\* Operating profit is profit from operations before the amortisation of intangible assets and non-recurring items.

#### Construction & Infrastructure

- Operating profit of £9.5m (2010: £12.2m) on revenue of £617m (2010: £612m)
- As expected, market conditions remained very competitive with downward pressure on margins and changing work mix resulting in an operating margin of 1.5% (2010: 2.0%)
- Division successful in securing positions on a number of major frameworks and won major contracts in targeted infrastructure sectors of rail and roads
- Public sector construction market set to contract over next two years; commercial sector, particularly in London, and economic infrastructure set for growth
- Well placed to exploit opportunities in aviation, rail, energy distribution and commercial/industrial sectors
- Order book of £1.9bn (2010: £2.1bn) maintained since the start of the year

#### Affordable Housing

- Operating profit up 20% to £8.3m (2010: £6.9m) on revenue of £228m (2010: £173m)
- Revenue growth driven by increases in response maintenance work following acquisitions in 2010 and new build social housing
- Operating margin of 3.6% (2010: 4.0%); down due to changing mix of work
- Division traded well across mixed tenure; new build social housing and planned and response maintenance projects given challenging market conditions
- Recent acquisitions provide platform for further growth in response and planned maintenance while mixed tenure remains important to division's performance
- Order book steady since the start of the year at £1.5bn (2010: £1.4bn)

#### Fit Out

- Strong revenue growth in competitive market environment with revenue up by 24% to £222m (2010: £179m)
- Division continues to take market share
- Operating profit of £6.1m (2010: £6.9m) resulting in an operating margin of 2.7% (2010: 3.8%)
- Division focusing on growth sectors of technology and retail banking
- Gradual market recovery expected from 2012; market leading position leaves division well placed to benefit
- Order book of £133m (2010: £213m). Order book expected to rebound in near-term on confirmation of major contract awards

#### Urban Regeneration

- Improved operating profit of £1.0m (2010: £0.8m) on increased revenue of £19m (2010: £15m)
- Division continues to secure opportunities and is benefitting from a lack of competition from developers
- Outlook set to continue to improve with division shortlisted on a number of development opportunities
- Regeneration pipeline of £1.4bn, with a further £0.4bn at preferred bidder stage

- Example output, this page is a Word object
- All items in red are Cognos FSR variables
- Source for variables is Excel objects in Cognos FSR
- Rounded £m, £bn numbers and %'s all based on calculations in Excel objects within Cognos FSR
- Variables roll forward for next year automatically

# What we have done with Cognos FSR (3) – Link to Excel

The screenshot shows the Cognos Financial Statement Reporting (FSR) interface. On the left is a navigation pane with various report categories. The main window displays a report design for 'Financial Statement Reporting'. An embedded Microsoft Excel spreadsheet is visible, showing a table of financial data. A red box highlights a section of the table, which includes the following data:

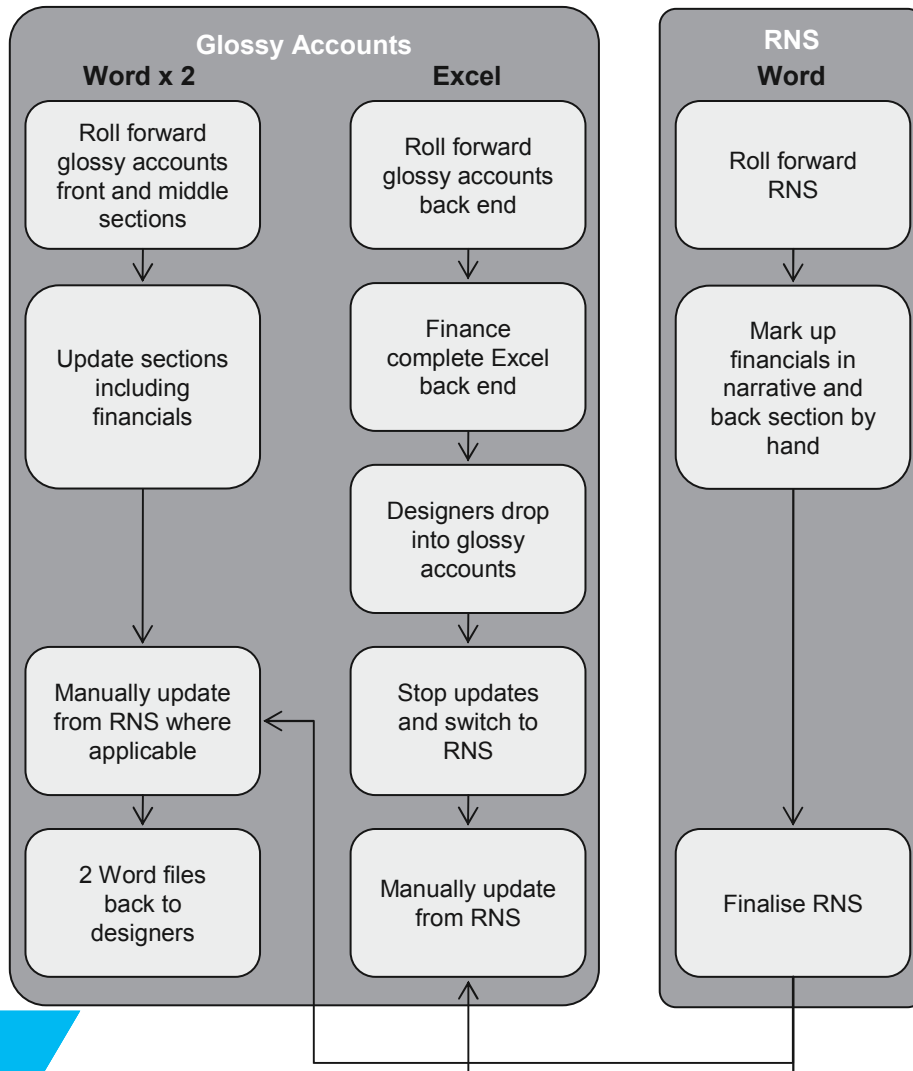
Six months to 30 June 2011	Construction Infrastructure	Affordable Housing	Fit Out	Urban Regeneration	Investments	Group Activities	Eliminations	Total
Revenue: external	995.5	227.5	223.3	89.1	9.5	- 1,995.7	-	1,886.7
Revenue: inter-segment	-	4.6	-	-	-	- 4.6	(4.6)	-
Operating profit/(loss) before	9.5	8.4	6.1	9.2	(2.7)	(3.2)	19.3	19.3
Share of results of assoc	-	(9.1)	-	(9.2)	9.6	-	9.3	6.3
Profit/(loss) from operation	9.5	8.3	6.1	8.8	(2.1)	(3.2)	19.6	19.6
Amortisation of intangible s	-	(9.4)	-	(1.5)	-	-	(1.5)	(1.5)
Non-recurring items	(9.5)	-	-	-	-	-	(9.5)	(9.5)
Profit/(loss) from operation	8.6	7.9	6.1	(9.5)	(2.1)	(3.2)	19.8	16.8
Net finance expenses	-	-	-	-	-	-	(9.1)	(9.1)
Profit before income tax expense	-	-	-	-	-	-	99.7	16.7

- Display sheet includes the printed output shown in red box
- Linked to a Database sheet that pulls data in from existing Excel file containing Cognos Controller links
- Sounds worse than it is!

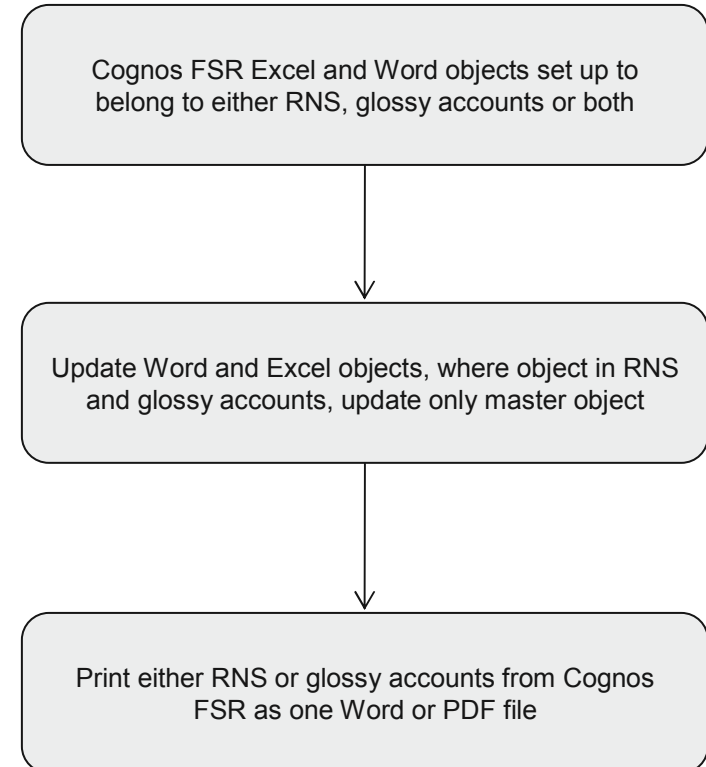


# Process - old and new

## OLD PROCESS – Controller only



## NEW PROCESS – FSR & Controller



# Process

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- Narrative sections of notes previously in Excel now in FSR Word objects
- Interims: 4 to 5 days to set up RNS announcement
- Year end: 5 days for additional one time set up work to link additional notes in report and accounts in Cognos FSR to Excel
- Process to produce reports from Cognos FSR:-
  - 1) Controller: Run consolidation
  - 2) Excel workbook: Refresh spreadsheet via F9 recalculate
  - 3) FSR: Refresh variables / run reports



# What we like about Cognos FSR

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- Ease of use
  - Simple to install/set up/learn – 3 or 4 days consultancy
  - Simple to apply fixes
- Formatting
  - Utilises formatting available in Excel – no Word tables
  - Use of logic available in Excel to control wording automatically
- Version control
  - Word versions held in database which can compare with track changes, auditors like it
- Tracking use of variables
  - Cutting clutter by using reports showing where variables are used
- Robust and reliable
  - Does not crash or fall over!
- More time spent on messages and themes, less time on cross checking



## Future plans

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- During 2012
  - Use in divisional board packs will be considered
- 2012 year end
  - Use Adobe InDesign output for designers to use
- Timing TBC – product development request
  - Better links to PowerPoint for automation of analysts' presentation



Any Questions?

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