Balfour Beatty

BALFOUR BEATTY PLC RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2023

16 August 2023

Strong first half performance from earnings-based businesses

On track for full year expectations

Leo Quinn, Balfour Beatty Group Chief Executive, said: "We continue to deliver from the scale and breadth of our lower risk order book, which, during this period of high inflation and interest rates, underpins the financial results reported today and our expectations for the full year.

"Looking beyond 2023, we have positioned Balfour Beatty strongly with unique capabilities and a sector-leading balance sheet, to capitalise on national plans to transform critical infrastructure, particularly in the energy and transport markets. This provides the Board with confidence in both profitable managed growth and in our capacity to deliver significant future shareholder returns."

Strong first half performance with continuing momentum from earnings-based businesses

- Revenue up 9% to £4.5 billion (2022: £4.1 billion)
- Underlying profit from operations (PFO) from earnings-based businesses up 12% to £95 million (2022: £85 million)
- Group PFO down 6% due to timing of disposals and lower Infrastructure Investments profit
- Underlying profit before tax up 13% and underlying EPS up to 13.0 pence per share (2022: 12.9 pence)

Geographically and operationally diversified portfolio providing resilience

- Construction Services: PFO up 33% to £65 million with margin increased to 1.7% (2022: 1.4%)
- Support Services: PFO 17% lower with margins at 6.5% (2022: 7.2%), full year expected towards top of 6-8% range
- Infrastructure Investments: Directors' valuation maintained at £1.3 billion (FY 2022: £1.3 billion)

Balance sheet strength and consistent cash flow supporting shareholder returns

- £150 million share buyback on track to complete in Q4
- £58 million of total dividends to be paid in 2023, with the half year dividend maintained at 3.5 pence per share
- Average net cash of £695 million (FY 2022: £804 million)

Large, lower risk order book and unique capabilities give confidence for future returns

- £16.4 billion order book underpins short to medium term outlook (FY 2022: £17.4 billion)
- Unique capabilities aligned to significant future opportunities in UK energy and transport markets

On track for full year expectations

- Earnings-based businesses PFO expected to be broadly in line with 2022
- Growing pipeline giving confidence for the long term outlook

(£ million unless otherwise specified)	HY 2023		HY 2022	
	Underlying[2]	Total	Underlying[2]	Total
Revenue[1]	4,527	4,527	4,147	4,147
Profit from earnings-based businesses	95[#]	82	85[#]	84
Profit from operations	80[#]	65	85[#]	82
Pre-tax profit	97	82	86	83
Profit for the period	74	63	80	98
Basic earnings per share	13.0p	11.1p	12.9p	15.7p
Dividends per share		3.5p		3.5p

	HY 2023	FY 2022	HY 2022
Order book[1]	£16.4bn	£17.4bn	£17.7bn
Directors' valuation of Investments portfolio	£1.3bn	£1.3bn	£1.3bn
Net cash – recourse[3]	710	815	742
Average net cash – recourse[3]	695	804	811

Segment analysis	HY 2023			HY 2022		
	Revenue[1]	PFO[2,#]	PFO margin[2]	Revenue[1]	PFO[2,#]	PFO margin[2]
	£m	£m	%	£m	£m	%
UK Construction	1,516	30	2.0%	1,237	18	1.5%
US Construction	1,736	21	1.2%	1,766	21	1.2%
Gammon	583	14	2.4%	411	10	2.4%
Construction Services	3,835	65	1.7%	3,414	49	1.4%
Support Services	463	30	6.5%	499	36	7.2%
Earnings-based businesses	**4,298**	**95**	**2.2%**	**3,913**	**85**	**2.2%**
Infrastructure Investments	229	2		234	17	
Corporate activities	–	(17)		–	(17)	
Total	4,527	80		4,147	85	

Notes:

[1] Including share of joint ventures and associates

[2] Before non-underlying items (Note 8)

[3] Excluding non-recourse net borrowings, which comprise cash and debt ringfenced within certain infrastructure investments project companies

[#] Underlying profit from operations, or PFO, as defined in the Measuring our financial performance section

A reconciliation of the Group's performance measures to its statutory results is provided in the Measuring our financial performance section

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Investor and analyst presentation:

A presentation to investors and analysts will be made at Numis, 45 Gresham Street, London, EC2V 7BF at 09:00 (GMT) on 16 August 2023. There will be a live webcast of this on: www.balfourbeatty.com/webcast. The webcast will be recorded and subsequently available at Results, reports and presentations - Investors - Balfour Beatty plc.

GROUP CHIEF EXECUTIVE'S OVERVIEW

Executive summary

Balfour Beatty's diverse portfolio and lower-risk order book have provided the resilience for the Group to deliver improved financial results from its earnings-based businesses during challenging economic conditions. The combination of the long term and inflation protected nature of UK operations, the breadth of geographies and end markets in the US and the consistency of performance in Hong Kong, underpin the stability of the Group.

The current high interest rate environment, while beneficial to the Group's cash balance, has caused delays in some projects going to contract, largely in the US commercial office sector, as customers wait for economic stability. Despite this, the large, lower risk order book continues to give clear visibility in the short and medium term of the Group's ability to deliver significant shareholder returns from profitable managed growth and cash generation. The Group's awarded but not contracted position remains high, having added notable airport and major road contracts in the first half.

Governments remain committed to driving economic growth through infrastructure investment in all three of Balfour Beatty's core markets. The Group's outlook is strengthened by its strategic decision in recent years to focus on specific geographies, to continue to develop unique capability within them and to build its track record in delivering world-class projects. Balfour Beatty is particularly well-placed to benefit from the growing focus on infrastructure which can mitigate climate change and improve energy security, with the Group pursuing a broad range of opportunities across the energy landscape that will drive profitable growth.

It is a matter of deep regret that two colleagues have tragically lost their lives this year. The Company offers its deepest sympathy and support to their family, friends and co-workers, and investigations into both incidents are underway. The Group is ensuring that it validates all of its processes and procedures while promptly acting on the resulting actions and learnings. Health and safety and focusing on a Zero Harm culture continues to be the top priority for Balfour Beatty and the Board.

Financial summary

In the first half of 2023, the Group reported underlying profit from operations from its earnings-based businesses of £95 million (2022: £85 million), with improved profitability from UK Construction, steady delivery from US Construction and higher Gammon profit, partially offset by a lower Support Services contribution. Underlying profit from operations for the Group reduced to £80 million (2022: £85 million), with the momentum in earnings-based businesses offset by lower underlying profit in Infrastructure Investments and the timing of disposals, which are planned for the second half of 2023.

Balfour Beatty's average net cash reduced in the first half to £695 million (FY 2022: £804 million), largely due to the working capital outflow forecast at the 2022 year end and £87 million of share buybacks. The Directors' valuation of the Investments portfolio remained stable at £1.3 billion (FY 2022: £1.3 billion), as increases from new investment and the unwind of discounting were offset by the weakening of the US dollar against sterling and increased forecast costs in the US military housing portfolio.

The Group's £16.4 billion order book (FY 2022: £17.4 billion) reduced by 6% in the period, or 3% at constant exchange rates (CER), due to both progress on major projects in the UK and Hong Kong and the impact of economic conditions delaying US commercial office projects going to contract. Overall, Balfour Beatty's focus on selectively bidding for contracts where it holds expert capability and can achieve improved contract terms has resulted in a lower risk order book.

Given the Group's order book, the opportunities identified in its chosen markets and its competitive strengths, the Board has confidence in its capacity to deliver significant future shareholder returns. The current tranche of Balfour Beatty's multi-year share buyback programme, £150 million for 2023, is progressing well and is expected to complete during the fourth quarter of 2023. In addition, the Board has declared an interim dividend of 3.5 pence per share (2022: 3.5 pence).

Construction Services: operational progress in all geographies

UK Construction: Positive momentum continued in the first half, with strong delivery contributing to a 67% increase in underlying profit from operations. The Group's market-leading position in the UK infrastructure market is built on its unmatched scale and vertically integrated capability for delivering major projects. These include: Hinkley Point C, where the marine work is progressing well and remains on schedule to be completed in the second half of 2023; HS2 Area North, where the 2,000 tonne tunnel boring machine completed its second one mile journey underneath an ancient Warwickshire wood, marking the culmination of a three-year operation, from site set-up to the completion of the second breakthrough; and Old Oak Common, where the diaphragm walls and piling to the HS2 Box have been completed and concrete works are progressing at pace. In March, The Department for Transport announced delays to parts of the HS2 project and various highways schemes, driven by Government funding restrictions. Having worked through the change order on HS2 and rebalanced the workload, the Group sees no material change to its forecasts.

US Construction: The business completed a number of buildings projects in the first half, including a three-storey classroom building at Sierra College in Sacramento, California, which is one of the early successes in the further diversification of its US buildings footprint. By targeting additional cities in states with existing Balfour Beatty offices, and broader end-markets in some regions where the business is already active, new opportunities are being identified. As part of the LINXS Constructors joint venture at Los Angeles International Airport, the Group successfully energised the West Central Terminal Station at the International terminal, with all stations and maintenance facilities now energised. The Group also completed the construction of the US$300 million Tertiary Treatment Facilities project at the EchoWater Project in California.

Balfour Beatty continues to have a larger presence in buildings than civils in the US, with performance varying across the Group's chosen markets in difficult macroeconomic conditions. The education market in California remains strong, as does the federal market in the Mid-Atlantic, while hospitality and aviation markets in the Southeast continue to be a growth area for the buildings business. In the Northwest, the tech downturn is likely to be a medium term challenge, and as such, the business is pivoting to new end-markets. The major impact from the inflationary pressures and rising interest rates are delays to commercial real-estate projects in Texas. With US inflation dropping to below 3% in June, the buildings business has started to see early indicators of the pressure easing.

For US civils, the Group has yet to see an impact from the US Government's Infrastructure Investment and Jobs Act and Inflation Reduction Act on the volume of projects coming to its chosen geographies and markets. Balfour Beatty remains cautious in its approach to complex civils contracts in the US, as the combination of fixed-price contractual terms and the self-perform nature of the work gives limited scope to mitigate inflation and schedule risk.

Gammon: Balfour Beatty's Hong Kong based 50:50 joint venture with Jardine Matheson continues to perform consistently, with a strong share of both the buildings and civils markets, for which the market outlook is positive. Although inflation in Hong Kong is still lower than in the UK and US, the elevated level of construction activity in the region has increased the demand for labour, resulting in higher salaries. Consequently, voluntary attrition remains a challenge.

Work continues at Hong Kong Airport, where Gammon is delivering the tunnel structures for the Automatic People Mover and Baggage Handling System from Terminal 2 to Terminal 2C in addition to working on the Terminal 2 expansion. The steel roof of Terminal 2 is taking shape in parallel with the building services and finishing works inside the terminal building. Good progress is being made at the Central Kowloon Route project, where Gammon is constructing buildings, tunnelling and carrying out mechanical and electrical works, with the excavation of the last section of the tunnel close to completion. The diaphragm wall construction for Ang Mo Kio Station and Tunnels, one of Gammon Singapore's Land Transport Authority design and build projects, is also progressing well.

Support Services: strong growth prospects across the portfolio

Support Services is focused on power, plant, road and rail maintenance and is characterised by profitable recurring revenues and underpinned by long term contracts. In the first half, the road maintenance business commenced both of its key 2022 awards, with the £176 million eight-year contract for highways services for Buckinghamshire County Council starting in April and the £297 million seven-year contract for the maintenance of highways assets and the delivery of infrastructure services across East Sussex starting in May.

The power business continues to perform strongly, delivering key transmission and distribution infrastructure throughout the UK, including phase two of National Grid's London Power Tunnels, where cable installation has recently started in 32km of underground tunnels between Wimbledon in the South West of London and Crayford in the South East. In June, SSEN Transmission's first major project under the RIIO T2 framework was energised after Balfour Beatty installed 148 new steel-lattice towers across a 45km stretch from Port Ann substation near Lochgilphead to the substation at Crossaig, supporting a major milestone in SSEN Transmission's wider strategy to deliver a network for net zero emissions across the north of Scotland. The Power business also completed the 116 T-pylon structures for the Hinkley Connection Project. The 400kV underground cabling section is now connected to the new line of T-pylons and also energised and transporting electricity. This is an important step in National Grid's project to connect six million homes and businesses in the South West to homegrown, low carbon energy.

The UK Government has announced a programme to accelerate the delivery of strategic transmission upgrades by at least three years, with an ambition to cut delivery times in half, due to the necessity of upgrading the UK's electricity transmission and distribution network. As a result, the Group's power transmission and distribution team is bidding for record levels of work and in August was selected as one of ten preferred bidders on SSEN Transmission's c. £10 billion Accelerated Strategic Transmission Investment (ASTI) framework.

The UK markets for road and rail maintenance remain positive. The highways maintenance market is part way through a five-year £2.7 billion scheme for road patching, which has increased local council budgets by around 50%. There are also several Local Authority contracts, like those won by Balfour Beatty for Buckinghamshire and East Sussex in 2022, coming to market in the coming years for which the Group is well positioned. The rail maintenance market also has a positive trajectory with the UK Government's commitment to invest £44 billion (as set out in the Statement of Funds Available (SoFA)) in operations, maintenance and renewal for the period 2024-2029 as part of Network Rail's Control Period 7 (CP7) strategic business plan.

Infrastructure Investments: pursuing opportunities in attractive markets

In the first half, Balfour Beatty invested £24 million in new and existing projects with one new US student accommodation project in Tallahassee, Florida, added to the portfolio. Construction of the Vanderbilt University student accommodation project is approaching completion, with student rentals starting in the Fall 2023 semester. The Group remains preferred bidder on two UK student accommodation projects and has reached financial close on the William & Mary University project in Virginia, for which construction will start in the second half of 2023.

In US military housing, the Group completed the demolition works at Fort Carson as part of a proposed multi-phase project that enables the construction of new townhomes at the base. Work has now begun on the preparation phase. The Group continues to work with the independent compliance monitor, who was appointed by the Department of Justice in 2021 and commenced work in 2022.

Balfour Beatty continues to invest in attractive new opportunities. In challenging market conditions, the Group maintains its disciplined approach to investments and disposals with each expected to meet its investment hurdle rates. The Group's current focus is on investment opportunities in:

- Student accommodation: Across the UK and US, demand for student accommodation remains strong as universities continue to improve their facilities to attract students.
- Residential: Balfour Beatty continues to see attractive US multifamily housing come to market, providing ample opportunity to invest profitably in the regeneration of these properties.
- US P3: The US has become an increasingly exciting market for public-private partnerships, and, to date, 41 states (plus DC) have passed legislation allowing P3 projects.

- Energy transition: As the UK's energy mix transitions to more renewable sources, and the UK adopts more sustainable transport such as electric vehicles, there are opportunities for private sector investment.

Momentum in UK energy security and transition

Balfour Beatty's end to end capabilities position it well to capitalise on the market opportunities in UK energy security and transition infrastructure. In addition to the RIIO-T2 spend period (2021-2026), which includes £30 billion for investment in energy networks and potential for a further £10 billion on green energy projects, the UK Government has committed significant investment through its Powering Up Britain programme. Published in March 2023, the plans set out energy transition and security strategies under which major infrastructure projects are already being brought to market in areas such as offshore wind, carbon capture, nuclear and hydrogen production. The Group's end to end capabilities across UK Construction and Support Services position it strongly to participate in these structural opportunities, for example:

- The £20 billion ASTI fund supports the accelerated delivery of strategic electricity transmission network upgrades needed to meet the Government's 2030 renewable electricity generation ambitions. The Group's two key power transmission and distribution customers are involved in 25 of the 26 funded projects.
- The £20 billion funding allocated to the development of carbon capture and hydrogen production technologies is creating opportunities such as Net Zero Teesside, a first-of-a-kind integrated power and carbon capture project, for which the Group was involved in the recent front-end engineering and design study.
- In July, the UK Government stated that up to £20 billion could be spent on the development and construction of small nuclear reactors. In 2022, Balfour Beatty signed an agreement with Holtec Britain and Hyundai Engineering and Construction to support the planning advancement for the construction of Holtec's SMR-160 pressurised light-water nuclear reactors in the UK, with the Group acting as the main construction partner.

Outlook

In the first half of 2023, Balfour Beatty has delivered a strong financial performance and continues to expect full year 2023 PFO from its earnings-based businesses to be broadly in line with the 2022 full year, with further incremental growth in UK Construction profitability and Support Services delivering towards the top end of its 6-8% targeted margin range. Gains on disposal are still expected to be in the range of £15 - £30 million, with full year 2023 underlying profit after tax also expected to be in line with the Board's expectations.

2023 full year average net cash is now expected to be in the range of £650 - £700 million, which includes the share buyback, dividends and further working capital outflows in the second half of the year. The 2023 full year working capital unwind is expected to be in the range of £75 - £125 million.

The longer-term outlook for the Group remains positive. The strong, lower risk order book, combined with the opportunities identified in the Group's chosen markets, give the Board confidence in Balfour Beatty's continued ability to deliver profitable managed growth and sustainable cash generation, and in turn significant future shareholder returns.

RESULTS OVERVIEW

Unless otherwise stated, all commentary in this section and the Divisional financial reviews is on an underlying basis.

Throughout this report, Balfour Beatty has presented financial performance measures which are used to manage the Group's performance. These financial performance measures are chosen to provide a balanced view of the Group's operations and are considered useful to investors as these measures provide relevant information on the Group's past or future performance, position or cash flows. These measures are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation. An explanation of the Group's financial performance measures and appropriate reconciliations to its statutory measures are provided in the Measuring Our Financial Performance section. Non-underlying items are the cause of the differences between underlying and statutory profitability. Additionally, underlying revenue includes the Group's share of revenue in joint ventures and associates.

Group financial summary

The Group's results in the first half of the year show a strong performance against a backdrop of challenging economic conditions. Revenue increased by 9% (6% at CER) to £4,527 million (2022: £4,147 million) driven by an increase in Construction Services. Statutory revenue, which excludes joint ventures and associates, was £3,811 million (2022: £3,602 million).

Construction Services revenue was up 12% (9% at CER) to £3,835 million (2022: £3,414 million) driven by higher HS2 volumes in the UK and increased activity at the major airport projects in Hong Kong. Support Services revenue decreased by 7% to £463 million (2022: £499 million) due in part to the timing of power projects.

Underlying profit / (loss) from operations[2]	HY 2023 £m	HY 2022 £m
UK Construction	30	18
US Construction	21	21
Gammon	14	10
Construction Services	65	49
Support Services	30	36
Earnings-based businesses	95	85
Infrastructure Investments pre-disposals operating profit	2	10
Infrastructure Investments gain on disposals	–	7
Corporate activities	(17)	(17)
Total underlying profit from operations	80	85

[2] Before non-underlying items (Note 8)

In the first half, underlying profit from operations decreased by 6% to £80 million (2022: £85 million), with an £8 million reduction in Infrastructure Investments pre-disposal profit from operations due largely to increased costs relating to the independent compliance monitor's work across the US military housing portfolio. All 2023 disposals are expected in the second half. In the earnings-based businesses, improved Construction Services profitability was partially offset by a lower Support Services contribution. Statutory profit from operations was £65 million (2022: £82 million).

Net finance income of £17 million (2022: £1 million) improved as a result of higher interest rates. Underlying pre-tax profit was £97 million (2022: £86 million). The taxation charge on underlying profits increased to £23 million (2022: £6 million) as there were no additional deferred tax assets for UK tax losses recognised. This resulted in underlying profit after tax of £74 million (2022: £80 million). Total statutory profit after tax for the period was £63 million (2022: £98 million), as a result of the net effect of non-underlying items.

Underlying basic earnings per share was 13.0 pence (2022: 12.9 pence), which, along with a non-underlying loss per share of 1.9 pence (2022: gain of 2.8 pence), gave a total basic earnings per share of 11.1 pence (2022: 15.7 pence). This included the benefit from the basic weighted average number of ordinary shares reducing to 567 million (2022: 629 million) as a result of the Group's share buyback programme.

Non-underlying items

The Board believes non-underlying items should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group.

Non-underlying items after taxation were a net charge of £11 million for the period (2022: net credit of £18 million). Items included a £9 million post-tax charge in relation to an increase to a provision, which was recognised in 2021 for stone cladding rectification works, updated to current price expectations, and a £2 million post-tax charge relating to the amortisation of acquired intangible assets. Further detail is provided in Note 8.

Cash flow performance

The total cash movement in the first half resulted in a £105 million decrease (2022: £48 million) in the Group's period end net cash position to £710 million (FY 2022: £815 million), excluding non-recourse net borrowings. Operating cash flows were ahead of profit from operations. As expected, there was a working capital unwind in the first half and there was also an £87 million outflow for the current tranche of the multi-year share buyback programme.

Cash flow performance	HY 2023 £m	HY 2022 £m
Operating cash flows	112	110
Working capital outflow	(42)	(55)
Pension deficit payments+	(13)	(29)
Cash from operations	57	26
Lease payments (including interest paid)	(31)	(29)
Dividends from joint ventures and associates	27	33
Capital expenditure	(30)	(13)
Share buybacks	(87)	(47)
Infrastructure Investments		
- disposal proceeds	–	12
- new investments	(24)	(17)
Other	(17)	(13)
Net cash movement	(105)	(48)
Opening net cash*	815	790
Closing net cash*	710	742

* Excluding infrastructure investments (non-recourse) net borrowings

+ Including £1 million (2022: £1 million) of regular funding

Working capital

As expected, the Group had a net working capital outflow of £42 million (2022: £55 million) in the first half. This reduction in the negative working capital position was a net result of several movements including outflows relating to major US Construction projects and Support Services projects.

Working capital flows^	HY 2023 £m	HY 2022 £m
Inventories	(27)	(5)
Net contract assets	(158)	(4)
Trade and other receivables	(51)	22
Trade and other payables	169	(73)
Provisions	25	5
Working capital outflow^	(42)	(55)

^ Excluding impact of foreign exchange and disposals

Including the impact of foreign exchange and non-operating items, negative (i.e. favourable) current working capital decreased to £1,144 million (FY 2022: £1,167 million). In the medium term, the Group expects negative working capital as a percentage of revenue to be in line with its historical long term average of 11-13% (HY 2023: 15.0%; FY 2022: 15.3%) with the range continuing to be dependent on contract mix and the timing of project starts and completions.

Net cash/borrowings

The Group's average net cash in the first half reduced to £695 million (FY 2022: £804 million; HY 2022: £811 million). The Group's net cash position at the half year, excluding non-recourse net borrowings, was £710 million (FY 2022: £815 million; HY 2022 £742 million).

Non-recourse net borrowings, held in Infrastructure Investments entities consolidated by the Group, were £259 million (FY 2022: £242 million; HY 2022: £242 million). The balance sheet also included £135 million for lease liabilities (FY 2022: £132 million; HY 2022: £137 million). Statutory net cash at half year was £316 million (FY 2022: £441 million; HY 2022: £363 million).

Share buyback

On 3 January 2023, Balfour Beatty commenced an initial £50 million tranche of its 2023 share buyback programme, which was subsequently increased, following the release of its 2022 full year results, to £150 million on 20 March 2023. In the first half, the Group purchased 24 million shares for a total consideration of £87 million. These shares are currently held in treasury with no voting rights. This tranche of the multi-year share buyback programme is expected to complete in the fourth quarter of 2023.

Banking facilities

In June 2023, the Group completed the refinancing of its core £375 million revolving credit facility, which was set to expire in October 2024, replacing it with a new £475 million facility that will expire in June 2027 (the RCF). The RCF has an extension option for a further year to June 2028, with the agreement of the lending banks, and its terms and conditions are materially the same as the prior facility. The RCF is a Sustainability Linked Loan, retaining the KPIs that featured in the prior facility. The RCF ensures the Group will retain strong liquidity support from a diverse banking group over the next five years.

In March 2023, the Group repaid US$209 million of US Private Placement (USPP) notes as they fell due. The repayment was funded primarily from the proceeds of debt issuance arranged in 2022, specifically US$158 million of new USPP notes issued in June 2022 (US$35 million 6.31% notes maturing in June 2027, US$80 million 6.39% notes maturing in June 2029 and US$43 million 6.45% notes maturing in June 2032) and a new bilateral committed facility, which expires in December 2024 and was fully utilised through a US$36 million drawdown in March 2023. This bilateral facility has an extension option for a further three years subject to certain specific conditions that were met on the completion of the refinancing of the Group's core facility in June 2023. As at the end of the period the Group had not triggered the bilateral facility's extension option.

Going concern

The Directors have considered the Group's medium term cash forecasts and conducted stress-test analysis on these projections in order to assess the Group's ability to continue as a going concern. Having also made appropriate enquiries, the Directors consider it reasonable to assume that the Group has adequate resources to continue for the period of at least 12 months from the date of approval of the condensed financial statements and, for this reason, have continued to adopt the going concern basis. Further detail is provided in Note 1.3 Going Concern.

Pensions

Balfour Beatty and the trustees of the Balfour Beatty Pension Fund (BBPF) have committed to a journey plan approach to managing the BBPF whereby the BBPF is aiming to reach self-sufficiency by 2027. The Company and the trustees agreed the 31 March 2022 formal valuation in the first half of 2023. Under the agreed principles of the valuation, Balfour Beatty will pay deficit contributions to the BBPF of £24 million in 2023, £24 million in 2024 and £6 million in 2025. The Company and the trustees are making good progress with plans to reduce the overall risk in the scheme and the Company has agreed that additional amounts will become payable at £2 million per month from March 2025 if the BBPF's performance is materially different from that expected. The next formal triennial funding valuation is due with effect from 31 March 2025.

Following the formal triennial funding valuation of the Railways Pension Scheme (RPS) as at 31 December 2019, the Group agreed to continue to make deficit contributions of £6 million per annum which should reduce the funding deficit to zero by 2025.

The Group's balance sheet includes net retirement benefit assets of £174 million (FY 2022: £223 million) as measured on an IAS 19 basis, with the surpluses on the BBPF (£176 million) and RPS (£34 million) partially offset by deficits on other schemes (£36 million).

Dividend

The Board is committed to a sustainable ordinary dividend which is expected to grow over time, targeted at a pay-out ratio of 40% of underlying profit after tax excluding gain on disposal of Investments assets. As announced at the time of the 2022 full year results, going forward, the Board expects the interim dividend to be roughly one third of the prior year's full year dividend. Aligned to this, the Board has declared an interim dividend of 3.5 pence for 2023.

DIVISIONAL FINANCIAL REVIEWS

CONSTRUCTION SERVICES

Underlying revenue at £3,835 million was up 12% (2022: £3,414 million), a 9% increase at CER, with higher volumes in the UK and Gammon. Underlying profit from operations increased to £65 million (2022: £49 million) due to improved profitability in UK Construction and higher volumes at Gammon. The order book reduced by 8% (5% at CER) in the period to £13.8 billion (FY 2022: £15.0 billion), due to a combination of progress on major projects in the UK and Hong Kong and the economic climate delaying US commercial office projects going to contract.

Construction Services	HY 2023			HY 2022			FY 2022
	Revenue[1]	PFO	Order book[1]	Revenue[1]	PFO	Order book[1]	Order book[1]
	£m	£m	£bn	£m	£m	£bn	£bn
UK Construction	1,516	30	5.9	1,237	18	5.8	6.1
US Construction	1,736	21	5.3	1,766	21	6.3	6.0
Gammon	583	14	2.6	411	10	3.2	2.9
Underlying[2]	3,835	65	13.8	3,414	49	15.3	15.0
Non-underlying	–	(13)	–	–	(1)	–	–
Total	3,835	52	13.8	3,414	48	15.3	15.0

[1] Including share of joint ventures and associates

[2] Before non-underlying items (Note 8)

A reconciliation of the Group's performance measures to its statutory results is provided in the Measuring our financial performance section

UK Construction: Revenue in UK Construction increased by 23% to £1,516 million (2022: £1,237 million) driven primarily by higher volumes at HS2.

UK Construction profitability continued to improve, with increased volumes at HS2 and improved project delivery contributing to £30 million of underlying profit from operations (2022: £18 million). This represents a 2.0% PFO margin (2022: 1.5%), with the full year PFO margin for UK Construction expected to be above the 2.1% delivered in the 2022 full year.

The UK Construction order book decreased by 3% to £5.9 billion (FY 2022: £6.1 billion). Over 95% of the UK Construction order book is from public sector and regulated industry clients.

US Construction: Revenue in US Construction decreased by 2% (6% at CER) to £1,736 million (2022: £1,766 million). US Construction recorded a £21 million underlying profit from operations in the period, representing a 1.2% PFO margin, both of which were in line with the first half of 2022. The business is anticipated to deliver a 1-2% PFO margin for the 2023 full year.

The US Construction order book decreased 12% (5% at CER) to £5.3 billion (FY 2022: £6.0 billion), with the economic conditions contributing to delays in projects going to contract, especially in the commercial office sector. Work winning has been strong across most geographies, and a US buildings growth strategy to target additional cities in states with an existing Balfour Beatty presence and broader end-markets in some regions where the business is already active, has delivered some early success. New additions to the order book in the first half include a US$242 million design-build highways contract in North Carolina and US$230 million of data centres in the US Northwest. Furthermore, Balfour Beatty has been selected for projects at airports in North Carolina and California, which are included in a high level of work for the coming years which has been awarded. This work is not included in the order book until the client proceeds to contract.

Gammon: The Group's share of Gammon's revenue increased by 42% (36% at CER) to £583 million (2022: £411 million) driven by an increase in major civils volumes, including the Terminal 2 expansion at Hong Kong Airport. Underlying profit increased to £14 million (2022: £10 million) representing a 2.4% profit margin.

The Group's 50% share of Gammon's order book decreased by 10% (7% at CER) to £2.6 billion (FY 2022: £2.9 billion) with the accelerated utilisation of the order book partially offset by new orders, including a HK$3.7 billion contract to construct a new development at Cyberport, which is the largest Fintech community in Hong Kong, from a wholly owned company of the Hong Kong Special Administrative Region Government.

SUPPORT SERVICES

The Support Services business provides power, plant, road and rail maintenance and is characterised by profitable recurring revenues underpinned by long term frameworks targeting PFO margin of 6-8%.

Support Services revenue decreased by 7% to £463 million (2022: £499 million), mainly due to the timing of power projects. Underlying profit from operations at £30 million (2022: £36 million) was lower than the prior period due to the reduced revenue and the commencement of two new major road maintenance contracts, which typically incur additional costs in the start-up phase. This has reduced the PFO margin to 6.5% in the period (2022: 7.2%), however the power, road and rail maintenance businesses all continue to perform well, and Support Services is expected to deliver towards the top end of its targeted 6-8% margin range for the 2023 full year.

The Support Services order book increased by 8% to £2.6 billion (FY 2022: £2.4 billion). During the first half, the road maintenance business added the £297 million East Sussex contract to the order book and the power business won a £42 million contract with National Grid to design and build a new 400 kV substation as well as two new terminal towers for the Little Horsted Substation Grid Supply Point.

Support Services	HY 2023	HY 2022
Order book[1] (£bn)	2.6	2.4
Revenue[1] (£m)	463	499
Profit from operations[2] (£m)	30	36
Non-underlying items (£m)	–	–
Statutory profit from operations (£m)	30	36

[1] Including share of joint ventures and associates

[2] Before non-underlying items (Note 8)

A reconciliation of the Group's performance measures to its statutory results is provided in the Measuring our financial performance section

INFRASTRUCTURE INVESTMENTS

Underlying pre-disposals profit from operations in the period decreased to £2 million (2022: £10 million) due largely to increased costs relating to the independent compliance monitor's work across the US military housing portfolio, and a £3 million reduction in the Group's share of profits from UK joint ventures due to higher interest rates on the subordinated debt provided by the Group which is offset by an increase in net investment income.

No disposals were made in the first half (2022: £7 million gain on disposals), with the Group forecasting a gain on disposals in the second half of 2023 in the range of £15 - £30 million. Underlying profit from operations was £2 million (2022: £17 million).

Net investment income of £12 million (2022: £7 million) included the £3 million benefit from higher interest rates on the subordinated debt provided by the Group to joint ventures and contributed to underlying profit before tax of £14 million (2022: £24 million).

Balfour Beatty continues to invest in attractive new opportunities, each expected to meet its investment hurdle rates. In the first half, the Group invested £24 million in new and existing projects, with one new student accommodation project in Tallahassee, Florida, added to the portfolio.

Infrastructure Investments	HY 2023 £m	HY 2022 £m
Pre-disposals operating profit[2]	2	10
Gain on disposals[2]	–	7
Profit from operations[2]	2	17
Net investment income˜	12	7
Profit before tax[2]	14	24
Non-underlying items	(2)	(2)
Statutory profit before tax	12	22

[2] Before non-underlying items (Note 8)

˜ Subordinated debt interest receivable, net interest receivable on PPP financial assets and non-recourse borrowings, fair value (loss)/gain on investment asset and impairment to subordinated debt receivable and accrued interest

A reconciliation of the Group's performance measures to its statutory results is provided in the Measuring our financial performance section

Directors' valuation

The Directors' valuation decreased 2% to £1,269 million (FY 2022: £1,291 million). The portfolio is now 54% weighted towards the US (FY 2022: 58%). The number of projects in the portfolio increased to 60 (FY 2022: 59).

Movement in value FY 2022 to HY 2023

£m	FY 2022	Equity invested	Distributions received	Sales proceeds	Unwind of discount	Operational performance	FX	HY 2023
UK	**548**	3	(13)	–	18	22	–	**578**
US	**743**	21	(20)	–	24	(38)	(39)	**691**
Total	**1,291**	24	(33)	–	42	(16)	(39)	**1,269**

Balfour Beatty invested £24 million (2022: £17 million) in new and existing projects. During the first half the Group added one new investment: a student accommodation project in Tallahassee, Florida.

Cash yield from distributions amounted to £33 million (2022: £36 million). There were no asset disposals in the first half (2022: £12 million).

Unwind of discount at £42 million (2022: £42 million) is a function of moving the valuation date forward by six months with the result that future cash flows are discounted by six fewer months.

Operational performance movements resulted in a £16 million decrease (2022: £93 million increase). The operational performance movements in the UK portfolio were primarily due to a revaluation of a student accommodation project due to higher than forecast rental increases, and an increase in short term interest rates. In the US portfolio, the main driver of the decrease was increased forecast insurance costs in the US military housing portfolio, while forecast costs relating to the independent compliance monitor's work were also increased.

The foreign exchange movement was a £39m decrease (2022: £86 million increase), as sterling appreciated against the US dollar in the period.

Methodology and assumption changes

For the 2022 year end valuation, a third-party valuation expert independently reviewed the portfolio and the Directors' valuation was consistent with their conclusions. The valuation methodology used for the 2023 half year Directors' valuation is unchanged from that used for the 2022 year end valuation.

The methodology for valuing most of the investments in the portfolio remains the discounted cash flow (DCF) method. Under this methodology cash flows for each project are forecast based on historical and present performance, future risks and macroeconomic forecasts. They also factor in secondary market assumptions. These cash flows are then discounted using different discount rates, which are based on the risk and maturity of individual projects and reflect secondary market transaction experience. The main exception to the use of DCF is for US multi-family housing projects which, due to the perpetual nature of the assets and the depth and liquidity of the rental housing market, are valued based on periodic broker reports for each property.

UK discount rates range from 6.75% to 8.75% depending on the maturity and risk of each project and the implied weighted average discount rate for the UK portfolio is 7.9% (FY 2022 7.9%). A 1% change in the discount rate would change the valuation of the UK portfolio by approximately £59 million. US discount rates range between 6% and 10.5% and the implied US weighted average discount rate is 7.9% (FY 2022: 7.9%). A 1% change in the discount rate would change the valuation of the US portfolio by approximately £78 million.

The portfolio remains positively correlated to inflation. A 1% change in the long term inflation rate in the UK portfolio would change the valuation by approximately £31 million and a 1% change in the long term rental growth rate in the US portfolio would change the valuation by approximately £86 million.

As in previous periods, the Directors' valuation may differ significantly from the accounting book value of investments shown in the financial statements, which are produced in accordance with International Financial Reporting Standards (IFRS) rather than using a discounted cash flow approach. A full reconciliation is provided in section i) of the Measuring Our Financial Performance section.

Portfolio valuation June 2023

Value by sector

Sector	**HY 2023**	FY 2022	**HY 2023**	FY 2022
	No. projects	No. projects	**£m**	£m
Roads	**12**	12	**171**	171
Healthcare	**2**	2	**136**	126
Student accommodation	**5**	5	**144**	128
Energy transition	**5**	5	**103**	101
Other	**2**	2	**24**	22
UK total	**26**	26	**578**	548
US military housing	**21**	21	**551**	615
Student accommodation and other PPP	**4**	3	**76**	59
Residential housing	**9**	9	**64**	69
US total	**34**	33	**691**	743
Total	**60**	59	**1,269**	1,291

Value by phase

Phase	**HY 2023**	FY 2022	**HY 2023**	FY 2022
	No. projects	No. projects	**£m**	£m
Operations	**56**	55	**1,213**	1,239
Construction	**3**	3	**51**	47
Preferred bidder	**1**	1	**5**	5
Total	**60**	59	**1,269**	1,291

Value by income type

Income type	**HY 2023**	FY 2022	**HY 2023**	FY 2022
	No. projects	No. projects	**£m**	£m
Availability based	**17**	17	**364**	353
Demand – operationally proven (2+ years)	**37**	36	**709**	761
Demand – early stage (less than 2 years)	**6**	6	**196**	177
Total	**60**	59	**1,269**	1,291

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK;
- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first half of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining second half of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first half of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

Leo Quinn	Philip Harrison
Group Chief Executive	Chief Financial Officer
15 August 2023	

Forward-looking statements

This report, including information included or incorporated by reference in it, may include certain forward-looking statements, beliefs or opinions, including statements with respect to Balfour Beatty's business, financial condition and results of operations. All statements other than statements of historical facts included in this document may be forward-looking statements.

These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology. These statements are made by Balfour Beatty in good faith based on the information available to it at the date of this report and reflect the beliefs and expectations of Balfour Beatty. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in UK and US Government policies, spending and procurement methodologies, failure in Balfour Beatty's health, safety or environmental policies and those factors set out under Principal Risks on pages 89 to 96 of the Annual Report and Accounts 2022.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved, and projections are not guarantees of future performance. Forward-looking statements speak only as at the date of this report and Balfour Beatty and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this report. No statement in this report is intended to be, or intended to be construed as, a profit forecast or profit estimate or to be interpreted to mean that Balfour Beatty plc's earnings per share for the current or future financial years will necessarily match or exceed the historical earnings per share for Balfour Beatty plc. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

MEASURING OUR FINANCIAL PERFORMANCE

Providing clarity on the Group's alternative performance measures

Following the issuance of the Guidelines on Alternative Performance Measures (APMs) by the European Securities and Markets Authorities (ESMA) in June 2015, the Group has included this section in this report with the aim of providing transparency and clarity on the measures adopted internally to assess performance.

Throughout this report, the Group has presented financial performance measures which are considered most relevant to Balfour Beatty and are used to manage the Group's performance. These financial performance measures are chosen to provide a balanced view of the Group's operations and are considered useful to investors as these measures provide relevant information on the Group's past or future performance, position, or cash flows.

The APMs adopted by the Group are also commonly used in the sectors it operates in and therefore serve as a useful aid for investors to compare Balfour Beatty's performance to its peers.

The Board believes that disclosing these performance measures enhances investors' ability to evaluate and assess the underlying financial performance of the Group's operations and the related key business drivers.

These financial performance measures are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation.

Equivalent information cannot be presented by using financial measures defined in the financial reporting framework alone.

Readers are encouraged to review this report in its entirety.

Performance measures used to assess the Group's operations

Underlying profit from operations (PFO)

Underlying PFO is presented before non-underlying items, finance costs and investment income and is the key measure used to assess the Group's performance in the Construction Services and Support Services segments. This is also a common measure used by the Group's peers operating in these sectors.

This measure reflects the returns to the Group from services provided in these operations that are generated from activities that are not financing in nature and therefore an underlying pre-finance cost measure is more suited to assessing underlying performance.

Underlying profit before tax (PBT)

The Group assesses performance in its Infrastructure Investments segment using an underlying PBT measure. This differs from the underlying PFO measure used to measure the Group's Construction Services and Support Services segments because in addition to margins generated from operations, there are returns to the Investments business which are generated from the financing element of its projects.

These returns take the form of subordinated debt interest receivable, interest receivable on PPP financial assets, and fair value gains on certain investment assets, which are included in the Group's income statement in investment income. These are then offset by the finance cost incurred on the non-recourse debt associated with the underlying projects, fair value losses on certain investment assets and any impairment of subordinated debt receivables and accrued interest, which are included in the Group's income statement in finance costs.

Operating cash flow (OCF)

The Group uses an internally defined measure of OCF to measure the performance of its earnings-based businesses and subsequently to determine the amount of incentive awarded to employees in these businesses under the Group's Annual Incentive Plan (AIP). This measure also aligns to one of the vesting conditions attributable to the Group's PSP awards.

Measuring the Group's performance

The following measures are referred to in this report when reporting performance, both in absolute terms and also in comparison to earlier periods:

Statutory measures

Statutory measures are derived from the Group's reported financial statements, which have been prepared in accordance with UK-adopted international accounting standards (IFRS) and in conformity with the requirements of the Companies Act 2006.

Where a standard allows certain interpretations to be adopted, the Group has applied its accounting policies consistently. These accounting policies can be found on pages 187 to 193 of the Annual Report and Accounts 2022.

The Group's statutory measures take into account all of the factors, including those that it cannot influence (principally foreign currency fluctuations) and also non-recurring items which do not reflect the ongoing underlying performance of the Group.

Performance measures

In assessing its performance, the Group has adopted certain non-statutory measures because, unlike its statutory measures, these cannot be derived directly from its financial statements. The Group commonly uses the following measures to assess its performance:

a) Order book

The Group's disclosure of its order book is aimed to provide insight into its pipeline of work and future performance. The Group's order book is not a measure of past performance and therefore cannot be derived from its financial statements.

The Group's order book comprises the unexecuted element of orders on contracts that have been secured. Where contracts are subject to variations, only secured contract variations are included in the reported order book.

Where contracts fall under framework agreements, an estimate is made of orders to be secured under that framework agreement. This is based on historical trends from similar framework agreements delivered in the past and the estimate of orders included in the order book is that which is probable to be secured.

In accordance with IFRS 15 Revenue from Contracts with Customers*,* the Group is required to disclose the remaining transaction price allocated to performance obligations not yet delivered. This can be found in Note 4.3 in the Annual Report and Accounts 2022. This is similar to the Group's order book disclosure, however it differs for the following reasons:

- the Group's order book includes its share of orders that are reported within its joint ventures and associates. In line with section (e), the Board believes that including orders that are within the pipeline of its joint ventures and associates better reflects the size of the business and the volume of work to be carried out in the future. This differs from the statutory measure of transaction price to be allocated to remaining performance obligations which is only inclusive of secured revenue from the Group's subsidiaries.
- as stated above, for contracts that fall under framework agreements, the Group includes in its order book an estimate of what the orders under these agreements will be worth. Under IFRS 15, each instruction under the framework agreement is viewed as a separate performance obligation and is included in the statutory measure of the remaining transaction price when received but estimates for future instructions are not.
- the Group's order book does not include revenue to be earned in its Infrastructure Investments segment as the value of this part of the business is driven by the Directors' valuation of the Investments portfolio. Refer to section (i).

Reconciliation of order book to transaction price to be allocated to remaining performance obligations

		2023 first half £m	2022 first half £m	2022 year £m
Order book (performance measure)		**16,442**	17,672	17,390
Less:	Share of orders included within the Group's joint ventures and associates	**(2,938)**	(3,572)	(3,275)
Less:	Estimated orders under framework agreements included in the order book disclosure	**–**	(106)	(25)
Add:	Transaction price allocated to remaining performance obligations in Infrastructure Investments	**1,903**	1,791	2,009
Transaction price allocated to remaining performance obligations for the Group (statutory measure)		**15,407**	15,785	16,099

b) Underlying performance

The Group adjusts for certain non-underlying items which the Board believes assists in understanding the performance achieved by the Group. These items include:

- gains and losses on the disposal of businesses and investments, unless this is part of a programme of releasing value from the disposal of similar businesses or investments such as infrastructure concessions;
- costs of major restructuring and reorganisation of existing businesses;
- costs of integrating newly acquired businesses;
- acquisition and similar costs related to business combinations such as transaction costs;
- impairment and amortisation charges on intangible assets arising on business combinations (amortisation of acquired intangible assets); and
- impairment of goodwill.

These are non-underlying costs as they do not relate to the underlying performance of the Group. From time to time, it may be appropriate to disclose further items as non-underlying items in order to reflect the underlying performance of the Group.

Further details of non-underlying items are provided in Note 8.

A reconciliation has been provided below to show how the Group's statutory results are adjusted to exclude non-underlying items and their impact on its statutory financial information, both as a whole and in respect of specific line items.

Reconciliation of the half-year ended 30 June 2023 statutory results to performance measures

	2023 first half statutory results £m	Non-underlying items: Intangible amortisation £m	Non-underlying items: Provision in relation to rectification works in London £m	2023 first half performance measures £m
Revenue including share of joint ventures and associates (performance)	**4,527**	**–**	**–**	**4,527**
Share of revenue of joint ventures and associates	**(716)**	**–**	**–**	**(716)**
Group revenue (statutory)	**3,811**	**–**	**–**	**3,811**
Cost of sales	**(3,631)**	**–**	**12**	**(3,619)**
Gross profit	**180**	**–**	**12**	**192**
Amortisation of acquired intangible assets	**(3)**	**3**	**–**	**–**
Other net operating expenses	**(134)**	**–**	**–**	**(134)**
Group operating profit	**43**	**3**	**12**	**58**
Share of results of joint ventures and associates	**22**	**–**	**–**	**22**
Profit from operations	**65**	**3**	**12**	**80**
Investment income	**38**	**–**	**–**	**38**
Finance costs	**(21)**	**–**	**–**	**(21)**
Profit before taxation	**82**	**3**	**12**	**97**
Taxation	**(19)**	**(1)**	**(3)**	**(23)**
Profit for the period	**63**	**2**	**9**	**74**

Reconciliation of the half-year ended 30 June 2023 statutory results to performance measures by segment

Profit/(loss) from operations	2023 first half statutory results £m	Non-underlying items: Intangible amortisation £m	Non-underlying items: Provision in relation to rectification works in London £m	2023 first half performance measures £m
Segment				
Construction Services	**52**	**1**	**12**	**65**
Support Services	**30**	**–**	**–**	**30**
Infrastructure Investments	**–**	**2**	**–**	**2**
Corporate activities	**(17)**	**–**	**–**	**(17)**
Total	**65**	**3**	**12**	**80**

Reconciliation of the half-year ended 1 July 2022 statutory results to performance measures

	2022 first half statutory results £m	Non-underlying items: Intangible amortisation £m	Non-underlying items: UK deferred tax assets £m	2022 first half performance measures £m
Revenue including share of joint ventures and associates (performance)	4,147	–	–	4,147
Share of revenue of joint ventures and associates	(545)	–	–	(545)
Group revenue (statutory)	3,602	–	–	3,602
Cost of sales	(3,429)	–	–	(3,429)
Gross profit	173	–	–	173
Amortisation of acquired intangible assets	(3)	3	–	–
Other net operating expenses	(117)	–	–	(117)
Group operating profit	53	3	–	56
Share of results of joint ventures and associates	29	–	–	29
Profit from operations	82	3	–	85
Investment income	25	–	–	25
Finance costs	(24)	–	–	(24)
Profit before taxation	83	3	–	86
Taxation	15	(1)	(20)	(6)
Profit for the period	98	2	(20)	80

Reconciliation of the half-year ended 1 July 2022 statutory results to performance measures by segment

Profit/(loss) from operations	2022 first half statutory results £m	Non-underlying items: Intangible amortisation £m	Non-underlying items: UK deferred tax assets £m	2022 first half performance measures £m
Segment				
Construction Services	48	1	–	49
Support Services	36	–	–	36
Infrastructure Investments	15	2	–	17
Corporate activities	(17)	–	–	(17)
Total	82	3	–	85

Reconciliation of the year ended 31 December 2022 statutory results to performance measures

	2022 statutory results £m	Non-underlying items: Intangible amortisation £m	Non-underlying items: Release of Heery provision £m	Non-underlying items: UK deferred tax assets revaluation £m	2022 performance measures £m
Revenue including share of joint ventures and associates (performance)	8,931	–	–	–	8,931
Share of revenue of joint ventures and associates	(1,302)	–	–	–	(1,302)
Group revenue (statutory)	7,629	–	–	–	7,629
Cost of sales	(7,202)	–	–	–	(7,202)
Gross profit	427	–	–	–	427
Amortisation of acquired intangible assets	(6)	6	–	–	–
Other net operating expenses	(251)	–	(2)	–	(253)
Group operating profit	170	6	(2)	–	174
Share of results of joint ventures and associates	105	–	–	–	105
Profit from operations	275	6	(2)	–	279
Investment income	50	–	–	–	50
Finance costs	(38)	–	–	–	(38)
Profit before taxation	287	6	(2)	–	291
Taxation	–	1	–	(2)	(1)
Profit for the year	287	7	(2)	(2)	290

Reconciliation of the year ended 31 December 2022 statutory results to performance measures

Profit/(loss) from operations	2022 statutory results £m	Non-underlying items: Intangible amortisation £m	Non-underlying items: Release of Heery provision £m	2022 performance measures £m
Segment				
Construction Services	150	1	(2)	149
Support Services	83	–	–	83
Infrastructure Investments	76	5	–	81
Corporate activities	(34)	–	–	(34)
Total	275	6	(2)	279

c) Underlying profit before tax

As explained, the Group's Infrastructure Investments segment is assessed on an underlying profit before tax (PBT) measure. This is calculated as follows:

		2023 first half £m	2022 first half £m	2022 year £m
Underlying profit from operations (section (b) and Note 3)		**2**	17	81
Add:	Subordinated debt interest receivable^	**16**	12	27
Add:	Interest receivable on PPP financial assets^	**1**	1	2
Add:	Fair value (loss)/gain on investment asset^	**(1)**	5	6
Less:	Non-recourse borrowings finance cost^	**(4)**	(4)	(9)
Less:	Impairment of subordinated debt receivable^	**–**	(3)	–
Less:	Impairment of accrued interest^	**–**	(4)	(2)
Underlying profit before tax (performance)		**14**	24	105
Non-underlying items (section (b) and Note 3)		**(2)**	(2)	(5)
Statutory profit before tax		**12**	22	100

^ Refer to Note 6 and Note 7.

d) Underlying earnings per share

In line with the Group's measurement of underlying performance, the Group also presents its earnings per share (EPS) on an underlying basis. The table below reconciles this to the statutory earnings per share.

	2023 first half £m	2022 first half £m	2022 year £m
Statutory basic earnings per ordinary share	**11.1**	15.7	46.9
Amortisation of acquired intangible assets after tax	**0.3**	0.3	1.2
Other non-underlying items after tax	**1.6**	(3.1)	(0.6)
Underlying basic earnings per ordinary share (performance)	**13.0**	12.9	47.5

e) Revenue including share of joint ventures and associates (JVAs)

The Group uses a revenue measure which is inclusive of its share of revenue generated from its JVAs. As the Group uses revenue as a measure of the level of activity performed by the Group, the Board believes that including revenue that is earned from its JVAs better reflects the size of the business and the volume of work carried out and more appropriately compares to PFO.

This differs from the statutory measure of revenue which presents Group revenue from its subsidiaries.

A reconciliation of the statutory measure of revenue to the Group's performance measure is shown in the tables in section (b). A comparison of the growth rates in statutory and performance revenue can be found in section (j).

f) Operating cash flow (OCF)

The table below reconciles the Group's internal performance measure of OCF to the statutory measure of cash generated from operating activities as reported in the Group's Statement of Cash Flows.

Reconciliation from statutory cash generated from operations to OCF

	2023 first half £m	2022 first half £m	2022 year £m
Cash generated from operating activities (statutory)	**48**	19	168
Add back: Pension payments including deficit funding (Note 18)	**13**	29	43
Less: Repayment of lease liabilities (including lease interest payments)	**(31)**	(29)	(58)
Add: Operational dividends received from joint ventures and associates	**27**	33	89
Add back: Cash flow movements relating to non-operating items	**8**	5	(12)
Less: Operating cash flows relating to non-recourse activities	**(5)**	(6)	(11)
Operating cash flow (OCF) (performance)	**60**	51	219

The Group includes/excludes these items to reflect the true cash flows generated from or used in the Group's operating activities:

Pension payments including deficit funding (£13m): the Group has excluded pension payments which are included in the Group's statutory measure of cash flows from operating activities from its internal OCF measure as these primarily relate to deficit funding of the Group's main pension fund, Balfour Beatty Pension Fund (BBPF). The payments made for deficit funding are in accordance with an agreed journey plan with the trustees of the BBPF and are not directly linked to the operational performance of the Group.

Repayment of lease liabilities (including lease interest payments) (£31m outflow): the payments made for the Group's leasing arrangements are included in the Group's OCF measure as these payments are made to third-party suppliers for the lease of assets that are used to deliver services to the Group's customers, and hence to generate revenue. Under IFRS, these payments are excluded from the Group's statutory measure of cash flows from operating activities as these are considered debt in nature under accounting standards.

Operational dividends received from joint ventures and associates (£27m inflow): dividends received from joint ventures and associates which are generated from non-disposal activities are included in the Group's OCF measure as these represent cash returns to the Group from cash flows generated from operating activities within joint ventures and associates. Under IFRS, these returns are classified as investing activities.

Cash flow movements relating to non-operating items (£8m): the Group's OCF measure excludes certain working capital movements that are not directly attributable to the Group's operating activities.

f) Operating cash flow (OCF) continued

Operating cash flows relating to non-recourse activities (£5m): the Group's OCF measure is specifically targeted to drive performance improvement in the Group's earnings-based businesses and therefore any operating cash flows relating to non-recourse activities are removed from this measure. Under IFRS, there is no distinction between recourse and non-recourse cash flows.

g) Recourse net cash/borrowings

The Group also measures its performance based on its net cash/borrowings position at the period end. This is analysed by excluding elements that are non-recourse to the Group as well as lease liabilities.

Non-recourse elements are cash and debt that are ring-fenced within certain infrastructure concession project companies and are excluded from the definition of net debt set out in the Group's borrowing facilities. In addition, lease liabilities which are deemed to be debt in nature under statutory measures are also excluded from the Group's definition of net cash/borrowings as these are viewed to be operational in nature reflecting payments made in exchange for use of assets.

Net cash/borrowings reconciliation

	2023 first half (statutory) £m	**Adjustment £m**	**2023 first half (performance) £m**	2022 first half (statutory) £m	Adjustment £m	2022 first half (performance) £m	2022 year (statutory) £m	Adjustment £m	2022 year (performance) £m
Total cash within the Group	**927**	**(27)**	**900**	1,110	(20)	1,090	1,179	(19)	1,160
Cash and cash equivalents									
– infrastructure concessions	**27**	**(27)**	**–**	20	(20)	–	19	(19)	–
– other	**900**	**–**	**900**	1,090	–	1,090	1,160	–	1,160
Total debt within the Group	**(611)**	**421**	**(190)**	(747)	399	(348)	(738)	393	(345)
Borrowings – non-recourse loans	**(286)**	**286**	**–**	(262)	262	–	(261)	261	–
– other	**(190)**	**–**	**(190)**	(348)	–	(348)	(345)	–	(345)
Lease liabilities	**(135)**	**135**	**–**	(137)	137	–	(132)	132	–
Net cash	**316**	**394**	**710**	363	379	742	441	374	815

h) Average net cash/borrowings

The Group uses average net cash/borrowings measure as this reflects its financing requirements throughout the period. The Group calculates its average net cash/borrowings based on the average of opening and closing figures for each month through the period.

The average net cash/borrowings measure excludes non-recourse cash and debt and lease liabilities, and this performance measure shows average net cash of £695m (2022: first half £811m; full-year £804m).

Using a statutory measure (inclusive of non-recourse elements and lease liabilities) gives average net cash of £379m (2022: first half £391m; full-year £430m).

i) Directors' valuation of the Investments portfolio

The Group uses a different methodology to assess the value of its Investments portfolio. As described in the Directors' valuation section, the Directors' valuation for most of the investments in the portfolio has been undertaken using forecast cash flows for each project on an asset by asset basis, based on progress to date and market expectations of future performance. These cash flows have been discounted using different discount rates depending on project risk and maturity, reflecting secondary market transaction experience. As such, the Board believes that this measure better reflects the potential returns to the Group from those investments.

i) Directors' valuation of the Investments portfolio continued

The Directors have valued the Investments portfolio at £1.27bn at the half-year (2022: first half £1.30bn; full-year £1.29bn). The Directors' valuation will differ from the statutory carrying value of these investments, which are accounted for using the relevant standards in accordance with IFRS rather than a discounted cash flow approach.

Reconciliation of the net assets of the Infrastructure Investments segment to the comparable statutory measure of the Investments portfolio included in the Directors' valuation

	2023 first half £m	2022 first half £m	2022 year £m
Net assets of the Infrastructure Investments segment (refer to Note 3.2)	**619**	654	593
Less: Net assets not included within the Directors' valuation – Housing division	**(40)**	(27)	(30)
Comparable statutory measure of the Investments portfolio under IFRS	**579**	627	563

Comparison of the statutory measure of the Investments portfolio to its performance measure

	2023 first half £m	2022 first half £m	2022 year £m
Statutory measure of the Investments portfolio (as above)	**579**	627	563
Difference arising from the Directors' valuation being measured on a discounted cash flow basis compared to the statutory measure primarily derived using a combination of the following IFRS bases: ▪ historical cost; ▪ amortised cost; and ▪ fair value	**690**	669	728
Directors' valuation (performance measure)	**1,269**	1,296	1,291

The difference between the statutory measure and the Directors' valuation (performance measure) of the Group's Investments portfolio is not equal to the gain on disposal that would result if the portfolio was fully disposed at the Directors' valuation. This is because the gain/loss on disposal would be affected by the recycling of items which were previously recognised directly within reserves, which are material and can alter the resulting gain/loss on disposal.

The statutory measure and the Directors' valuation are fundamentally different due to the different methodologies used to derive the valuation of these assets within the Investments portfolio.

As referred to in the Directors' valuation section, the Directors' valuation for most investments is calculated using discounted cash flows. In deriving these cash flows, assumptions have been made and different discount rates used which are updated at each valuation date.

Unlike the Directors' valuation, the assets measured under statutory measures using the appropriate IFRS accounting standards are valued using a combination of the following methods:

- historical cost;
- amortised cost; and
- fair value for certain assets and liabilities within the PPP portfolio, for which some assumptions are set at inception and some are updated at each valuation date.

There is also an element of the Directors' valuation that is not represented by an asset in the Group's balance sheet. This relates to the management services contracts within the Investments business that are valued in the Directors' valuation based on the future income stream expected from these contracts.

j) Constant exchange rates (CER)

The Group operates across a variety of geographic locations and, in its statutory results, the results of its overseas entities are translated into the Group's presentational currency at average rates of exchange for the period. The Group's key exchange rates applied in deriving its statutory results are shown in Note 2.

To measure changes in the Group's performance compared with the previous period without the effects of foreign currency fluctuations, the Group provides growth rates on a CER basis. These measures remove the effects of currency movements by retranslating the prior period's figures at the current period's exchange rates, using average rates for revenue and closing rates for order book. A comparison of the Group's statutory growth rate to the CER growth rate is provided in the table below:

2023 statutory growth compared to performance growth

	Construction Services						
	UK	**US**	**Gammon**	**Total**	**Support Services**	**Infrastructure Investments**	**Total**
Revenue (£m)							
2023 first half statutory	**1,516**	**1,718**	**–**	**3,234**	**463**	**114**	**3,811**
2022 first half statutory	1,237	1,758	–	2,995	498	109	3,602
Statutory growth	**23%**	**(2)%**	**–**	**8%**	**(7)%**	**5%**	**6%**
2023 first half performance^	**1,516**	**1,736**	**583**	**3,835**	**463**	**229**	**4,527**
2022 first half performance retranslated^	1,237	1,853	430	3,520	499	241	4,260
Performance CER growth	**23%**	**(6)%**	**36%**	**9%**	**(7)%**	**(5)%**	**6%**
Order book (£bn)							
2023 first half	**5.9**	**5.3**	**2.6**	**13.8**	**2.6**	**–**	**16.4**
2022 year	6.1	6.0	2.9	15.0	2.4	–	17.4
Growth	**(3)%**	**(12)%**	**(10)%**	**(8)%**	**8%**	**–**	**(6)%**
2023 first half	**5.9**	**5.3**	**2.6**	**13.8**	**2.6**	**–**	**16.4**
2022 year retranslated	6.1	5.6	2.8	14.5	2.4	–	16.9
CER growth	**(3)%**	**(5)%**	**(7)%**	**(5)%**	**8%**	**–**	**(3)%**

^ Performance revenue is underlying revenue including share of revenue from joint ventures and associates as set out in section (e).

INDEPENDENT REVIEW REPORT TO BALFOUR BEATTY PLC

Conclusion
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the period ended 30 June 2023 which comprises the Condensed Group Income Statement, Condensed Group Statement of Comprehensive Income, Condensed Group Statement of Changes in Equity, Condensed Group Balance Sheet, Condensed Group Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the period ended 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern
Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the Directors have inappropriately adopted the going concern basis of accounting, or that the Directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Mike Barradell
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL
15 August 2023

Condensed Group Income Statement

For the half-year ended 30 June 2023

	Notes	2023 first half unaudited Underlying items[1] £m	2023 first half unaudited Non-underlying items (Note 8) £m	2023 first half unaudited Total £m	2022 first half unaudited Underlying items[1] £m	2022 first half unaudited Non-underlying items (Note 8) £m	2022 first half unaudited Total £m	2022 year audited Underlying items[1] £m	2022 year audited Non-underlying items (Note 8) £m	2022 year audited Total £m
Revenue including share of joint ventures and associates		**4,527**	**–**	**4,527**	4,147	–	4,147	8,931	–	8,931
Share of revenue of joint ventures and associates	5.1	**(716)**	**–**	**(716)**	(545)	–	(545)	(1,302)	–	(1,302)
Group revenue		**3,811**	**–**	**3,811**	3,602	–	3,602	7,629	–	7,629
Cost of sales		**(3,619)**	**(12)**	**(3,631)**	(3,429)	–	(3,429)	(7,202)	–	(7,202)
Gross profit/(loss)		**192**	**(12)**	**180**	173	–	173	427	–	427
Amortisation of acquired intangible assets		**–**	**(3)**	**(3)**	–	(3)	(3)	–	(6)	(6)
Other net operating (expenses)/income		**(134)**	**–**	**(134)**	(117)	–	(117)	(253)	2	(251)
Group operating profit/(loss)		**58**	**(15)**	**43**	56	(3)	53	174	(4)	170
Share of results of joint ventures and associates excluding gain on disposals of interests in investments		**22**	**–**	**22**	22	–	22	35	–	35
Gain on disposals of interests in investments		**–**	**–**	**–**	7	–	7	70	–	70
Share of results of joint ventures and associates	5.1	**22**	**–**	**22**	29	–	29	105	–	105
Profit/(loss) from operations		**80**	**(15)**	**65**	85	(3)	82	279	(4)	275
Investment income	6	**38**	**–**	**38**	25	–	25	50	–	50
Finance costs	7	**(21)**	**–**	**(21)**	(24)	–	(24)	(38)	–	(38)
Profit/(loss) before taxation		**97**	**(15)**	**82**	86	(3)	83	291	(4)	287
Taxation	9	**(23)**	**4**	**(19)**	(6)	21	15	(1)	1	–
Profit/(loss) for the period		**74**	**(11)**	**63**	80	18	98	290	(3)	287
Attributable to										
Equity holders		**74**	**(11)**	**63**	81	18	99	291	(3)	288
Non-controlling interests		**–**	**–**	**–**	(1)	–	(1)	(1)	–	(1)
Profit/(loss) for the period		**74**	**(11)**	**63**	80	18	98	290	(3)	287

[1] Before non-underlying items (Note 8).

	Notes	2023 first half unaudited pence	2022 first half unaudited pence	2022 year audited pence
Earnings per share				
- basic	10	**11.1**	15.7	46.9
- diluted	10	**11.0**	15.6	46.3
Dividends per share proposed for the period	11	**3.5**	3.5	10.5

Condensed Group Statement of Comprehensive Income

For the half-year ended 30 June 2023

	2023 first half unaudited			2022 first half unaudited			2022 year audited		
	Group £m	Share of joint ventures and associates £m	Total £m	Group £m	Share of joint ventures and associates £m	Total £m	Group £m	Share of joint ventures and associates £m	Total £m
Profit for the period	**41**	**22**	**63**	69	29	98	182	105	287
Other comprehensive (loss)/income for the period									
Items which will not subsequently be reclassified to the income statement									
Actuarial (losses)/gains on retirement benefit assets/liabilities	**(71)**	**–**	**(71)**	103	–	103	(52)	1	(51)
Tax on above	**18**	**–**	**18**	(20)	–	(20)	20	–	20
	(53)	**–**	**(53)**	83	–	83	(32)	1	(31)
Items which will subsequently be reclassified to the income statement									
Currency translation differences	**(16)**	**(12)**	**(28)**	20	29	49	32	23	55
Fair value revaluations – PPP financial assets	**(1)**	**(10)**	**(11)**	(1)	(74)	(75)	(3)	(124)	(127)
– cash flow hedges	**1**	**2**	**3**	1	15	16	3	29	32
– investments in mutual funds measured at fair value through OCI	**1**	**–**	**1**	(4)	–	(4)	(5)	–	(5)
Recycling of revaluation reserves to the income statement on disposal^	**–**	**–**	**–**	–	–	–	–	(3)	(3)
Tax on above	**–**	**2**	**2**	–	15	15	(1)	25	24
	(15)	**(18)**	**(33)**	16	(15)	1	26	(50)	(24)
Total other comprehensive (loss)/income for the period	**(68)**	**(18)**	**(86)**	99	(15)	84	(6)	(49)	(55)
Total comprehensive (loss)/income for the period	**(27)**	**4**	**(23)**	168	14	182	176	56	232
Attributable to									
Equity holders			**(23)**			183			233
Non-controlling interests			**–**			(1)			(1)
Total comprehensive (loss)/income for the period			**(23)**			182			232

^ Recycling of revaluation reserves to the income statement on disposal has an associated deferred tax credit of £nil.

Condensed Group Statement of Changes in Equity

For the half-year ended 30 June 2023

					Other reserves						
	Called-up share capital £m	Share premium account £m	Capital Redemption Reserve £m	Share of joint ventures' and associates' reserves £m	Hedging reserves £m	PPP financial assets £m	Currency translation reserve £m	Other [µ] £m	Retained profits £m	Non-controlling interests £m	Total £m
At 31 December 2021 audited	345	176	1	72	(5)	4	100	45	631	7	1,376
Total comprehensive income/(loss) for the period	–	–	–	15	–	(1)	20	(3)	152	(1)	182
Ordinary dividends	–	–	–	–	–	–	–	–	(37)	–	(37)
Joint ventures' and associates' dividends	–	–	–	(38)	–	–	–	–	38	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–	(48)	–	(48)
Cancellation of ordinary shares	(25)	–	25	–	–	–	–	–	–	–	–
Movements relating to share-based payments[+]	–	–	–	–	–	–	–	(3)	(16)	–	(19)
At 1 July 2022 unaudited	320	176	26	49	(5)	3	120	39	720	6	1,454
Total comprehensive income/(loss) for the period	–	–	–	41	1	(2)	12	(2)	–	–	50
Ordinary dividends	–	–	–	–	–	–	–	–	(21)	–	(21)
Joint ventures' and associates' dividends	–	–	–	(110)	–	–	–	–	110	–	–
Non-controlling interests' dividends	–	–	–	–	–	–	–	–	–	(1)	(1)
Purchase of treasury shares	–	–	–	–	–	–	–	–	(103)	–	(103)
Cancellation of ordinary shares	(26)	–	26	–	–	–	–	–	–	–	–
Movements relating to share-based payments[+]	–	–	–	–	–	–	–	4	–	–	4
At 31 December 2022 audited	294	176	52	(20)	(4)	1	132	41	706	5	1,383
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**4**	**1**	**(1)**	**(16)**	**1**	**(12)**	**–**	**(23)**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(39)**	**–**	**(39)**
Joint ventures' and associates' dividends	**–**	**–**	**–**	**(27)**	**–**	**–**	**–**	**–**	**27**	**–**	**–**
Reserves transfers relating to joint ventures and associates	**–**	**–**	**–**	**4**	**–**	**–**	**–**	**–**	**(4)**	**–**	**–**
Purchase of treasury shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(88)**	**–**	**(88)**
Movements relating to share-based payments[+]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**7**	**–**	**5**
At 30 June 2023 unaudited	**294**	**176**	**52**	**(39)**	**(3)**	**–**	**116**	**40**	**597**	**5**	**1,238**

[µ] Other reserves include £22m of special reserve.

[+] Movements relating to share-based payments include £nil tax credit (2022: first half £nil; full-year: £2m) recognised directly within retained profits.

Condensed Group Balance Sheet

At 30 June 2023

		Notes	2023 first half unaudited £m	2022 first half unaudited £m	2022 year audited £m
Non-current assets					
Intangible assets	– goodwill	12	**847**	877	876
	– other		**282**	298	292
Property, plant and equipment			**118**	102	104
Right-of-use assets			**127**	132	127
Investment properties			**67**	28	27
Investments in joint ventures and associates		5.2	**406**	493	426
Investments			**31**	38	40
PPP financial assets			**25**	28	26
Trade and other receivables		14	**287**	237	286
Retirement benefit assets		18	**210**	407	262
Deferred tax assets			**181**	122	176
			2,581	2,762	2,642
Current assets					
Inventories			**140**	112	114
Contract assets		13.1	**471**	215	300
Trade and other receivables		14	**890**	937	881
Cash and cash equivalents	– infrastructure investments	17.2	**27**	20	19
	– other	17.2	**900**	1,090	1,160
Current tax receivable			**10**	6	6
Derivative financial instruments		21	**1**	–	1
			2,439	2,380	2,481
Total assets			**5,020**	5,142	5,123
Current liabilities					
Contract liabilities		13.2	**(662)**	(695)	(663)
Trade and other payables		15	**(1,770)**	(1,519)	(1,595)
Provisions		16	**(213)**	(186)	(204)
Borrowings	– non-recourse loans	17.3	**(8)**	(6)	(30)
	– other	17.3	**–**	(175)	(173)
Lease liabilities			**(50)**	(48)	(49)
Current tax payable			**(8)**	(12)	(8)
Derivative financial instruments		21	**–**	(1)	–
			(2,711)	(2,642)	(2,722)
Non-current liabilities					
Contract liabilities		13.2	**(2)**	(15)	(2)
Trade and other payables		15	**(121)**	(125)	(141)
Provisions		16	**(212)**	(207)	(197)
Borrowings	– non-recourse loans	17.3	**(278)**	(256)	(231)
	– other	17.3	**(190)**	(173)	(172)
Lease liabilities			**(85)**	(89)	(83)
Retirement benefit liabilities		18	**(36)**	(46)	(39)
Deferred tax liabilities			**(146)**	(134)	(152)
Derivative financial instruments		21	**(1)**	(1)	(1)
			(1,071)	(1,046)	(1,018)
Total liabilities			**(3,782)**	(3,688)	(3,740)
Net assets			**1,238**	1,454	1,383
Equity					
Called-up share capital			**294**	320	294
Share premium account			**176**	176	176
Capital redemption reserve			**52**	26	52
Share of joint ventures' and associates' reserves			**(39)**	49	(20)
Other reserves			**153**	157	170
Retained profits			**597**	720	706
Equity attributable to equity holders			**1,233**	1,448	1,378
Non-controlling interests			**5**	6	5
Total equity			**1,238**	1,454	1,383

Condensed Group Statement of Cash Flows

For the half-year ended 30 June 2023

		Notes	**2023 first half unaudited £m**	2022 first half unaudited £m	2022 year audited £m
Cash flows from operating activities					
Cash from operations		17.1	**57**	26	185
Income taxes paid			**(9)**	(7)	(17)
Net cash from operating activities			**48**	19	168
Cash flows (used in)/from investing activities					
Dividends received from:	- joint ventures and associates – infrastructure investments		**13**	26	114
	- joint ventures and associates – other		**14**	12	34
	- other investments		**4**	–	4
Interest received – infrastructure investments – joint ventures			**5**	5	10
Interest received – infrastructure investments – subsidiaries			**16**	–	7
Acquisition of businesses			**–**	(3)	(3)
Purchases of:	- intangible assets – infrastructure investments		**–**	–	(1)
	- property, plant and equipment		**(30)**	(13)	(31)
	- investment properties		**(42)**	–	–
	- other investments		**–**	–	(7)
Investments in and long-term loans to joint ventures and associates			**(7)**	(17)	(29)
Return of equity from joint ventures and associates			**–**	7	34
PPP financial assets cash expenditure			**(1)**	(2)	(2)
PPP financial assets cash receipts			**3**	3	5
Disposals of:	- investments in joint ventures – other		**–**	1	1
	- property, plant and equipment – other		**1**	3	8
	- other investments		**5**	1	2
Net cash (used in)/from investing activities			**(19)**	23	146
Cash flows used in financing activities					
Purchase of ordinary shares		19	**(2)**	(24)	(25)
Purchase of treasury shares		19	**(87)**	(47)	(151)
Proceeds from new loans relating to:	- infrastructure investments assets	17.4	**30**	5	8
	- other	17.4	**29**	132	130
Repayments of loans relating to:	- infrastructure investments assets	17.4	**(4)**	(3)	(7)
	- other		**(169)**	–	–
Repayment of lease liabilities			**(28)**	(27)	(52)
Ordinary dividends paid		11	**–**	–	(58)
Other dividends paid – non-controlling interest			**–**	–	(1)
Interest paid – infrastructure investments			**(5)**	(4)	(9)
Interest paid – other			**(17)**	(10)	(24)
Net cash (used in)/from financing activities			**(253)**	22	(189)
Net (decrease)/increase in cash and cash equivalents			**(224)**	64	125
Effects of exchange rate changes			**(28)**	46	55
Cash and cash equivalents at beginning of period			**1,179**	999	999
Cash and cash equivalents at end of period		17.2	**927**	1,109	1,179

Notes to the financial statements

1.1 Basis of accounting

The condensed Group financial statements for the half-year ended 30 June 2023 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting as adopted for use in the UK. The condensed Group financial statements should be read in conjunction with the financial statements for the year ended 31 December 2022, which were prepared in accordance with UK-adopted international accounting standards (IFRS) and in conformity with the requirements of the Companies Act 2006 (the Act).

The condensed Group financial statements, which are not audited, have been reviewed and were approved for issue by the Board on 15 August 2023. The financial information included in this report does not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006. A copy of the Group's audited statutory accounts for the year ended 31 December 2022 has been delivered to the Registrar of Companies. The independent auditor's report on those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The condensed Group financial statements have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts 2022 except as described in Note 1.4 below.

1.2 Judgements and key sources of estimation uncertainty

The Group's principal judgements and key sources of estimation uncertainty remain unchanged since the year-end and are set out in Note 2.27 on pages 192 to 193 of the Annual Report and Accounts 2022.

1.3 Going concern

The Directors consider it reasonable to assume that the Group has adequate resources to continue for the period of at least 12 months from the date of approval of these condensed financial statements and, for this reason, have continued to adopt the going concern basis.

The key financial risk factors for the Group remain largely unchanged. The Group's principal risks and the consequent impact these might have on the Group as well as mitigations that are in place are detailed on pages 89 to 96 of the Annual Report and Accounts 2022.

The Group's US private placement and committed bank facilities contain certain financial covenants, such as the ratio of the Group's EBITDA to its net debt which needs to be less than 3.0 and the ratio of its EBITA to net borrowing costs which needs to be in excess of 3.0. These covenants are tested on a rolling 12-month basis as at the June and December reporting dates. At 30 June 2023, both these covenants were passed as the Group had net cash and net interest income from a covenant test perspective.

The Directors have carried out an assessment of the Group's ability to continue as a going concern for the period of at least 12 months from the date of approval of the condensed financial statements. This assessment has involved the review of medium-term cash forecasts of each of the Group's operations. The Directors have also considered the strength of the Group's order book which amounted to £16.4bn at 30 June 2023 and will provide a pipeline of secured work over the going concern assessment period. These base case projections indicate that the headroom provided by the Group's strong cash position and the debt facilities currently in place is adequate to support the Group over the going concern assessment period.

At 30 June 2023, the Group's only debt, other than non-recourse borrowings ring-fenced within certain concession companies, comprised US private placement (USPP) notes and its bilateral committed facility. The remaining US$50m USPP notes issued in 2013 will mature in March 2025. The US$158m USPP notes issued in 2022 will mature in tranches in 2027, 2029 and 2032. The Group's bilateral committed facility, which was fully utilised through a US$36m drawdown in March 2023, is due to expire in December 2024 however the facility contains an extension option for a further three years subject to certain specific conditions.

1.3 Going concern continued

In June 2023, the Group also completed the refinancing of its core £375m revolving credit facility, which was set to expire in October 2024, replacing it with a new £475m facility that will expire in June 2027 (the RCF). The RCF contains an extension option for a further year to June 2028, with the agreement of the lending banks, and its terms and conditions are materially the same as the prior facility. The RCF was undrawn at 30 June 2023.

The Directors have stress-tested the Group's base case projections of both cash and profit against key sensitivities which could materialise as a result of adverse changes in the economic environment including a deterioration in commercial or operational conditions. The Group has sensitised its projections against severe but plausible downside scenarios which include:

- elimination of a portion of unsecured work assumed within the Group's base case projections and a delay of six months for any awarded but not yet contracted work;
- a deterioration of contract judgements and restriction of a portion of the Group's margins; and
- delay in the disposal of Investments assets by 12 months.

In the severe but plausible downside scenarios modelled, the Group continues to retain sufficient headroom on liquidity throughout the going concern period. Through these downside scenarios, the Group is still expected to be in a net cash position and to remain within its banking covenants through the going concern assessment period.

Based on the above and having made appropriate enquiries, the Directors consider it reasonable to assume that the Group has adequate resources to continue for the going concern period and, for this reason, have continued to adopt the going concern basis in preparing the condensed financial statements

1.4 Adoption of new and revised standards

The following accounting standards, interpretations and amendments have been adopted by the Group in the current period:

- IFRS 17 Insurance Contracts
- Amendments to the following standards:
    - IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
    - IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
    - IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
    - IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The above accounting standard and amended standards did not have a material effect on the Group.

1.5 Accounting standards not yet adopted by the Group

The following accounting standards, interpretations and amendments have been issued by the IASB but had either not been adopted by the UK or were not yet effective in the UK at 30 June 2023:

- Amendments to the following standards:
    - IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
    - IAS 1 Presentation of Financial Statements: Non-current liabilities with Covenants
    - IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
    - IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules
    - IFRS 16 Leases: Lease Liability in a Sale and Leaseback

2 Exchange rates

The following key exchange rates were applied in these financial statements:

Average rates

£1 buys	**2023 first half unaudited**	2022 first half unaudited	2022 year audited	1 July 2022 – 30 June 2023 % change	31 Dec 2022 – 30 June 2023 % change

US$	**1.23**	1.29	1.24	(4.7)%	(0.8)%
HK$	**9.66**	10.12	9.72	(4.5)%	(0.6)%

Closing rates

£1 buys	**2023 first half unaudited**	2022 first half unaudited	2022 year audited	1 July 2022 – 30 June 2023 % change	31 Dec 2022 – 30 June 2023 % change
US$	**1.27**	1.20	1.20	5.8%	5.8%
HK$	**9.96**	9.41	9.39	5.8%	6.1%

3 Segment analysis

Reportable segments of the Group:

Construction Services – activities resulting in the physical construction of an asset

Support Services – activities which support existing assets or functions such as asset maintenance and refurbishment

Infrastructure Investments – acquisition, operation, and disposal of infrastructure assets such as roads, hospitals, student accommodation, military housing, offshore transmission networks, waste and biomass and other concessions. This segment also includes the Group's housing development division.

3.1 Income statement – performance by activity

For the half-year ended 30 June 2023 unaudited	**Construction Services £m**	**Support Services £m**	**Infrastructure Investments £m**	**Corporate activities £m**	**Total £m**
Revenue including share of joint ventures and associates	**3,835**	**463**	**229**	**–**	**4,527**
Share of revenue of joint ventures and associates	**(601)**	**–**	**(115)**	**–**	**(716)**
Group revenue	**3,234**	**463**	**114**	**–**	**3,811**
Group operating profit/(loss)[1]	**50**	**30**	**(5)**	**(17)**	**58**
Share of results of joint ventures and associates	**15**	**–**	**7**	**–**	**22**
Profit/(loss) from operations[1]	**65**	**30**	**2**	**(17)**	**80**
Non-underlying items:					
- amortisation of acquired intangible assets	**(1)**	**–**	**(2)**	**–**	**(3)**
- provision recognised for rectification works to be carried out on a development in London	**(12)**	**–**	**–**	**–**	**(12)**
Profit/(loss) from operations	**52**	**30**	**–**	**(17)**	**65**
Investment income					**38**
Finance costs					**(21)**
Profit before taxation					**82**

[1] Before non-underlying items (Note 8).

3 Segment analysis continued

3.1 Income statement – performance by activity continued

For the half-year ended 1 July 2022 unaudited	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Revenue including share of joint ventures and associates	3,414	499	234	–	4,147
Share of revenue of joint ventures and associates	(419)	(1)	(125)	–	(545)
Group revenue	2,995	498	109	–	3,602
Group operating profit/(loss)[1]	38	36	(1)	(17)	56
Share of results of joint ventures and associates	11	–	18	–	29
Profit/(loss) from operations[1]	49	36	17	(17)	85
Non-underlying items:					
- amortisation of acquired intangible assets	(1)	–	(2)	–	(3)
Profit/(loss) from operations	48	36	15	(17)	82
Investment income					25
Finance costs					(24)
Profit before taxation					83

[1] Before non-underlying items (Note 8).

For the year ended 31 December 2022 audited	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Revenue including share of joint ventures and associates	7,482	989	460	–	8,931
Share of revenue of joint ventures and associates	(1,073)	(1)	(228)	–	(1,302)
Group revenue	6,409	988	232	–	7,629
Group operating profit/(loss)[1]	129	83	(4)	(34)	174
Share of results of joint ventures and associates	20	–	85	–	105
Profit/(loss) from operations[1]	149	83	81	(34)	279
Non-underlying items:					
- amortisation of acquired intangible assets	(1)	–	(5)	–	(6)
- other net operating income	2	–	–	–	2
	1	–	(5)	–	(4)
Profit/(loss) from operations	150	83	76	(34)	275
Investment income					50
Finance costs					(38)
Profit before taxation					287

[1] Before non-underlying items (Note 8).

3 Segment analysis continued

3.2 Assets and liabilities by activity

As at 30 June 2023 unaudited	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Contract assets – current	**365**	**84**	**22**	**–**	**471**
Contract liabilities – current	**(571)**	**(90)**	**(1)**	**–**	**(662)**
Inventories	**69**	**30**	**41**	**–**	**140**
Trade and other receivables – current	**732**	**94**	**50**	**14**	**890**
Trade and other payables – current	**(1,474)**	**(194)**	**(42)**	**(60)**	**(1,770)**
Provisions – current	**(187)**	**(3)**	**(6)**	**(17)**	**(213)**
Working capital*	**(1,066)**	**(79)**	**64**	**(63)**	**(1,144)**

* Includes non-operating items and current working capital.

Total assets	**2,413**	**481**	**985**	**1,141**	**5,020**
Total liabilities	**(2,535)**	**(390)**	**(366)**	**(491)**	**(3,782)**
Net (liabilities)/assets	**(122)**	**91**	**619**	**650**	**1,238**

As at 1 July 2022 unaudited	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Contract assets – current	125	61	29	–	215
Contract liabilities – current	(571)	(123)	(1)	–	(695)
Inventories	44	38	30	–	112
Trade and other receivables – current	799	89	36	13	937
Trade and other payables – current	(1,249)	(176)	(41)	(53)	(1,519)
Provisions – current	(159)	(3)	(8)	(16)	(186)
Working capital*	(1,011)	(114)	45	(56)	(1,136)

* Includes non-operating items and current working capital.

Total assets	2,411	463	1,001	1,267	5,142
Total liabilities	(2,308)	(397)	(347)	(636)	(3,688)
Net assets	103	66	654	631	1,454

As at 31 December 2022 audited	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Contract assets	209	62	29	–	300
Contract liabilities – current	(550)	(112)	(1)	–	(663)
Inventories	50	32	32	–	114
Trade and other receivables – current	730	91	37	23	881
Trade and other payables – current	(1,374)	(171)	(44)	(6)	(1,595)
Provisions – current	(179)	(3)	(8)	(14)	(204)
Working capital*	(1,114)	(101)	45	3	(1,167)

* Includes non-operating items and current working capital.

Total assets	2,342	443	940	1,398	5,123
Total liabilities	(2,421)	(378)	(347)	(594)	(3,740)
Net (liabilities)/assets	(79)	65	593	804	1,383

3 Segment analysis continued

3.3 Other information

	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
For the half-year ended 30 June 2023 unaudited					
Capital expenditure on property, plant and equipment	**4**	**22**	**–**	**4**	**30**
Depreciation	**14**	**25**	**1**	**5**	**45**
For the half-year ended 1 July 2022 unaudited					
Capital expenditure on property, plant and equipment	6	6	–	1	13
Depreciation	14	21	1	5	41
Gain on disposals of interests in investments	–	–	7	–	7
For the year ended 31 December 2022 audited					
Capital expenditure on property, plant and equipment	13	15	–	3	31
Capital expenditure on intangible assets	–	–	1	–	1
Depreciation	30	41	2	10	83
Gain on disposals of interests in investments within joint ventures and associates	–	–	70	–	70

3.4 Infrastructure Investments

Underlying profit/(loss) from operations[1]	**Group 2023 first half unaudited £m**	**Share of joint ventures and associates 2023 first half unaudited**[+] **£m**	**Total 2023 first half unaudited £m**	Group 2022 first half unaudited £m	Share of joint ventures and associates 2022 first half unaudited[+] £m	Total 2022 first half unaudited £m	Group 2022 year audited £m	Share of joint ventures and associates 2022 year audited[+] £m	Total 2022 year audited £m
UK[^]	**–**	**–**	**–**	3	3	6	3	1	4
North America	**4**	**7**	**11**	8	8	16	18	14	32
Gain on disposals of interests in investments	**–**	**–**	**–**	–	7	7	–	70	70
	4	**7**	**11**	11	18	29	21	85	106
Bidding costs and overheads	**(9)**	**–**	**(9)**	(12)	–	(12)	(25)	–	(25)
	(5)	**7**	**2**	(1)	18	17	(4)	85	81

[+] The Group's share of the results of joint ventures and associates is disclosed net of investment income, finance costs and taxation.
[^] Including Ireland.
[1] Before non-underlying items (Note 8).

4 Revenue

4.1 Nature of services provided

4.1.1 Construction Services

The Group's Construction Services segment encompasses activities in relation to the physical construction of assets provided to public and private customers. Revenue generated in this segment is measured over time as control passes to the customer as the asset is constructed. Progress is measured by reference to the cost incurred on the contract to date compared to the contract's end of job forecast (the input method). Payment terms are based on a schedule of value that is set out in the contract and fairly reflect the timing and performance of service delivery. Contracts with customers are typically accounted for as one performance obligation (PO).

Types of assets	Typical contract length	Nature, timing of satisfaction of performance obligations and significant payment terms
Buildings	12 to 36 months	The Group constructs buildings which include commercial, healthcare, education, retail and residential assets. As part of its construction services, the Group provides a range of services including design and/or build, mechanical and electrical engineering, shell and core and/or fit-out and interior refurbishment. The Group's customers in this area are a mix of private and public entities. The contract length depends on the complexity and scale of the building and contracts entered into for these services are typically fixed price. In most instances, the contract with the customer is assessed to only contain one PO as the services provided by the Group, including those where the Group is also providing design services, are highly interrelated. However for certain types of contracts, services relating to fit-out and interior refurbishment may sometimes be assessed as a separate PO.
Infrastructure	1 to 3 months for small-scale infrastructure works 24 to 60 months for large-scale complex construction	The Group provides construction services to three main types of infrastructure assets: highways, railways and other large-scale infrastructure assets such as waste, water and energy plants. Highways represent the Group's activities in constructing motorways in the UK, US and Hong Kong. This includes activities such as design and construction of roads, widening of existing motorways or converting existing motorways. The main customers are government bodies. Railway construction services include design and managing the construction of railway systems delivering major multi-disciplinary projects, track work, electrification and power supply. The Group serves both public and private railways including high-speed passenger railways, freight and mixed traffic routes, dense commuter networks, metros and light rail. Other infrastructure assets include construction, design and build services on large-scale complex assets predominantly servicing the waste, water and energy sectors. Contracts entered into relating to these infrastructure assets can take the form of fixed-price, cost-plus or target-cost contracts with shared pain/gain mechanisms. Contract lengths vary according to the size and complexity of the asset build and can range from a few months for small-scale infrastructure works to four to five years for large-scale complex construction works. In most cases, the contract itself represents a single PO where only the design and construction elements are contracted. In some instances, the contract with the customer will include maintenance of the constructed asset. The Group assesses the maintenance element as a separate PO and revenue from this PO is recognised in the Support Services segment. Refer to Note 4.1.2.

4 Revenue continued

4.1 Nature of services provided continued

4.1.2 Support Services

The Group's work in this segment supports existing assets through maintaining, upgrading and managing services across utilities and infrastructure assets. Revenue generated in this segment is measured over time as control passes to the customer as and when services are provided. Progress is measured by reference to the cost incurred on the contract to date compared to the contract's end of job forecast (the input method). Payments are structured as milestone payments set out in the respective contracts.

Types of assets	Nature, timing of satisfaction of performance obligations and significant payment terms
Utilities	Within the Group's services contracts, the Group provides support services to various types of utility assets. For contracts servicing power transmission and distribution assets, the Group constructs and maintains electricity networks, including replacement or new build of overhead lines, underground cabling, cable tunnels and offshore windfarm maintenance. Contracts entered into are normally fixed-price and contract lengths can vary from 12 to 36 months, and up to 20 years for offshore windfarm maintenance contracts. Each contract is normally assessed to contain one PO. However, where a contract contains both a construction phase and a maintenance phase, these are assessed to contain two separate POs.
Infrastructure	The Group provides maintenance, asset and network management and design services in respect of highways, railways and other publicly available assets. The customer in this area of the Group is mainly government bodies. Types of contract include a fixed schedule of rates, fixed-price, target-cost arrangements and cost-plus. Contract terms range from 1 to 25 years. Where contracts include a lifecycle element, this is accounted for as a separate PO and recognised when the work is delivered.

4.1.3 Infrastructure Investments

The Group invests directly in a variety of assets, predominantly consisting of infrastructure assets where there are opportunities to manage the asset upon completion of construction. The Group also invests in real estate type assets, in particular private residential and student accommodation assets. Revenue generated in this segment is from the provision of construction, maintenance and management services and also from the recognition of rental income. The Group's strategy is to hold these assets until optimal values are achieved through disposal of mature assets.

Types of services	Nature, timing of satisfaction of performance obligations and significant payment terms
Service concessions	The Group operates a UK and US portfolio of service concession assets comprising assets in the roads, healthcare, student accommodation, biomass and waste and offshore transmission sectors. The Group accounts for these assets under IFRIC 12 Service Concession Arrangements. Where the Group constructs and maintains these assets, the two services are deemed to be separate performance obligations and accounted for separately. If the maintenance phase includes a lifecycle element, this is considered to be a separate PO. Contract terms can be up to 40 years. The Group recognises revenue over time using the input method. Consideration is paid through a fixed unitary payment charge spread over the life of the contract. *Revenue from this service is presented across Buildings, Infrastructure or Utilities in Note 4.2.*
Management services	The Group provides real estate management services such as property development and asset management services. Contract terms can be up to 50 years. The Group recognises revenue over time as and when service is delivered to the customer. *Revenue from this service is presented within Buildings in Note 4.2.*
Housing development	The Group also develops housing units on land that is owned by the Group. Revenue is recognised on the sale of individual units at the point in time when control of the asset is transferred to the purchaser. This is deemed to be when an unconditional sale is achieved. *Revenue from this service is presented within Buildings in Note 4.2.*

4 Revenue continued

4.2 Disaggregation of revenue

The Group presents a disaggregation of its underlying revenue according to the primary geographical markets in which the Group operates as well as the types of assets serviced by the Group. The nature of the various services provided by the Group is explained in Note 4.1. This disaggregation of underlying revenue is also presented according to the Group's reportable segments as described in Note 3.

For the half-year ended 30 June 2023 unaudited

Segment	Primary geographical markets	United Kingdom £m	United States £m	Rest of world £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	1,516	1,736	583	3,835
	Group revenue	1,516	1,718	–	3,234
Support Services	Revenue including share of joint ventures and associates	461	–	2	463
	Group revenue	461	–	2	463
Infrastructure Investments	Revenue including share of joint ventures and associates	68	158	3	229
	Group revenue	18	95	1	114
Total revenue	**Revenue including share of joint ventures and associates**	**2,045**	**1,894**	**588**	**4,527**
	Group revenue	**1,995**	**1,813**	**3**	**3,811**

Segment	Revenue by types of assets serviced	Buildings £m	Infrastructure £m	Utilities £m	Other £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	1,844	1,650	336	5	3,835
	Group revenue	1,576	1,324	329	5	3,234
Support Services	Revenue including share of joint ventures and associates	–	289	158	16	463
	Group revenue	–	289	158	16	463
Infrastructure Investments	Revenue including share of joint ventures and associates	141+	78	9	1	229
	Group revenue	113+	1	–	–	114
Total revenue	**Revenue including share of joint ventures and associates**	**1,985**	**2,017**	**503**	**22**	**4,527**
	Group revenue	**1,689**	**1,614**	**487**	**21**	**3,811**

Timing of revenue recognition	Construction Services £m	Support Services £m	Infrastructure Investments £m	Total £m
Over time	3,832	461	223	4,516
At a point in time	3	2	6	11
Revenue including share of joint venture and associates	**3,835**	**463**	**229**	**4,527**
Over time	3,231	461	108	3,800
At a point in time	3	2	6	11
Group revenue	**3,234**	**463**	**114**	**3,811**

+ Includes rental income of £25m including share of joint ventures and associates or £10m excluding share of joint ventures and associates.

4 Revenue continued

4.2 Disaggregation of revenue continued

For the half-year ended 1 July 2022 unaudited

Segment	Primary geographical markets	United Kingdom £m	United States £m	Rest of world £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	1,237	1,766	411	3,414
	Group revenue	1,237	1,758	–	2,995
Support Services	Revenue including share of joint ventures and associates	495	–	4	499
	Group revenue	495	–	3	498
Infrastructure Investments	Revenue including share of joint ventures and associates	82	149	3	234
	Group revenue	29	79	1	109
Total revenue	**Revenue including share of joint ventures and associates**	1,814	1,915	418	4,147
	Group revenue	1,761	1,837	4	3,602

Segment	Revenue by types of assets serviced	Buildings £m	Infrastructure £m	Utilities £m	Other £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	1,769	1,372	273	–	3,414
	Group revenue	1,602	1,134	259	–	2,995
Support Services	Revenue including share of joint ventures and associates	–	300	187	12	499
	Group revenue	–	300	186	12	498
Infrastructure Investments	Revenue including share of joint ventures and associates	141+	86	7	–	234
	Group revenue	107+	2	–	–	109
Total revenue	**Revenue including share of joint ventures and associates**	1,910	1,758	467	12	4,147
	Group revenue	1,709	1,436	445	12	3,602

Timing of revenue recognition	Construction Services £m	Support Services £m	Infrastructure Investments £m	Total £m
Over time	3,411	497	215	4,123
At a point in time	3	2	19	24
Revenue including share of joint venture and associates	3,414	499	234	4,147
Over time	2,992	496	90	3,578
At a point in time	3	2	19	24
Group revenue	2,995	498	109	3,602

+ Includes rental income of £29m including share of joint ventures and associates or £8m excluding share of joint ventures and associates.

4 Revenue continued

4.2 Disaggregation of revenue continued

For the year ended 31 December 2022 audited

Revenue by primary geographical markets		United Kingdom £m	United States £m	Rest of world £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	2,761	3,650	1,071	7,482
	Group revenue	2,761	3,645	3	6,409
Support Services	Revenue including share of joint ventures and associates	982	–	7	989
	Group revenue	982	–	6	988
Infrastructure Investments	Revenue including share of joint ventures and associates	151	304	5	460
	Group revenue	53	179	–	232
Total revenue	**Revenue including share of joint ventures and associates**	3,894	3,954	1,083	8,931
	Group revenue	3,796	3,824	9	7,629

Revenue by types of assets serviced		Buildings £m	Infrastructure £m	Utilities £m	Other £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	3,878	2,960	639	5	7,482
	Group revenue	3,387	2,401	616	5	6,409
Support Services	Revenue including share of joint ventures and associates	5	625	349	10	989
	Group revenue	5	625	348	10	988
Infrastructure Investments	Revenue including share of joint ventures and associates	291+	154	15	–	460
	Group revenue	229+	3	–	–	232
Total revenue	**Revenue including share of joint ventures and associates**	4,174	3,739	1,003	15	8,931
	Group revenue	3,621	3,029	964	15	7,629

Timing of revenue recognition	Construction Services £m	Support Services £m	Infrastructure Investments £m	Total £m
Over time	7,475	984	430	8,889
At a point in time	7	5	30	42
Revenue including share of joint ventures and associates	7,482	989	460	8,931
Over time	6,402	983	202	7,587
At a point in time	7	5	30	42
Group revenue	6,409	988	232	7,629

+ Includes rental income of £49m including share of joint ventures and associates or £16m excluding share of joint ventures and associates.

5 Share of results and net assets of joint ventures and associates

5.1 Income statement

	2023 first half unaudited £m	2022 first half unaudited £m	2022 year audited £m
Revenue	**716**	545	1,302
Operating profit	**28**	24	112
Investment income	**49**	42	88
Finance costs	**(52)**	(35)	(87)
Profit before taxation	**25**	31	113
Taxation	**(3)**	(2)	(8)
Profit after taxation	**22**	29	105

5.2 Balance sheet

		2023 first half unaudited £m	2022 first half unaudited £m	2022 year audited £m
Intangible assets	– goodwill	**31**	33	33
	– Infrastructure Investments intangible	**39**	40	40
	– other	**12**	13	13
Property, plant and equipment		**23**	33	33
Investment properties		**246**	333	257
Investments in joint ventures and associates		**6**	4	5
Money market funds		**37**	64	26
PPP financial assets		**1,195**	1,267	1,244
Military housing projects		**113**	119	119
Net borrowings		**(898)**	(990)	(952)
Other net liabilities		**(514)**	(527)	(508)
Share of net assets of joint ventures and associates		**290**	389	310
Reclassify negative investment to provisions		**10**	–	10
Loans to joint ventures and associates		**106**	104	106
Total investment in joint ventures and associates		**406**	493	426

6 Investment income

	2023 first half unaudited £m	2022 first half unaudited £m	2022 year audited £m
Subordinated debt interest receivable	**16**	12	27
Interest receivable on PPP financial assets	**1**	1	2
Fair value gain on investment asset	**–**	5	6
Interest received on bank deposits	**14**	2	8
Other interest receivable and similar income	**1**	3	2
Net finance income on pension scheme assets and obligations (Note 18)	**6**	2	5
	38	25	50

7 Finance costs

		2023 first half unaudited £m	2022 first half unaudited £m	2022 year audited £m
Non-recourse borrowings	– bank loans and overdrafts	**4**	4	9
US private placement	– finance cost	**6**	6	15
Interest on lease liabilities		**3**	2	6
Fair value loss on investment asset		**1**	–	–
Other interest payable	– committed facilities	**2**	1	2
	– letter of credit fees	**1**	1	2
	– other finance charges	**4**	3	2
Impairment of loans to joint ventures and associates	– loans	**–**	3	–
	– accrued interest	**–**	4	2
		21	24	38

8 Non-underlying items

	2023 first half unaudited £m	2022 first half unaudited £m	2022 year audited £m
Items (charged against)/credited to profit			
8.1 Amortisation of acquired intangible assets	**(3)**	(3)	(6)
8.2 Other non-underlying items:			
– provision recognised for rectification works to be carried out on a development in London	**(12)**	–	–
– release of indemnity provisions relating to sale of Heery International Inc	**–**	–	2
Total other non-underlying items	**(12)**	–	2
Charged against profit before taxation	**(15)**	(3)	(4)
8.3 Tax credits/(charges):			
– tax on provision recognised for rectification works to be caried out on a development in London	**3**	–	–
– tax on other items above	**1**	1	(1)
– recognition of deferred tax assets in the UK	**–**	20	–
– impact of tax rate change on deferred tax assets previously recognised through non-underlying	**–**	–	2
Total tax credit	**4**	21	1
Non-underlying items (charged against)/credited to profit for the period	**(11)**	18	(3)

8.1 The amortisation of acquired intangible assets comprises: customer contracts £2m (2022: first half £2m; full-year £5m); and customer relationships £1m (2022: first half £1m; full-year £1m).

The charge was recognised in the following segments: Construction Services £1m (2021: first half £1m; full-year £1m) and Infrastructure Investments £2m (2022: first half £2m; full-year £5m).

8.2.1 In 2021, the Group recognised a provision of £42m in relation to rectification works to be carried out on a development in London which was constructed by the Group between 2013 and 2016. The rectification work includes the replacement of stone panels affixed to the façade of the development to meet performance requirements. The provision was initially calculated in line with a methodology based on an independent expert's assessment of the rectification at that time and included an estimate of costs associated with any potential consequential disruption to the development as a result of these rectification works.

Rectification works are expected to complete in 2024. The most recent assessment carried out at half-year 2023 resulted in a £12m increase in the estimated cost of rectification. The Group initially presented the provision recognised in 2021 in non-underlying due to its size. In line with this presentation, the Group continues to present this within non-underlying. The provision does not include potential recoveries from third parties.

This charge was recognised in the Construction Services segment.

8.3.1 As explained in Note 8.2.1, a non-underlying charge of £12m was recognised at half-year 2023 in relation to the rectification works to be carried out on a development in London. This expense gave rise to a tax credit of £3m.

8.3.2 The remaining non-underlying items charged against the Group's operating profit gave rise to a tax credit of £1m mainly on amortisation of acquired intangible assets (2022: first half £1m; full-year £1m charge).

9 Taxation

	Underlying items 2023 first half unaudited[1] £m	Non-underlying items (Note 8) 2023 first half unaudited £m	Total 2023 first half unaudited £m	2022 first half unaudited £m	2022 year audited £m
Total UK tax	**15**	**(3)**	**12**	(23)	(35)
Total non-UK tax	**8**	**(1)**	**7**	8	35
Total tax charge/(credit) [x]	**23**	**(4)**	**19**	(15)	–
UK current tax	**1**	**(3)**	**(2)**	–	2
Non-UK current tax	**6**	**(1)**	**5**	6	15
Total current tax	**7**	**(4)**	**3**	6	17
UK deferred tax	**14**	**–**	**14**	(23)	(37)
Non-UK deferred tax	**2**	**–**	**2**	2	20
Total deferred tax	**16**	**–**	**16**	(21)	(17)
Total tax charge/(credit)[x]	**23**	**(4)**	**19**	(15)	–

[x] Excluding joint ventures and associates.

[1] Before non-underlying items (Note 8).

In addition to the Group tax charge/(credit) above, tax of £20m has been credited (2022: first half £5m charged; full-year £44m credited) directly to other comprehensive income, comprising: a deferred tax credit of £18m for subsidiaries (2022: first half £20m charge; full-year £19m credit) and a deferred tax credit in respect of joint ventures and associates of £2m (2022: first half £15m credit; full-year £25m credit). A tax credit of £nil (2022: first half £nil; full-year £2m credit) has been recognised directly in equity relating to share-based payments.

10 Earnings per share

Earnings	**2023 first half unaudited** Basic £m	Diluted £m	2022 first half unaudited Basic £m	Diluted £m	2022 year audited Basic £m	Diluted £m
Earnings	**63**	**63**	99	99	288	288
Amortisation of acquired intangible assets after tax	**2**	**2**	2	2	7	7
Other non-underlying items after tax	**9**	**9**	(20)	(20)	(4)	(4)
Underlying earnings	**74**	**74**	81	81	291	291
	Basic m	**Diluted m**	Basic m	Diluted m	Basic m	Diluted m
Weighted average number of ordinary shares	**567**	**571**	629	632	612	620

The basic earnings per ordinary share is calculated by dividing the profit for the year attributable to equity holders by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares and shares held in the Employee Share Ownership Trust.

The diluted earnings per ordinary share uses an adjusted weighted average number of shares and includes shares that are potentially outstanding in relation to equity-settled share-based payment arrangements. Potential dilutive effect of ordinary shares issuable under equity-settled share-based payment arrangements is 4m (2022: first half 3m; full-year 8m).

10 Earnings per share continued

Earnings per share	2023 first half unaudited Basic Pence	Diluted Pence	2022 first half unaudited Basic pence	Diluted pence	2022 year audited Basic pence	Diluted pence
Earnings per ordinary share	**11.1**	**11.0**	15.7	15.6	46.9	46.3
Amortisation of acquired intangible assets after tax	**0.3**	**0.3**	0.3	0.3	1.2	1.1
Other non-underlying items after tax	**1.6**	**1.6**	(3.1)	(3.1)	(0.6)	(0.6)
Underlying earnings per ordinary share	**13.0**	**12.9**	12.9	12.8	47.5	46.8

11 Dividends on shares

	2023 first half unaudited Per share pence	Amount £m	2022 first half unaudited Per share pence	Amount £m	2022 year audited Per share pence	Amount £m
Proposed dividends for the period						
Interim 2022	**–**	**–**	3.5	20	3.5	21
Final 2022	**–**	**–**	–	–	7.0	40^
Interim 2023	**3.5**	**19&**	–	–	–	–
	3.5	**19**	3.5	20	10.5	61
Recognised dividends for the period						
Final 2021		**–**		37		37
Interim 2022		**–**		–		21
Final 2022		**39**		–		–
		39		37		58

^ The Group declared a final dividend of 7.0p for 2022 which was estimated to amount to £40m based on the number of shares that would be on the register on 19 May 2023. Based on the actual number of shares, a payment of £39m was made on 5 July 2023.

& Amount dependent on number of shares on the register on 27 October 2023.

The final 2022 dividend of 7.0 pence per share was paid on 5 July 2023 to holders on the register on 19 May 2023. The ordinary shares were quoted ex-dividend on 18 May 2023.

The Board is declaring an interim dividend of 3.5 pence per share, which will be payable on 5 December 2023 to holders on the register on 27 October 2023. The last date for DRIP (Dividend Reinvestment Plan) elections is 14 November 2023.

12 Intangible assets – goodwill

	Cost £m	Accumulated impairment losses £m	Carrying amount £m
At 31 December 2021 audited	1,035	(218)	817
Currency translation differences	70	(10)	60
At 1 July 2022 unaudited	1,105	(228)	877
Currency translation differences	1	(2)	(1)
At 31 December 2022 audited	1,106	(230)	876
Currency translation differences	**(36)**	**7**	**(29)**
At 30 June 2023 unaudited	**1,070**	**(223)**	**847**

As at 30 June 2023, the Group performed an assessment to identify indicators of impairment relating to goodwill allocated to cash-generating units (CGUs). This included a review of internal and external indicators of impairment and consideration of the year-to-date performance of the relevant CGUs and any changes in key assumptions. The outcome of this assessment was that there were no indications of impairment which could reasonably be expected to eliminate the headroom computed as at 31 December 2022. As a result of this assessment, no impairment charges were recorded in the first half of 2023 (2022: first half £nil; full-year £nil).

A full detailed impairment review will be conducted on all CGUs as at 31 December 2023.

13 Contract balances

13.1 Contract assets

	£m
At 31 December 2021 audited	214
Currency translation differences	6
Transfers from contract assets recognised at the beginning of the year to receivables	(196)
Increase related to services provided in the year	304
Reclassified from contract provisions (Note 16)	(1)
Reclassified from contract liabilities (Note 13.2)	(21)
Impairments on contract assets recognised at the beginning of the year	(6)
At 31 December 2022 audited	300
Currency translation differences	**(2)**
Transfers from contract assets recognised at the beginning of the year to receivables	**(167)**
Increase related to services provided in the period	**356**
Impairments on contract assets recognised at the beginning of the year	**(5)**
Reclassified from contract liabilities (Note 13.2)	**(11)**
At 30 June 2023 unaudited	**471**

13.2 Contract liabilities

	£m
At 31 December 2021 audited	(678)
Currency translation differences	(39)
Revenue recognised against contract liabilities at the beginning of the year	578
Increase due to cash received, excluding amounts recognised as revenue during the year	(547)
Reclassified to contract assets (Note 13.1)	21
At 31 December 2022 audited	(665)
Currency translation differences	**17**
Revenue recognised against contract liabilities at the beginning of the year	**503**
Increase due to cash received, excluding amounts recognised as revenue during the period	**(530)**
Reclassified to contract assets (Note 13.1)	**11**
At 30 June 2023 unaudited	**(664)**

14 Trade and other receivables

	2023 first half unaudited £m	2022 first half unaudited £m	2022 year audited £m
Current			
Trade receivables	**512**	565	526
Less: provision for impairment of trade receivables	**(3)**	(3)	(3)
	509	562	523
Due from joint ventures and associates	**17**	15	16
Due from joint operation partners	**6**	9	6
Contract fulfilment assets	**19**	19	13
Contract retentions receivable	**215**	231	194
Accrued income	**14**	9	15
Prepayments	**56**	40	56
Other receivables	**54**	52	58
	890	937	881
Non-current			
Due from joint ventures and associates	**98**	76	86
Contract fulfilment assets	**35**	19	31
Contract retentions receivable	**149**	138	166
Other receivables	**5**	4	3
	287	237	286
Total trade and other receivables	**1,177**	1,174	1,167

15 Trade and other payables

	2023 first half unaudited £m	2022 first half unaudited £m	2022 year audited £m
Current			
Trade and other payables	**638**	588	605
Accruals	**802**	609	741
Contract retentions payable	**191**	200	175
VAT, payroll taxes and social security	**100**	85	74
Dividends on ordinary shares	**39**	37	–
	1,770	1,519	1,595
Non-current			
Trade and other payables	**–**	1	–
Accruals	**8**	8	10
Contract retentions payable	**103**	106	122
Due to joint ventures and associates	**10**	10	9
	121	125	141
Total trade and other payables	**1,891**	1,644	1,736

16 Provisions

	Contract provisions £m	Employee provisions £m	Other provisions £m	Total £m
At 31 December 2021 audited	321	36	22	379
Currency translation differences	8	–	1	9
Reclassified from accruals	5	–	–	5
Charged/(credited) to the income statement:				
– additional provisions	53	4	1	58
– unused amounts reversed	(13)	–	(1)	(14)
Utilised during the period	(39)	(3)	(2)	(44)
At 1 July 2022 unaudited	335	37	21	393
Currency translation differences	–	–	1	1
Reclassified (to)/from accruals	(5)	–	1	(4)
Charged/(credited) to the income statement:				
– additional provisions	81	2	1	84
– unused amounts reversed	(34)	(2)	–	(36)
Utilised during the period	(41)	(4)	(1)	(46)
Reclassified to contract assets (Note 13.1)	(1)	–	–	(1)
Reclassified negative investment in Group's investments in joint ventures and associates (Note 5)	–	–	10	10
At 31 December 2022 audited	335	33	33	401
Currency translation differences	**(3)**	**–**	**(1)**	**(4)**
Charged/(credited) to the income statement:				
– additional provisions	**69**	**5**	**2**	**76**
– unused amounts reversed	**(16)**	**–**	**–**	**(16)**
Utilised during the period	**(28)**	**(3)**	**(1)**	**(32)**
At 30 June 2023 unaudited	**357**	**35**	**33**	**425**

17 Notes to the statement of cash flows

17.1 Cash from operations

	Underlying items 2023 first half unaudited[1] £m	Non-underlying items 2023 first half unaudited £m	Total 2023 first half unaudited £m	Total 2022 first half unaudited+ £m	Total 2022 year audited £m
Profit/(loss) from operations	**80**	**(15)**	**65**	82	275
Share of results of joint ventures and associates	**(22)**	**–**	**(22)**	(29)	(105)
Depreciation of property, plant and equipment	**16**	**–**	**16**	14	27
Depreciation of right-of-use assets	**28**	**–**	**28**	26	54
Depreciation of investment properties	**1**	**–**	**1**	1	2
Amortisation of other intangible assets	**3**	**3**	**6**	6	13
Amortisation of contract fulfilment assets+	**11**	**–**	**11**	10	15
Pension payments including deficit funding	**(13)**	**–**	**(13)**	(29)	(43)
Movements relating to equity-settled share-based payments	**7**	**–**	**7**	4	9
Profit on disposal of property, plant and equipment	**–**	**–**	**–**	(3)	(4)
Other non-cash items	**–**	**–**	**–**	(1)	(4)
Operating cash flows before movements in working capital	**111**	**(12)**	**99**	81	239
(Increase)/decrease in operating working capital			**(42)**	(55)	(54)
Inventories			**(27)**	(5)	(6)
Contract assets			**(175)**	9	(78)
Trade and other receivables+			**(51)**	22	34
Contract liabilities			**17**	(13)	(59)
Trade and other payables			**169**	(73)	57
Provisions			**25**	5	(2)
Cash from operations			**57**	26	185

[1] Before non-underlying items (Note 8).

+ 2022 first half re-presented to show amortisation of contract fulfilment assets separately. This was previously presented within the movement of trade and other receivables.

17.2 Cash and cash equivalents

	2023 first half unaudited £m	2022 first half unaudited £m	2022 year audited £m
Cash and deposits	**738**	779	828
Term deposits	**162**	311	332
Cash balances within infrastructure investments	**27**	20	19
Bank overdrafts	**–**	(1)	–
	927	1,109	1,179

17.3 Analysis of net cash/(borrowings)

	2023 first half unaudited £m	2022 first half unaudited £m	2022 year audited £m
Cash and cash equivalents (excluding infrastructure investments)	**900**	1,090	1,160
Bank overdrafts	**–**	(1)	–
US private placement	**(162)**	(347)	(345)
Bilateral committed facility	**(28)**	–	–
Net cash excluding infrastructure investments	**710**	742	815
Non-recourse infrastructure investments project finance loans at amortised cost with final maturity between 2023 and 2072	**(286)**	(262)	(261)
Infrastructure investments cash and cash equivalents	**27**	20	19
	(259)	(242)	(242)
Net cash	**451**	500	573

17 Notes to the statement of cash flows continued

Included in cash and cash equivalents is restricted cash of £4m (2022: first half £10m; full-year £3m) held by the Group's self-insurance company, Delphian Insurance Company Ltd, which is subject to Isle of Man insurance solvency regulation.

Cash and cash equivalents also include: £86m (2022: first half £217m; full-year £194m) within construction project bank accounts which is used for project specific expenditure; £355m (2022: first-half £285m; full-year £253m) held in joint operations which is used for expenditure within the joint operation projects; and £18m (2022: first half £20m; full-year £19m) relating to maintenance and other reserve accounts in the Infrastructure Investments subsidiaries.

17.4 Analysis of movements in borrowings

	Infrastructure investments non-recourse project finance £m	US private placement £m	Bilateral comitted facility £m	Bank overdraft £m	Total £m
At 31 December 2021 audited	(260)	(192)	–	(34)	(486)
Currency translation differences	–	(23)	–	–	(23)
Proceeds from new loans	(5)	(132)	–	(1)	(138)
Repayments of loans	3	–	–	34	37
At 1 July 2022 unaudited	(262)	(347)	–	(1)	(610)
Arrangement fee paid	–	2	–	–	2
Proceeds from new loans	(3)	–	–	–	(3)
Repayments of loans	4	–	–	1	5
At 31 December 2022 audited	(261)	(345)	–	–	(606)
Currency translation differences	**1**	**14**	**1**	**–**	**16**
Proceeds from new loans	**(30)**	**–**	**(29)**	**–**	**(59)**
Repayments of loans	**4**	**169**	**–**	**–**	**173**
At 30 June 2023 unaudited	**(286)**	**(162)**	**(28)**	**–**	**(476)**

In March 2023, the Group repaid US$209m of US Private Placement (USPP) notes as they fell due. The repayment was funded primarily from the proceeds of debt issuance arranged in 2022, specifically US$158m of new USPP notes issued in June 2022 (US$35m 6.31% notes maturing in June 2027, US$80m 6.39% notes maturing in June 2029 and US$43m 6.45% notes maturing in June 2032) and a bilateral committed facility, which was fully utilised through a US$36m drawdown in March 2023 and expires in December 2024. This bilateral committed facility has an extension option for a further three years, subject to certain specific conditions that were met on the completion of the refinancing of the core facility in June 2023. As at the end of the period, the Group had not triggered the bilateral committed facility's extension option.

In June 2023, the Group completed the refinancing of its core £375m revolving credit facility which was set to expire in October 2024, replacing it with a new £475m facility that will expire in June 2027 (the RCF). The RCF has an extension option for a further year to June 2028, with the agreement of the lending banks, and its terms and conditions are materially the same as the prior facility. The RCF is a Sustainability Linked Loan, for which the Group is incentivised to deliver annual measurable performance improvement in three key areas: carbon emissions, social value generation, and an independent Environmental, Social and Governance (ESG) rating score which remain unchanged from the prior facility. The RCF was undrawn at 30 June 2023.

18 Retirement benefit assets and liabilities

Principal actuarial assumptions for the IAS 19 accounting valuations of the Group's principal schemes		**2023 first half unaudited %**	2022 first half unaudited %	2022 year audited %
Discount rate on obligations		**5.40**	3.80	4.95
Inflation rate	– RPI	**3.40**	3.35	3.35
	– CPI*	**2.80**	2.75	2.75
Future increases in pensionable salary#		**2.80**	2.75	2.75
Rate of increases in pensions in payment (or such other rate as is guaranteed)^		**3.10**	3.10	3.10

* Actuarial assumption applied to the Railways Pension Scheme was 3.00% (2022: first half 2.95%; full-year 2.90%).
\# Actuarial assumption applied to the Railways Pension Scheme was 2.95% (2022: first half 2.95%; full-year 2.90%).
^ Actuarial assumption applied to the Railways Pension Scheme was 3.10% (2022: first half 3.10%; full-year 2.95%).

Amounts recognised in the balance sheet	**2023 first half unaudited £m**	2022 first half unaudited £m	2022 year audited £m
Present value of obligations	**(2,683)**	(3,238)	(2,803)
Fair value of plan assets	**2,857**	3,599	3,026
Net assets in the balance sheet+	**174**	361	223

\+ This amount represents the aggregate of the retirement benefit assets of £210m (2022: first half £407m; full-year £262m) and the retirement benefit liabilities of £36m at 30 June 2023 (2022: first half £46m; full-year £39m). These asset amounts are shown separately on the balance sheet as the Balfour Beatty Pension Fund and the Railway Pension Scheme are in a net surplus position.

Analysis of net assets in the balance sheet	**2023 first half unaudited £m**	2022 first half unaudited £m	2022 year audited £m
Balfour Beatty Pension Fund	**176**	393	225
Railways Pension Scheme	**34**	14	37
Other schemes*	**(36)**	(46)	(39)
	174	361	223

* Other schemes include the Group's deferred compensation obligations for which investments in mutual funds of £19m (2022: first half £22m; full-year £20m) are held by the Group to satisfy these obligations.

Movements in the retirement benefit net assets for the period		**2023 first half unaudited £m**	2022 first half unaudited £m	2022 year audited £m
At beginning of period		**223**	231	231
Currency translation differences		**3**	(4)	(3)
Current service cost		**(2)**	(2)	(5)
Interest cost		**(67)**	(39)	(77)
Interest income		**73**	41	82
Actuarial movements	– on obligations from reassessing the difference between RPI and CPI	**–**	–	2
	– on obligations from changes in demographic assumptions	**(7)**	–	–
	– on obligations from changes to other financial assumptions	**107**	921	1,293
	– on obligations from experience gains	**–**	–	21
	– on assets	**(171)**	(818)	(1,368)
Contributions from employer	– regular funding	**1**	1	2
	– ongoing deficit funding	**12**	28	41
Benefits paid		**2**	2	4
At end of period		**174**	361	223

18 Retirement benefit assets and liabilities continued

The Balfour Beatty Pension Fund (BBPF)'s actuary undertakes regular mortality investigations based on the experience exhibited by pensioners of the BBPF and due to the size of the membership of the BBPF is able to make comparisons of this experience with the mortality rates set out in the various published mortality tables, with the last such investigation conducted as part of the 31 March 2022 actuarial valuation, which was finalised in May 2023. This research is taken into account in the mortality assumption for the BBPF, which has been updated as at 30 June 2023 to reflect the experience of the BBPF pensioners for the six-year period to 30 September 2021. The mortality tables adopted for the BBPF are the Self-Administered Pension Scheme (SAPS) S3 tables 'middle' for males and 'heavy' for females with a multiplier of 98% for males and 97% for females (2022: 97% for males and 93% for females). The future improvements were set to be in line with the CMI 2021 core projection model with a default smoothing parameter of 7.0 and initial addition parameter of 0.25% (2022: CMI 2019 core projection model with a default smoothing parameter of 7.0 and initial addition paramaeter of nil), and a weighting of 5% placed on 2020 and 2021 experience. The long-term improvement rates were set at 1.25% per annum and 1.00% per annum for males and females respectively (2022: 1.25% per annum and 1.00% per annum).

The base-table mortality assumptions for the Railways Pension Scheme (RPS) were left unchanged from full-year 2022, with the Group looking to update them following the completion of the RPS's 31 December 2022 valuation. However, in line with previous periods, the future improvements assumed for the RPS as at 30 June 2023 have been updated to be consistent with those adopted for the BBPF.

The Group's balance sheet includes net retirement benefit assets of £174m (2022: first half £361m; full-year £223m) as measured on an IAS 19 basis, with surpluses on the BBPF and RPS partially offset by deficits on the other schemes.

In the first half of 2023, the Group recorded net actuarial losses on its retirement benefit schemes of £71m (2022: first half £103m net gains; full-year £52m net losses). An increase in corporate bond yields since 31 December 2022, which led to a corresponding increase in the IAS19 discount rate, resulted in a reduction in the present value of obligations at 30 June 2023. However, this was more than offset by the fall in the fair value of assets over the period, which was primarily driven by the hedging strategy in place for the BBPF. The overall impact of these factors, together with actuarial losses arising from the change in demographic assumptions for the BBPF and the emergence of higher than expected short-term inflation, led to the Group's net actuarial losses of £71m.

The investment strategy of the BBPF and the sensitivity of the Group's retirement benefit obligations and assets to different actuarial assumptions are set out in Note 30 on pages 222 and 227, respectively, of the Annual Report and Accounts 2022.

19 Share capital

During the half-year ended 30 June 2023, 0.6m (2022: first half 9.4m; full-year 9.8m) shares were purchased for £2.4m (2022: first half £23.5m; full-year £25m) by the Group's employee discretionary trust to satisfy awards under the Performance Share Plan, the Deferred Bonus Plan and the Restricted Share Plan.

The Company commenced the third phase of its share buyback programme in 2023. As at 30 June 2023, the Company had purchased 24.0m (2022: first half 18.7m; full-year 52.0m) shares. These 24.0m shares are currently held in treasury with no voting rights. The purchase of these shares, together with associated fees and stamp duty, has utilised £88m (2022: first half £48m; full-year £151m) of the Company's distributable profits and the cash paid in settlement during the period was £87m (2022: first half £47m; full-year £151m).

20 Acquisitions and disposals

There were no acquisitions or disposals made in the first half of 2023.

21 Financial instruments

Fair value estimation

The Group holds certain financial instruments on the balance sheet at their fair values. The following hierarchy classifies each class of financial asset or liability in accordance with the valuation technique applied in determining its fair value.

There have been no transfers between these categories in the current period or preceding year.

Financial instruments at fair value	**2023 first half unaudited £m**	2022 first half unaudited £m	2022 year audited £m
Financial assets			
Level 1			
Investments in mutual fund financial assets	**19**	22	20
Level 3			
PPP financial assets	**25**	28	26
Other investment assets	**7**	14	11
Financial assets – fuel hedges	**1**	–	1
Total assets measured at fair value	**52**	64	58
Financial liabilities			
Level 2			
Financial liabilities – foreign currency contracts	**(1)**	–	–
Financial liabilities – infrastructure concessions interest rate swaps	**–**	(2)	(1)
Total liabilities measured at fair value	**(1)**	(2)	(1)

Level 1 – The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities.

The Group holds investments in mutual funds measured at fair value through other comprehensive income which are traded in active markets and valued at the closing market price at the reporting date.

Level 2 – The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows utilising yield curves at the reporting date and taking into account own credit risk. Own credit risk for Infrastructure Investments' swaps is not material and is calculated using the following credit valuation adjustment (CVA) calculation: loss given default multiplied by exposure multiplied by probability of default.

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date and yield curves derived from quoted interest rates matching the maturities of the foreign exchange contracts. Own credit risk for the other derivative liabilities is not material and is calculated by applying a relevant credit default swap (CDS) rate obtained from a third party.

Level 3 – The fair value is based on unobservable inputs.

The fair value of the Group's PPP financial assets is determined in the construction phase by applying an attributable profit margin by reference to the construction margin on non-PPP projects reflecting the construction risks retained by the construction contractor, and fair value of construction services performed. In the operational phase it is determined by discounting the future cash flows allocated to the financial asset at a discount rate which is based on long-term gilt rates adjusted for the risk levels associated with the assets, with market-related movements in fair value recognised in other comprehensive income and other movements recognised in the income statement. Amounts originally recognised in other comprehensive income are transferred to the income statement upon disposal of the asset.

21 Financial instruments continued

Fair value estimation continued

A change in the discount rate would have a significant effect on the value of the asset and a 50 basis point increase/decrease, which represents management's assessment of a reasonably possible change in the risk-adjusted discount rate, would lead to a £1m decrease (2022: first half £1m; full-year £1m) / £1m increase (2022: first half £1m; full-year £1m) in the fair value of the assets taken through equity.

For PPP financial assets held in joint ventures and associates, a change in the discount rate by a 50 basis point increase/decrease, which represents management's assessment of a reasonably possible change in the risk-adjusted discount rate, would lead to a £26m decrease (2022: first half £33m; full-year £28m)/£27m increase (2022: first half £35m; full-year £29m) in the fair value of the assets taken through equity within the share of joint ventures' and associates' reserves.

22 Related party transactions

The Group has contracted with, provided services to, and received management fees from, certain joint ventures and associates amounting to £215m (2022: first half £197m, full-year £447m). These transactions occurred in the normal course of business at market rates and terms. In addition, the Group procured equipment and labour on behalf of certain joint ventures and associates which were recharged at cost with no mark-up. The amounts due from or to joint ventures and associates at the reporting date are disclosed in Notes 14 and 15 respectively.

Transactions with non-Group members

The Group also entered into transactions and had amounts outstanding with related parties which are not members of the Group as set out below. Each company was a related party as it was controlled, jointly controlled or under significant influence by a Director of Balfour Beatty plc.

	2023 first half unaudited £m	2022 first half unaudited £m	2022 year audited £m
MC Architects			
urchase of services	**2**	–	3
mount owed to related parties	**1**	–	1
everfield PLC			
urchase of goods and services	**–**	–	1
ite Assist Software Limited			
urchase of services	**1**	–	1

All transactions with these related parties were conducted on normal commercial terms, equivalent to those conducted with external parties. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of amounts owed by related parties.

During the first half of 2023, a member of the Group's staff was seconded on a full-time basis to The 5% Club, a charity which is a dynamic movement of employer-members working to create a shared prosperity across the UK by driving 'earn and learn' skills training. The expense for the salary cost was borne by the Group and no consideration was received in return.

23 Principal risks and uncertainties

The nature of the principal risks and uncertainties which could adversely impact the Group's profitability and ability to achieve its strategic objectives include: external risks arising from the effects of national or market trends and political change and the complex and evolving legal and regulatory environments in which the Group operates; organisation and management risks including business conduct/compliance, data protection, cybercrime and people related risks; financial risks arising from failure to forecast material exposures and manage financial resources; and operational risks arising from work winning, project delivery, joint ventures, supply chain, health and safety and sustainability matters.

The Directors do not consider that the nature of the principal risks and uncertainties facing the Group has fundamentally changed since the publication of the Group's Annual Report and Accounts 2022.

24 Contingent liabilities

The Company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of their share of certain contractual obligations of joint ventures and associates and certain retirement benefit liabilities of the Balfour Beatty Pension Fund and the Railways Pension Scheme. Guarantees are treated as contingent liabilities until such time as it becomes probable payment will be required under the terms of the guarantee.

Provision has been made for the Directors' best estimate of known legal claims, investigations and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or that the Group cannot make a sufficiently reliable estimate of the potential obligation.

25 Events after the reporting date

In the period from 1 July 2023 to 15 August 2023 (the latest practicable date prior to the date of this report), the Company purchased 3.4m shares, which are currently held in treasury with no voting rights, for a total consideration of £12m (including associated fees and stamp duty).

There were no other material post balance sheet events arising after the reporting date.