4 August 2021

MORGAN SINDALL GROUP PLC

('Morgan Sindall' or 'Group')

The Construction & Regeneration Group

RESULTS FOR THE HALF YEAR (HY) ENDED 30 JUNE 2021

	HY 2021	HY 2020	Change	*HY 2019*[3]	*Change*[3]
Revenue	£1,559m	£1,363m	+14%	*£1,421m*	*+10%*
Operating profit – adjusted[1]	£54.8m	£18.1m	+203%	*£37.5m*	*+46%*
Profit before tax – adjusted[1]	£53.1m	£15.7m	+238%	*£36.3m*	*+46%*
Earnings per share – adjusted[1]	93.1p	27.4p	+240%	*64.2p*	*+45%*
Period end net cash	£337m	£146m	+£191m	*£114m*	*+£223m*
Interim dividend per share	30.0p	21.0p[2]	+43%	*21.0p*	*+43%*
Operating profit - reported	£54.1m	£16.0m	+238%	*£36.7m*	*+47%*
Profit before tax – reported	£52.4m	£13.6m	+285%	*£35.5m*	*+48%*
Basic earnings per share – reported	87.6p	23.7p	+270%	*62.9p*	*+39%*

[1] 'Adjusted' is defined as before intangible amortisation of £0.7m and (in the case of earnings per share) deferred tax charge for future changes in tax rates of £1.9m (HY 2020: before intangible amortisation of £2.1m, HY 2019: before intangible amortisation of £0.8m)
[2] Declared in November 2020
[3] HY 2019 and % change against HY 2019 numbers are provided as a more relevant trading comparative
[4] Divisional comparatives have been restated to reflect the reorganisation of the Investments business. See Other Financial Information

HY 2021 summary:

- Trading substantially ahead of 'pre-pandemic' 2019[3] levels
  - Revenue up 10% and adjusted profit before tax up 46% on HY 2019[3]
- Balance sheet further strengthened
  - Net cash of £337m (HY 2020: £146m, HY 2019: £114m)
  - Average daily net cash increased significantly to £294m (HY 2020: £153m, HY 2019: £123m)
- Well-positioned for future growth
  - High quality order book with maintained secured workload of £8.3bn, level with year end
- Interim dividend up 43% to 30.0p per share (HY 2020: 21.0p)
- Capital Allocation framework formalised including revised dividend policy with dividend cover expected to be in the range of 2.0x-2.5x on an annual basis

- Divisional highlights
  - Operating margin of 2.9% in ***Construction & Infrastructure***; operating profit up to £22.6m (HY 2019: £13.9m, HY 2020: £11.5m)
  - Excellent performance from ***Fit Out***; operating profit up to £19.3m (HY 2019: £16.4m, HY 2020: £10.9m)
  - ***Property Services'*** volumes back to normalised levels; operating profit[1] of £2.4m (HY 2019: £1.6m, HY 2020: loss of £0.5m)
  - ***Partnership Housing*** demonstrating significant strategic and operational progress; operating margin[4] up to 4.5% (HY 2019: 2.6%, HY 2020: 1.2%) and operating profit[4] of £12.1m (HY 2019: £6.1m, HY 2020: £2.1m)
  - Good contribution from ***Urban Regeneration*** with long-term regeneration schemes progressing; operating profit[4] of £8.7m (HY 2019: £8.3m, HY 2020: £2.2m)

Commenting on today's results, Chief Executive, John Morgan said:

"We've had a very strong first half in which we've upgraded our profit guidance three times. We continue to make significant operational and strategic progress across the Group. With such positive momentum across all our activities, I am excited by the opportunities ahead.

As ever, we are extremely focused on our cash generation and cash position. Maintaining a strong balance sheet including a substantial net cash position provides a significant competitive advantage for us. It enables us to continue making the right decisions for the business and to best position us in our markets for continued sustainable long-term growth.

Today's results, combined with the current visibility for the rest of the year, gives us every confidence of another strong performance by the Group in the second half."

Enquiries

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Presentation

- There will be an analyst and investor presentation at 09.00 at Numis Securities Limited, the London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT. Coffee and registration will be from 08.30
- A copy of these results is available at: www.morgansindall.com
- Today's presentation will be available via live webcast from 09.00 at www.morgansindall.com
- The presentation will be available via playback on our website in the afternoon.

Note to Editors

Morgan Sindall Group

Morgan Sindall Group plc is a leading UK Construction & Regeneration group with annual revenue of £3.0bn, employing around 6,600 employees and operating in the public, regulated and private sectors. It reports through five divisions of Construction & Infrastructure, Fit Out, Property Services, Partnership Housing and Urban Regeneration.

Group Strategy

The Group's strategy is focused on its well-established core strengths of **Construction** and **Regeneration** in the UK. The Group has a balanced business which is geared toward the increasing demand for affordable housing, urban regeneration and infrastructure and construction investment.

Morgan Sindall's recognised expertise and market positions in affordable housing (through its Partnership Housing division) and in mixed-use regeneration development (through its Urban Regeneration division) reflect its deep understanding of the built environment developed over many years and its ability to provide solutions for complex regeneration projects. As a result, its capabilities are aligned with sectors of the UK economy which are expected to see increasing opportunities in the medium to long term and which support the UK's current and future regeneration and affordable housing needs.

Through its Construction & Infrastructure division, the Group is also well positioned to meet the demand for ongoing investment in the UK's infrastructure, while its geographically diverse construction activities are focused on key areas of education, healthcare and commercial.

The Fit Out business is the market leader in its field and delivers a consistently strong operational performance. Fit Out, together with the Construction & Infrastructure division, generates cash resources to support the Group's investment in affordable housing and mixed-use regeneration. The Group also has an operation in Property Services which is focused on response and planned maintenance activities provided to the social housing and the wider public sector.

The Group is committed to delivering economic, social and environmental value to its stakeholders. Its approach is embodied in its responsible business strategy, which is built around its Five Total Commitments: Protecting people, Developing people, Improving the environment, Working together with our supply chain and Enhancing communities. These Commitments have been in place since 2008 and are aligned to its purpose, the needs of its stakeholders and its obligations towards society. Its Commitments support the UN Sustainable Development Goals and each Commitment has clear targets and KPIs set to monitor progress which are supported by its divisions.

To provide a framework for future performance, each division operates to a medium-term financial target. These targets were set at the start of 2021 and relate to either operating margin, return on capital employed and/or profit and are referenced in the divisional sections of the Business review.

Group Structure

Under the two strategic lines of business of **Construction** and **Regeneration**, the Group is organised into five reporting divisions as follows:

Construction activities comprise the following operations:

- ***Construction & Infrastructure***: Focused on the education, healthcare, commercial, defence, industrial, leisure and retail markets in *Construction*; and on the highways, rail, aviation, energy, water and nuclear markets in *Infrastructure*. *Infrastructure* also includes the Baker Hicks design activities based out of the UK and Switzerland
- ***Fit Out***: Focused on the fit out of office space with opportunities in commercial, central and local government offices and further education
- ***Property Services***: Focused on response and planned maintenance activities provided to the social housing and the wider public sector

Regeneration activities comprise the following operations:

- ***Partnership Housing***: Focused on working in partnerships with local authorities and housing associations. Activities include mixed-tenure developments, building and developing homes for open market sale and for social/affordable rent, 'design & build' house contracting and planned maintenance & refurbishment
- ***Urban Regeneration***: Focused on transforming the urban landscape through partnership working and the development of multi-phase sites and mixed-use regeneration

The prior year results for Partnership Housing, Urban Regeneration and Group Activities have been restated for comparative purposes to reflect revised segmental reporting adopted from 1 January 2021 and as previously disclosed (see Section 8 of Other Financial Information – Reporting Segments).

Capital Allocation Framework

The Board's single, overarching principle governing capital allocation is a commitment to maintain a strong balance sheet and to hold significant net cash balances at all times.

In support of this principle, the Group's capital allocation framework comprises:

- ***Maintaining balance sheet strength to enhance our competitive advantage and win future work***

Fundamental to the Group's organic strategy is engaging in long term partnerships with its public and private sector clients, whether it be through joint ventures or other arrangements in its Regeneration activities, or through frameworks in its Construction activities.

When assessing the suitability of long-term partners, potential clients are increasingly looking for security and assurance of long-term solvency and the availability of cash resources to ensure their partners can fulfil their long-term contractual obligations. A strong balance sheet and significant levels of net cash are considered by the Group as a market differentiator and a competitive advantage when bidding and winning future work to support the future growth of the business.

- ***Ensuring downside protection - maintaining a 'buffer' in the event of a macro downturn***

Maintaining significant levels of net cash is considered as key to offsetting any potential consequence of a future downturn in the economy and reduction in revenue in the Construction activities of Construction & Infrastructure and Fit Out.

These activities operate with a negative working capital model, which in turn can lead to cash outflows in the event of declines in revenue. Maintaining a net cash 'buffer' therefore allows the Group to continue with its strategy of disciplined contract selectivity and prudent approach to risk management throughout the whole economic cycle.

- ***Maximising investment in the current business to drive growth***

As detailed in the Group Strategy section above, the Group's capabilities are aligned with sectors of the UK economy which are expected to see increasing opportunities in the medium to long term and which support the UK's current and future regeneration and affordable housing needs, as well as being well positioned to meet the demand for ongoing investment in the UK's physical and social infrastructure. Consequently, significant opportunities are expected to arise through the medium and long-term to invest in the business to support and accelerate the organic growth of these activities.

Specifically, investment in the regeneration activities is a strategic priority:

- For *Partnership Housing*, the growth potential remains substantial. The stated medium-term target is for an operating margin of 6% and for return on capital to be in excess of 20% on an annual basis. Investment returns at this level and above are targeted for its next phase of growth and the scalability of the partnership housing model provides the potential to significantly increase the capital employed above current levels over the medium to long term.

- Within *Urban Regeneration*, its development activities across multi-phase sites and mixed-use regeneration are targeted to generate an average return on capital of up to 20% on a three-year basis over the medium term. Based on the identified pipeline of future opportunities as well as the investment profile of schemes already secured, the capital employed in the division is expected to increase over the medium term.

Within the overall investment programme for the Regeneration activities, the Group may occasionally identify opportunities to complement the existing growth strategy by acquiring pre-existing development schemes or positions in existing schemes from third parties. Any such acquisition opportunities would only be considered where they would accelerate the strategic growth through the Group's existing divisional structure and capabilities.

- ***Maintaining an attractive dividend policy***

Dividends are considered by the Board to be an important component of shareholder returns. The Board has formally adopted a dividend policy such that dividend cover is expected to be in the range of 2.0x-2.5x on an annual basis. This revised policy is effective from the current year onwards.

This capital allocation framework is designed to balance the needs of all stakeholders whilst enhancing the Group's market competitiveness and capabilities and maintaining its financial strength. The Board will prioritise attractive investment opportunities in the business to support and accelerate growth, generate the best returns for shareholders and ensure the continued support of the ordinary dividend. The Board will continue to assess the needs of the business and the optimum balance sheet structure within the context of the principle and framework described above, and any capital then deemed surplus above these requirements may be returned to shareholders.

Basis of Preparation

In addition to presenting the financial performance of the business on a statutory basis, adjusted performance measures are also disclosed. Refer to the Other Financial Information section which sets out the basis for the calculations. These measures are not an alternative or substitute to statutory UK IAS measures but are seen as more useful in assessing the performance of the business on a comparable basis and are used by management to monitor the performance of the Group.

In all cases the term 'adjusted' excludes the impact of intangible amortisation of £0.7m (HY 2020: £2.1m, HY 2019: £0.8m).

Group Operating Review

Overview

The positive momentum across the Group coming into 2021 following the operational disruption experienced in 2020, has continued throughout the first half and has driven a very strong period of growth.

Group revenue increased by 14% up to £1,559m (HY 2020: £1,363m), while adjusted operating profit increased 203% to £54.8m (HY 2020: £18.1m). Operating margin increased to 3.5%, up 220bps from the prior year period (HY 2020: 1.3%).

Referencing the results to the Group's 2019 'pre-pandemic' performance provides a more meaningful indicator of the considerable operational and strategic progress made. Against this comparative period, Group revenue was 10% higher (HY 2019: £1,421m), while adjusted operating profit was up 46% (HY 2019: £37.5m) and operating margin increased by 90bps (HY 2019: 2.6%).

On a divisional basis, Construction & Infrastructure made significant progress by continuing its disciplined focus on operational delivery and contract selectivity, with its margin nearly doubling to 2.9% (HY 2020: 1.5%) and operating profit of £22.6m, up 97%. Fit Out delivered another excellent performance, with revenue, profit, and margin all increasing. Revenue grew 20% to £380m, while profit increased by 77% to £19.3m at a margin of 5.1% (HY 2020: 3.4%). Property Services saw its volumes normalise in the period, with revenue increasing 30% to £69m. In turn, this resulted in the operating profit increasing to £2.4m (HY 2020: loss of £0.5m) with an operating margin of 3.5% (HY 2020: -0.9%).

Of the Group's regeneration divisions, Partnership Housing experienced significant demand across the period, which together with its focus on operational delivery, resulted in operating profit increasing to £12.1m (HY 2020: £2.1m) at an operating margin of 4.5% (HY 2020: 1.2%). Its return on capital improved significantly, up to 17% for the last 12 months. Urban Regeneration made good progress with its development activity, delivering operating profit of £8.7m (HY 2020: £2.2m).

During the first half, there have been some increases in lead times for product deliveries to site and a limited number of significant price increases in certain product categories where there is greatest scarcity of supply. In most instances, the impact of this has been managed at a divisional and local level without any consequent disruption to operations. The additional costs attached to sourcing some materials have generally been offset by a combination of contractual protection, operational efficiencies and (in the case of Partnership Housing) by house sales price inflation. It is expected that these pressures will normalise in the medium term and that any disruption can be minimised through focused sourcing through the supply chain and ongoing operational efficiency.

The net finance expense reduced to £1.7m (HY 2020: £2.4m), primarily as a result of the prior year period including the costs of drawing down the facility in full during the early stages of the pandemic.

This resulted in adjusted profit before tax of £53.1m, up 238% (HY 2020: £15.7m). The statutory profit before tax was £52.4m, an increase of 285% (HY 2020: £13.6m).

The tax charge for the period was £12.0m, an effective rate of 22.9%. The tax charge is based upon the expected effective tax rate for the full year. The expected effective tax rate for the full year is higher than the UK statutory rate of 19% due to the effect of changing the tax rate used to calculate deferred tax to account for the announced future increase in the UK statutory rate to 25% from 1 April 2023.

The adjusted earnings per share increased to 93.1p (HY 2020: 27.4p), with the statutory earnings per share of 87.6p (HY 2020: 23.7p).

Maintaining contract selectivity and bidding discipline to ensure the appropriate risk balance in the order book remains of critical importance to the future success of the Group. The total secured workload for the Group at the period end was £8,324m, level with the year-end position (FY 2020: £8,290m) and 5% higher than at the same time last year (HY 2020: £7,962m). Of particular note was Fit Out's order book, which was up 42% from the year end position to £581m, an all-time record high for the division.

The Group's relationships with its supply chain partners are also of major strategic importance and the prompt payment of its suppliers remains a key component of this. Strong supply chain relationships can provide a competitive advantage and support superior operational delivery. For the formal Payment Practices Reporting period of 1 January 2021 to 30 June 2021, Construction & Infrastructure, the largest operating division by revenue, maintained its average time taken to pay invoices at 27 days, with 98% of its invoices paid within 60 days. Fit Out reported its average time taken to pay invoices at 22 days, with 97% of invoices paid within 60 days, while Partnership Housing reported 33 days as its average time to pay, an improvement of 2 days from the last reporting period. 95% of its invoices were paid within 60 days. Property Services reported an average of 38 days to pay invoices, a deterioration of 2 days from the prior reporting period, with 93% of invoices paid within 60 days.

Operating cash for the period was an inflow of £44.1m (HY 2020: outflow of £15.3m). Net cash at the period end increased to £337m, an increase of £191m on the prior year (HY 2020: £146m). Of this total, £64m was held in jointly controlled operations or held for future payment to designated suppliers (JVs/PBAs).

The average daily net cash for the period was £294m (including £71m in JVs/PBAs), up from £153m in the prior year period.

The Group's cash balances benefited from the introduction of the reverse charge VAT scheme, introduced on 1st March 2021; at the period end, c£67m was the incremental benefit of additional VAT held for payment in the third quarter, while the incremental benefit to the average daily net cash position was c£20m.

Looking ahead, based upon the current anticipated cash movements over the rest of the year, the Group expects that the average daily net cash for the full year will be broadly similar to that reported for the first half.

The interim dividend has been increased by 43% to 30.0p per share (HY 2020: 21.0p). This reflects the increase in profit in the period, the strong balance sheet and the Board's confidence in the future prospects of the Group. As detailed in the Capital Allocation Framework section above, the Board has formally adopted a dividend policy such that dividend cover is expected to be in the range of 2.0x-2.5x on an annual basis. This revised policy is effective from the current year onwards.

Outlook

These first half results, combined with the current visibility for the rest of the year, gives the Group every confidence of another strong performance in the second half.

Business & Divisional Review

The following Business & Divisional Review is given on an adjusted basis, unless otherwise stated. Refer to Note 3 of the consolidated financial statements for appropriate reconciliations to the comparable UK IAS measures.

Headline results by business segment (vs HY 2020)

	Revenue		Operating Profit		Operating Margin	
	£m	Change	£m	Change	%	Change
Construction & Infrastructure	774	-2%	22.6	+97%	2.9%	+140bps
Fit Out	380	+20%	19.3	+77%	5.1%	+170bps
Property Services	69	+30%	2.4	+580%	3.5%	+440bps
Partnership Housing[1]	270	+53%	12.1	+476%	4.5%	+330bps
Urban Regeneration[1]	68	+94%	8.7	+295%	n/a	n/a
Group/Eliminations[1]	(2)	n/a	(10.3)	n/a	n/a	n/a
Total	**1,559**	**+14%**	**54.8**	**+203%**	**3.5%**	**+220bps**

[1] Prior year HY 2020 comparative numbers have been restated – see Other Financial Information Section 8 - Reporting Segments

Results compared to the reported 2019 'pre-pandemic' half year results (HY 2019)

Due to the prior year HY 2020 results being significantly impacted by the pandemic, HY 2019 is viewed as being more relevant and informative for comparative purposes. On this basis, the movement by division compared to the HY 2019 results is shown below, together with the actual HY 2019 reported results shown in *italics*. These are reproduced in the tables of the divisional commentaries in the sections below.

	Revenue	*HY 2019[1]*	Operating Profit	*HY 2019[1]*	Operating margin	*HY 2019[1]*
Construction & Infrastructure	+14%	*679*	+63%	*13.9*	+90bps	*2.0%*
Fit Out	-7%	*407*	+18%	*16.4*	+110bps	*4.0%*
Property Services	+25%	*55*	+50%	*1.6*	+60bps	*2.9%*
Partnership Housing[1]	+13%	*239*	+98%	*6.1*	+190bps	*2.6%*
Urban Regeneration[1]	+51%	*45*	+5%	*8.3*	n/a	*n/a*
Group/Eliminations[1]	n/a	*(4)*	n/a	*(8.8)*	n/a	*n/a*
Total	**+10%**	***1,421***	**+46%**	***37.5***	**+90bps**	***2.6%***

[1] The 2019 HY comparative numbers have been restated to take into account the impact of change in reporting segments. The impact of the restatement is to increase Partnership Housing and Urban Regeneration revenue by £1m and to decrease Partnership Housing operating profit by £0.3m. All other 2019 results of the Investments division are included in Group/Eliminations

Group secured workload[1] by division

The Group's secured workload[1] at 30 June 2021 was £8,324m, level with the previous year end and up 5% compared to the prior year (HY 2020: £7,962m). The divisional split is shown below.

	HY 2021 £m	FY 2020 £m	Change
Construction & Infrastructure	2,542	2,537	-
Fit Out	581	410	+42%
Property Services	973	970	-
'Construction' secured order book[2]	**4,096**	**3,917**	**+5%**
Partnership Housing	1,478	1,445[3]	+2%
Urban Regeneration	2,759	2,929[3]	-6%
'Regeneration' secured order book[2]	**4,237**	**4,374**	**-3%**
Inter-divisional eliminations	(9)	(1)	
Group secured workload[1]	**8,324**	**8,290**	**-**

[1] *The Group secured workload is the sum of the Construction secured order book and the Regeneration secured order book, less any inter-divisional eliminations*

[2] *The 'Secured order book' is the sum of the 'committed order book', the 'framework order book' and (for the Regeneration businesses only) the Group's share of the gross development value of secured schemes (including the development value of open market housing schemes)*

The 'committed order book' represents the Group's share of future revenue that will be derived from signed contracts or letters of intent. The 'framework order book' represents the Group's expected share of revenue from the frameworks on which the Group has been appointed. This excludes prospects where confirmation has been received as preferred bidder only, with no formal contract or letter of intent in place.

[3] *FY 2020 comparative numbers have been restated following the change in reporting segments*

Construction & Infrastructure

	HY 2021 £m	HY 2020 £m	Change	*HY 2019 £m*	*% Change HY 2021 vs 2019*
Revenue	774	789	-2%	*679*	*+14%*
Operating profit	22.6	11.5	+97%	*13.9*	*+63%*
Operating margin	2.9%	1.5%	+140bps	*2.0%*	*+90bps*

During the period, divisional revenue reduced slightly to £774m (HY 2020: £789m), however operating profit increased significantly to £22.6m, up 97% (HY 2020: £11.5m). Operating margin improved to 2.9%, up 140bps (HY 2020: 1.5%). Both the ***Construction*** and ***Infrastructure*** *(*including *Design)*[1] activities performed well.

Split by activity, ***Construction*** revenue increased 17% to £339m (HY 2020: £290m) and accounted for 44% of divisional revenue. ***Infrastructure*** revenue (56% of divisional revenue) reduced 13% to £435m (HY 2020: £499m) primarily due to the timing of its project workload.

In line with the strategy of focusing on contract selection, operational delivery and quality of earnings, both activities delivered significant profit and margin growth. ***Construction's*** operating margin for the period was 2.4%, up 200bps from 0.4% in the prior year period, with operating profit of £8.1m, up from £1.2m in the prior year. ***Infrastructure*** delivered operating profit of £14.5m in the period, up 41% despite of the lower revenue, with its operating margin of 3.3%, up 120bps (HY 2020: 2.1%).

The secured order book for the division at the period end was £2,542m, level with both the year end and the prior period end position.

(i) Construction

In ***Construction***, the focus remains on improving its overall quality of earnings through contract selectivity and operational delivery.

Construction's order book of £648m was up 27% from the year end position and up 17% from the prior year. c100% of the order book value is derived through either negotiated, framework or two-stage bidding procurement processes, in line with the preferred risk profile of work undertaken. In addition to this, Construction also had £648m of work at preferred bidder stage, up 5% compared to the same time last year (HY 2020: £620m in preferred bidder).

Work won in the period included: the £56m facility for the School of Chemistry at Birmingham University where the focus will be on post-graduate research in chemical, environmental and biomolecular science; a £44m secondary school for Kenilworth Multi-Academy Trust; a £39m mixed use scheme as part of the of St Albans District Council city centre redevelopment; a new £37m secondary school for Buckinghamshire County Council; and a £16m joint primary school campus and early years facility in Prestwick.

The medium-term target for ***Construction*** is an operating margin of between 2.5% and 3% per annum. Based upon the current operational performance and the quality of its order book, it is expected that the full year margin will be around the top end of this range.

(ii) Infrastructure[1]

In ***Infrastructure***, the focus remains on the key sectors of highways, rail, nuclear, energy and water.

Infrastructure's order book of £1,894m was down 6% compared to the year end and down 5% from the prior year. Around 95% of the order book value is derived through existing frameworks and with 53% of the order book for 2023 and beyond, this demonstrates the long-term nature of the work streams and client relationships.

In Highways, work won in the period included the appointment by Highways England to the Concrete Roads Programme - Reconstruction Works Framework, a four-year programme worth c£130m to repair or replace the concrete surface of motorways or major A roads in England, as well as the detailed design for the Carlisle Southern Link Road by Cumbria County Council.

In Rail, the division secured a position as one of three partners on the London Rail Infrastructure Improvement Framework for Transport for London, and was awarded a project by Network Rail to construct an extension to the rockfall shelter over the railway line between Dawlish and Holcombe in Devon.

In Energy, National Grid awarded the division a place on their RIIO-2 electricity construction Engineer, Procure and Construct (EPC) framework. The initial term of the framework which involves the construction, refurbishment and decommissioning of both overhead line (OHL) and underground cable systems operating between 33kV to 400kV across National Grid's transmission network is five years, with a further option for a two-year extension. It is estimated that over the lifetime of the framework approximately £1bn to £1.5bn will be invested in delivering these works. Additional work has also been secured as part of the Scottish & Southern Electricity Networks overhead lines framework.

Work continues in Water as part of a long-term framework with Welsh Water, and in Nuclear, the division continues to deliver the Infrastructure Strategic Alliance and the £1.6bn Programme and Project Partners contract which is currently in year 3 of the 20-year programme, both for Sellafield Ltd.

The medium-term target for ***Infrastructure*** is an operating margin of 3.5%. Based upon its first half performance and the current visible work mix and volumes through its existing frameworks for the rest of the year, it is expected that ***Infrastructure*** will at least achieve this margin target for the full year.

[1] *Design results are reported within Infrastructure*

Fit Out

	HY 2021 £m	**HY 2020 £m**	**Change**	***HY 2019 £m***	***% Change HY 2021 vs 2019***
Revenue	380	317	+20%	*407*	*-7%*
Operating profit	19.3	10.9	+77%	*16.4*	*+18%*
Operating margin	5.1%	3.4%	+170bps	*4.0%*	*+110bps*

Fit Out delivered an excellent result in the period, with significant growth in revenue, profit and margin. Revenue increased by 20% to £380m (HY 2020: £317m), with operating profit up 77% to £19.3m (HY 2020: £10.9m) and operating margin increasing to 5.1% (HY 2020: 3.4%). Again, the key drivers of performance were strong operational delivery, a high-quality workload and a focus on customer experience.

During the period, there was no significant change to the market sectors served by the division. The commercial office market remained the largest, contributing 73% of revenue (HY 2020: 77%), with government/local authority, higher education and retail banking accounting for the majority of the remainder.

Revenue outside of the London region increased strongly to 46% of the total, up from 20% in the prior period. However, the London region remained the division's largest market at 54% of revenue (HY 2020: 80%) and this proportion is expected to increase back to more normalised levels in the second half.

Split by type of work, there was a slightly higher weighting towards 'design and build' work, equating to 20% of revenue (HY 2020: 12%), with traditional fit out work accounting for the remaining 80% of work (HY 2020: 88%).

In terms of the nature of work undertaken, the balance remained broadly unchanged with the proportion of revenue generated from the fit out of existing office space at 73% of the total (HY 2020: 70%) and new office fit out at 27% of the total (HY 2020: 30%). Of the fit out of existing office space, 62% related to refurbishment 'in occupation'.

At the period end, the secured order book stood at £581m, an all-time record high for the division and represented an increase of 42% from the year end position (FY 2020: £410m) and an increase of 25% from the prior year position (HY 2020: £466m). In addition to these secured orders, the division had £370m of work at preferred bidder stage.

Of the secured order book, £321m (55%) relates to the second half of the year, which was broadly level with the equivalent amount as at 30 June 2020 of £318m. On this basis, the division has a similar level of visibility of second half volumes as it did at the same time last year.

Projects won during the period include; a 366,000 sq. ft. office fit out at Five Bank Street in Canary Wharf; a 186,457 sq. ft. workspace for BT at 3 Snowhill in Birmingham; BP's new 200,000 sq. ft. space in the North Colonnade building in Canary Wharf; the design and build of Hutchinson 3G UK/Three's new 117,000 sq. ft. workspace in Longwater, Reading; the Cat A fit out of 180,000 sq. ft. at Campus Reading (one of the largest office developments in the Thames Valley); and, under a framework for The Mayor's Office for Policing and Crime (MOPAC), 11 projects to the value of £116.3m.

Looking ahead to the second half, based upon the current order book and the level of work at preferred bidder stage, a further strong performance is expected. The medium-term target for Fit Out is for operating profit of c£35m per annum and as previously reported, the division is expected to be materially ahead of this in 2021.

Property Services

	HY 2021 £m	**HY 2020 £m**	**Change**	***HY 2019 £m***	***% Change HY 2021 vs 2019***
Revenue	69	53	+30%	*55*	*+25%*
Operating profit/(loss) [1]	2.4	(0.5)	+580%	*1.6*	*+50%*
Operating margin[1]	3.5%	-0.9%	+440bps	*2.9%*	*+60bps*

Volumes in Property Services normalised throughout the first half, with revenue increasing 30% to £69m (HY 2020: £53m). At this level of activity and with the current operating model and overhead structure in place, the operating profit increased to £2.4m (HY 2020: loss of £0.5m) with an operating margin of 3.5% (HY 2020: -0.9%).

During the period, the division has continued to focus on delivering repairs and planned maintenance with a strong social value offering, servicing public sector housing through its integrated contracts with housing associations and local authorities. Ongoing investment is continuing in its technology offering for managing repairs and maintenance and planned activities, with a significant focus on the provision of data insight and the improvement of the all-round customer experience.

At the period end, the secured order book was £973m, level with the year-end position (FY 2020: £970m) and 12% higher than at the same time last year (HY 2020: £867m). Contracts tend to be long term in nature and over 80% of the order book by value is for 2023 and beyond.

The medium-term target for Property Services is to generate a minimum £10m operating profit per annum. Based upon the first half performance and with slightly higher revenue expected in the second half due to higher planned maintenance activity, the division is on track to make good progress towards this target in 2021.

[1] *before intangible amortisation of £0.7m (HY 2020: £0.6m, HY 2019: £0.8m)*

Partnership Housing

	HY 2021 £m	HY 2020[1] £m	Change	*HY 2019[1] £m*	*% Change HY 2021 vs 2019*
Revenue	270	176	+53%	*239*	*+13%*
Operating profit	12.1	2.1	+476%	*6.1*	*+98%*
Operating margin	4.5%	1.2%	+330bps	*2.6%*	*+190bps*
Average capital employed[2] (last 12 months)	158.3	169.7	-£11.4m		
Capital employed[2] - at period end	146.3	168.7	-£22.4m		
ROCE[3] (last 12 months)	17%	9%			

Partnership Housing has seen high levels of market demand across the first half, with revenue up 53% to £270m (HY 2020[1]: £176m). Split by type of activity, ***Mixed-tenure*** revenue was up 79% to £159m (59% of divisional revenue) and ***Contracting*** revenue (including planned maintenance and refurbishment) was up 28% to £111m (41% of divisional total) compared to the prior year period.

In ***Mixed-tenure***, 815 units were completed across open market sales and social housing (including through its joint ventures) compared to 412 in the prior year period. The average sales price was £232k compared to the prior year average of £217k.

Operating profit of £12.1m was up 476% on the prior year (HY 2020[1]: £2.1m) and up 98% on the comparative period in 2019 (HY 2019[1]: £6.1m), driven by the higher mixed-tenure revenue. The operating margin increased to 4.5% (HY 2020[1]: 1.2%).

Significant strategic progress is being made with developing and formalising partnerships. During the period, the division commenced or continued joint venture opportunities with Walsall Housing Group, Trafford Housing Group, Hertfordshire County Council, Abri, Together Housing Group, Flagship Housing Group, Riverside and West Sussex County Council.

During the period, the division has experienced some increases in lead times for product deliveries to site and a limited number of significant price increases in certain product categories where there was greatest scarcity of supply. Any additional costs attached to sourcing some materials have generally been offset by a combination of operational savings and sales price inflation.

The secured order book at the period end was £1,478m, an increase of 2% on the prior year end (FY 2020[1]: £1,445m). Of this total, the order book relating to the **Mixed-tenure** activities was 1% lower than the year end position at £896m (FY 2020[1]: £907m). In addition, the amount of mixed-tenure business in preferred bidder status or already under development agreement but where land has not been drawn down was c£700m at the period end. The **Contracting** secured order book increased 8% to £582m (FY 2020[1]: £538m).

In mixed-tenure, work won included a £120m joint venture with Abri to build 500 homes in Weymouth and an £85m, 528-unit scheme to build one of Wales largest regeneration schemes on the former Whiteheads steelworks in Newport. Key contracting schemes awarded in the period include: a £50m, 211 unit scheme at Tolworth for Guinness Partnerships, a JV with Together Housing Group to deliver 650 units in Pendleton, Salford; a contract with Norfolk County Council-owned Repton to build 400 plus homes in Norfolk; and the appointment onto the Your Housing Group framework, including the initial award of a £25m, 216 unit scheme at Edge Lane, Openshaw.

The capital employed[2] at period end was £146.3m (HY 2020[1]: £168.7m), while the average capital employed[2] for the last 12-month period was £158.3m (HY 2020[1]: £169.7m). This resulted in an overall ROCE[3] of 17% for the last 12-month period, a significant improvement on the prior year[1] ROCE[3] of 9%. Average capital employed for the full year is expected to be c£155m.

Partnership Housing's medium-term targets are to generate a return on average capital employed[2] of over 20% and to deliver an operating margin of 6%. Looking ahead to the rest of the year, the secured order book and operational delivery are expected to drive further margin and profit growth towards its medium-term targets.

[1] Restated – see Other Financial Information Section 8 - Reporting Segments. All HY 2020, HY 2019 and FY 2020 comparative numbers, including order book and capital employed, have been restated to include the impact of the revised reporting segments
[2] Capital employed is calculated as total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding corporation tax, deferred tax, inter-company financing and overdrafts)
[3] Return On Average Capital Employed = (Adjusted operating profit plus interest from JVs) divided by average capital employed

Urban Regeneration

	HY 2021 £m	HY 2020[1] £m	Change	*HY 2019[1] £m*	*% Change HY 2021 vs 2019*
Revenue	68	35	+94%	*45*	*+51%*
Operating profit	8.7	2.2	+295%	*8.3*	*+5%*
Average capital employed[2] (last 12 months)	110.0	123.4	-£13.4m		
Capital employed[2] at period end	96.6	130.9	-£34.3m		
ROCE[3] (last 12 months)	14%	11%			
ROCE[3] (average last 3 years)	15%				

Urban Regeneration performed well in the period as its development schemes progressed as planned and delivered an operating profit of £8.7m (HY 2020[1]: £2.2m). The higher profit helped increase the ROCE[3] for the last 12 months to 14% and the average for the last 3 years up to 15%.

Capital employed[2] at the period end was £96.6m (HY 2020[1]: £130.9m), however the average capital employed over the last 12 months was higher at £110.0m (HY 2020[1]: £123.4m). Based upon the current profile and type of scheme activity across the portfolio, the average capital employed[2] for the full year is expected to be c£110m.

Profits were generated in the period from the sale of over 250 new homes at a number of locations including Hale Wharf, Tottenham Hale; Wapping Wharf, Bristol and Griffon Fields, Hucknall. Good progress continues to be made in the development of Lewisham Gateway and New Victoria in Manchester, both subject to forward funding deals signed in 2020. Also contributing to performance in the half year is the Salford Central regeneration scheme, being developed by The English Cities Fund (a joint venture with Legal & General and Homes England), where five new developments were active in the period.

At the period end, the division's regeneration order book amounted to £2.8bn, a reduction of 6% on the prior year end. Within this, there remains a diverse geographic and sector split:

- by value, 56% is in London and the South East, 35% in the North West, 8% in Yorkshire and the North East and 1% in the rest of the UK; and

- by sector, 52% by value relates to residential, 34% to offices, and the remainder is broadly split between retail, leisure, and industrial.

The medium-term target for Urban Regeneration is to increase its rolling three-year average ROCE[3] up towards 20%. Based upon the current profile of scheme completions throughout the second half, ROCE[3] in the mid-teens is expected for the full year.

[1] Restated – see Other Financial Information Section 8 - Reporting Segments. All HY 2020, HY 2019 and FY 2020 comparative numbers, including order book and capital employed, have been restated to include the impact of the revised reporting segments
[2] Capital employed is calculated as total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding corporation tax, deferred tax, inter-company financing and overdrafts)
[3] Return On Average Capital Employed = (Adjusted operating profit plus interest from JVs) divided by average capital employed

Other Financial Information

1. Net finance expense. The net finance expense was £1.7m, a reduction of £0.7m compared to HY 2020.

	HY 2021 £m	HY 2020 £m	Change £m
Interest payable on drawings on bank facilities	-	(1.1)	1.1
Amortisation of bank fees & non-utilisation fees	(1.3)	(0.5)	(0.8)
Interest expense on lease liabilities	(0.7)	(0.8)	0.1
Interest from JVs	0.4	0.2	0.2
Other	(0.1)	(0.2)	0.1
Total net finance expense	**(1.7)**	**(2.4)**	**0.7**

2. Tax. A tax charge of £12.0m is shown for the period (HY 2020: £2.9m). This equates to an effective tax rate of 22.9% on profit before tax. The adjusted tax charge is £10.2m (HY 2020: £3.3m).

	HY 2021 £m	HY 2020 £m
Profit before tax	52.4	13.6
Less: share of net (profit)/losses in joint ventures	(5.7)	0.3
Profit before tax excluding joint ventures	**46.7**	**13.9**
Statutory tax rate	19.0%	19.0%
Current tax charge at statutory rate	**(8.9)**	**(2.6)**
Tax on joint venture profits[1]	(1.0)	-
Effect of change in tax rate used to calculate deferred tax	(1.9)	-
Other adjustments	(0.2)	(0.3)
Tax charge as reported	**(12.0)**	**(2.9)**
Tax on amortisation	(0.1)	(0.4)
Effect of change in tax rate used to calculate deferred tax	1.9	-
Adjusted tax charge	**(10.2)**	**(3.3)**

[1] Most of the Group's joint ventures are partnerships where profits are taxed within the Group rather than the joint venture

3. Net working capital. 'Net Working Capital' is defined as 'Inventories plus Trade & Other Receivables (including Contract Assets), less Trade & Other Payables (including Contract Liabilities)' adjusted as below and is stated on a constant currency basis.

	HY 2021 £m	HY 2020 £m	Change £m
Inventories	284.8	352.9	-68.1
Trade & Other Receivables[1]	479.9	410.9	+69.0
Trade & Other Payables[2]	(947.6)	(813.6)	-134.0
Net working capital	**(182.9)**	**(49.8)**	**-133.1**

[1] Adjusted to exclude capitalised arrangement fees of £0.9m (HY 2020: £0.4m) and accrued interest receivable of £nil (HY 2020: £0.1m)
[2] Adjusted to exclude accrued interest payable of £0.4m (HY 2020: £0.4m)

4. Cash flow. The operating cash flow for the 12 months to 30 June 2021 was an inflow of £238.1m and a free cash inflow of £217.0m. For the half year period, there was an operating cash inflow of £44.1m (HY 2020: outflow of £15.3m).

	HY 2021 £m	HY 2020 £m	Last 12 months
Operating profit - adjusted	**54.8**	**18.1**	**105.2**
Depreciation	10.0	11.3	20.7
Share option expense	4.6	0.1	4.4
Movement in fair value of shared equity loans	-	-	0.5
Share of net loss/(profit) of joint ventures	(5.7)	0.3	(8.3)
Other operating items [1]	2.5	6.6	2.3
Change in working capital [2]	(13.2)	(42.1)	131.5
Net capital expenditure (including repayment of finance leases)	(9.3)	(9.8)	(19.0)
Dividends and interest received from joint ventures	0.4	0.2	0.8
Operating cash flow	**44.1**	**(15.3)**	**238.1**
Income taxes paid	(11.3)	(13.2)	(18.0)
Net interest paid (non-joint venture)	(1.0)	(1.1)	(3.1)
Free cash flow	**31.8**	**(29.6)**	**217.0**

[1] 'Other operating items' includes shared equity redemptions (£1.1m), disposal of investment properties (£1.6m) less gain on disposal of property, plant & equipment (£0.2m)
[2] The cash flow due to change in working capital for the HY 2021 period excludes a total £0.5m of non-cash movements relating to the unwinding of discounting on land creditors and other non-cash working capital movements (Last 12 months: £1.6m)

5. Net cash. Net cash at the period end was £337.1m.

	£m
Net cash as at 1 January 2021	**332.8**
Free cash flow (as above)	31.8
Dividends	(18.5)
Other[1]	(9.0)
Net cash as at 30 June 2021	**337.1**

[1] 'Other' includes the purchase of shares in the Company by the employee benefit trust (£12.3m) less net loan receipts from joint ventures (£1.7m), proceeds from the issue of new shares (£0.1m) and proceeds from the exercise of share options (£1.5m)

6. Capital employed by strategic activity. An analysis of the capital employed in the **Construction** activities shows a decrease of £101.4m since the prior period, split as follows:

Capital employed[1] in Construction	**HY 2021 £m**	**HY 2020 £m**	**Change £m**
Construction & Infrastructure	(278.8)	(204.8)	-74.0
Fit Out	(68.5)	(19.7)	-48.8
Property Services	30.8	9.4	+21.4
	(316.5)	**(215.1)**	**-101.4**

An analysis of capital employed in the **Regeneration** activities shows a decrease of £56.7m since the prior period, split as follows:

Capital employed[1] in Regeneration	**HY 2021 £m**	**HY 2020[2] £m**	**Change £m**
Partnership Housing[2]	146.3	168.7	-22.4
Urban Regeneration[2]	96.6	130.9	-34.3
	242.9	**299.6**	**-56.7**

1 Total assets (excluding goodwill, intangibles, inter-company financing and cash) less total liabilities (excluding corporation tax, deferred tax, inter-company financing and overdrafts)
2 Restated - see Other Financial Information Section 8 - Reporting Segments

7. Dividends. The Board of Directors has proposed an interim dividend of 30.0p per share, an increase of 43% on the prior year interim dividend. This will be paid on 26 October 2021 to shareholders on the register at 8 October 2021. The ex-dividend date will be 7 October 2021. In 2020, the interim dividend of 21.0p per share was proposed in November and paid in December 2020.

8. Reporting segments. From 1 January 2021, the Group reports five operating segments plus the Group activities. For prior periods, a further operating segment for Investments was separately reported. The responsibility of the operations of the Investments division was divided and allocated between Partnership Housing, Urban Regeneration and Group Activities from 1 January 2021.

The unaudited reallocation of the 2020 Investments segment for the full year and the half year are presented below and these allocations are included for comparative purposes in 2021 reporting.

Reallocation of Investments – 30 June 2020 **£m**	**Investments**	**Partnership Housing**	**Urban Regeneration**	**Group Activities**
Revenue	12.2	11.3	0.9	-
Adjusted Operating Loss	**(3.2)**	**(0.9)**	**0.1**	**(2.4)**
Amortisation of Intangible Assets	*(1.5)*	-	-	*(1.5)*
Operating Loss	**(4.7)**	**(0.9)**	**0.1**	**(3.9)**
Capital employed at 30 June 2020 (£m)	**27.8**	**15.2**	**13.6**	**(1.0)**

Reallocation of Investments – 31 December 2020 **£m**	**Investments**	**Partnership Housing**	**Urban Regeneration**	**Group Activities**
Revenue	34.2	32.5	1.7	-
Adjusted Operating Loss	**(6.9)**	**(0.1)**	**(0.4)**	**(6.4)**
Amortisation of Intangible Assets	*(1.9)*	-	-	*(1.9)*
Operating Loss	**(8.8)**	**(0.1)**	**(0.4)**	**(8.3)**
Capital employed at 31 December 2020 (£m)	**21.9**	**8.4**	**15.7**	**(2.2)**

As a result of this restatement, the revised comparative numbers for Partnership Housing, Urban Regeneration and Group Activities are as follows:

Restated comparatives – 30 June 2020 **£m**	**Partnership Housing**	**Urban Regeneration**	**Group Activities**
Revenue – as reported	165.0	34.5	-
Revenue – as restated	**176.3**	**35.4**	**-**
Adjusted Operating Profit/(Loss) – as reported	3.0	2.1	(5.7)
Adjusted Operating Profit/(Loss) – as restated	**2.1**	**2.2**	**(8.1)**
Capital employed – as reported	153.5	117.3	n/a
Capital employed – as restated	**168.7**	**130.9**	**n/a**

Restated comparatives – 31 December 2020 **£m**	**Partnership Housing**	**Urban Regeneration**	**Group Activities**
Revenue – as reported	441.4	122.8	-
Revenue – as restated	**473.9**	**124.5**	**-**
Adjusted Operating Profit/(Loss) – as reported	16.1	9.2	(18.7)
Adjusted Operating Profit/(Loss) – as restated	**16.0**	**8.8**	**(25.1)**
Capital employed – as reported	122.2	85.1	n/a
Capital employed – as restated	**130.6**	**100.8**	**n/a**

9. Principal risks and uncertainties. The Board continues to take a proactive approach to recognising and mitigating risk with the aim of protecting and safeguarding the interests of the Group and its shareholders in the changing environment in which it operates.

Details of the principal risks facing the Group and mitigating actions are included on pages 38 to 47 of the 2020 Annual Report. These are still considered to be relevant risks and uncertainties for the Group at this time and are summarised below (in no order of magnitude):

Covid-19 - If unanticipated events arise, we must adapt quickly and rapidly to new ways of working and have sufficient financial resources to ensure the business can continue to operate effectively.

Changes in the economy - If profitable opportunities in our chosen markets reduce, we need to ensure that we carefully allocate resources and capital to minimise reductions in our profitability and cash generation.

Exposure to UK housing market - If mortgage availability and affordability are reduced this could make existing schemes difficult to sell and future developments unviable, reducing profitability and tying up capital.

Poor contract selection - Failure to fully understand the risks on projects may lead to poor delivery and ultimately result in reputational damage and loss of opportunities.

Responsible business - Failure to embed our Total Commitments across the business may result in incidents occurring that could lead to legal actions, project delays and damage to the Group's reputation which could affect our ability to secure future work and achieve targets.

Health and safety - If we fail to protect the health, safety and wellbeing of our key stakeholders, we could hurt individuals which could damage the Group's reputation as a responsible employer and affect our ability to secure future work.

Climate change - Failure to protect the environment in which we work by reducing carbon emissions and waste and to fully consider potential environmental risks on projects could cause delays to projects and damage the Group's reputation.

Failure to attract and retain talented people - Talented people are needed to provide excellence in project delivery and customer service. Skills shortages in the construction industry remain an issue for the foreseeable future.

Insolvency of key client, subcontractor, joint venture partner or supplier - An insolvency could disrupt project works, cause delay and incur the costs of finding a replacement, resulting in significant financial loss. There is a risk that credit checks undertaken in the past may no longer be valid.

Inadequate funding - A lack of liquidity could impact our ability to continue to trade or restrict our ability to achieve market growth or invest in regeneration schemes.

Mismanagement of working capital and investments - Poor management of working capital and investments leads to insufficient liquidity and funding problems.

Mispricing a contract - If a contract is incorrectly costed this could lead to contract losses and an overall reduction in gross margin. It might also damage the relationship with the client and supply chain.

Changes to contracts and contract disputes - Changes to contracts and contract disputes could lead to costs being incurred that are not recovered, loss of profitability and delayed receipt of cash.

Poor project delivery - Failure to meet client expectations could incur costs that erode profit margins, lead to the withholding of cash payments and impact working capital. It may also result in reduction of repeat business and client referrals.

Failure to innovate - A failure to produce or embrace new products and techniques could diminish our delivery to clients and reduce our competitive advantage, as well as making us less attractive to existing or prospective employees.

UK cyber activity and failure to invest in information technology - Investment in IT is necessary to meet the future needs of the business in terms of expected growth, security, and innovation, and enables its long-term success. It is also essential in order to avoid reputational and operational impacts and loss of data that could result in significant fines and/or prosecution.

Cautionary forward-looking statement

These results contain forward-looking statements based on current expectations and assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements. Each forward-looking statement speaks only as of the date of this document. The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

Condensed consolidated income statement
For the six months ended 30 June 2021

	Notes	**Six months to 30 June 2021 (unaudited) £m**	Six months to 30 June 2020 (unaudited) £m	Year ended 31 Dec 2020 (audited) £m
Revenue	2	**1,558.6**	1,363.1	3,034.0
Cost of sales		**(1,383.0)**	(1,225.3)	(2,718.2)
Gross profit		**175.6**	137.8	315.8
Administrative expenses		**(126.5)**	(119.4)	(252.3)
Share of net profit of joint ventures		**5.7**	(0.3)	2.3
Other gains and losses		**-**	-	2.7
Operating profit before amortisation of intangible assets		**54.8**	18.1	68.5
Amortisation of intangible assets		**(0.7)**	(2.1)	(3.1)
Operating profit		**54.1**	16.0	65.4
Finance income		**0.4**	0.6	0.9
Finance costs		**(2.1)**	(3.0)	(5.5)
Profit before tax		**52.4**	13.6	60.8
Tax		**(12.0)**	(2.9)	(15.4)
Profit for the period		**40.4**	10.7	45.4
Attributable to:				
Owners of the Company		**40.4**	10.7	45.4
Earnings per share				
Basic	5	**87.6p**	23.7p	99.8p
Diluted	5	**85.1p**	23.0p	98.1p

There were no discontinued operations in either the current or comparative periods.

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2021

	Six months to 30 June 2021 (unaudited) £m	Six months to 30 June 2020 (unaudited) £m	Year ended 31 Dec 2020 (audited) £m
Profit for the period	**40.4**	10.7	45.4
Items that will not be reclassified subsequently to profit or loss:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange movement on translation of overseas operation	**(0.1)**	0.2	(0.2)
Gains arising during the period on net investment hedge	**(0.4)**	0.5	0.2
	(0.5)	0.7	-
Other comprehensive (expense)/income	**(0.5)**	0.7	-
Total comprehensive income	**39.9**	11.4	45.4
Attributable to:			
Owners of the Company	**39.9**	11.4	45.4

Condensed consolidated statement of financial position
At 30 June 2021

	Notes	**30 June 2021 (unaudited) £m**	30 June 2020 (unaudited) £m	31 Dec 2020 (audited) £m
Assets				
Goodwill and other intangible assets		**222.2**	222.1	222.1
Property, plant and equipment		**62.7**	72.9	65.8
Investment property		**1.1**	3.8	2.7
Investments in joint ventures		**95.4**	94.1	91.4
Other investments		**-**	0.2	-
Shared equity loan receivables	6	**4.4**	6.9	5.5
Non-current assets		**385.8**	400.0	387.5
Inventories		**284.8**	352.9	294.2
Contract assets		**213.5**	199.6	171.8
Trade and other receivables	7	**267.3**	211.8	234.6
Current tax assets		**0.2**	0.7	-
Cash and cash equivalents	8	**414.2**	266.0	400.5
Current assets		**1,180.0**	1,031.0	1,101.1
Total assets		**1,565.8**	1,431.0	1,488.6
Liabilities				
Contract liabilities		**(53.9)**	(50.6)	(55.6)
Trade and other payables	9	**(894.1)**	(759.6)	(838.0)
Current tax liabilities		**-**	-	(1.0)
Lease liabilities		**(12.1)**	(12.3)	(12.1)
Borrowings	8	**(76.7)**	(119.9)	(67.3)
Provisions		**(3.4)**	(7.5)	(4.9)
Current liabilities		**(1,040.2)**	(949.9)	(978.9)
Net current assets		**139.8**	81.1	122.2
Trade and other payables		**-**	(3.8)	(1.7)
Lease liabilities		**(37.8)**	(43.1)	(38.9)
Borrowings	8	**(0.4)**	-	(0.4)
Retirement benefit obligation		**(0.2)**	-	(0.2)
Deferred tax liabilities		**(14.4)**	(8.1)	(12.5)
Provisions		**(27.5)**	(23.1)	(26.0)
Non-current liabilities		**(80.3)**	(78.1)	(79.7)
Total liabilities		**(1,120.5)**	(1,028.0)	(1,058.6)
Net assets		**445.3**	403.0	430.0
Equity				
Share capital		**2.3**	2.3	2.3
Share premium account		**45.6**	42.2	45.5
Other reserves		**(1.3)**	(0.1)	(0.8)
Retained earnings		**398.7**	358.6	383.0
Equity attributable to owners of the Company		**445.3**	403.0	430.0
Total equity		**445.3**	403.0	430.0

The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see the Basis of Preparation for details). There is no impact on the net assets of the Group or net cash and cash equivalents.

Condensed consolidated cash flow statement
For the six months ended 30 June 2021

	Notes	**Six months to 30 June 2021 (unaudited) £m**	Six months to 30 June 2020 (unaudited) £m	Year ended 31 Dec 2020 (audited) £m
Operating activities				
Operating profit		**54.1**	16.0	65.4
Adjusted for:				
Amortisation of intangible assets		**0.7**	2.1	3.1
Share of net (profit)/loss of equity accounted joint ventures		**(5.7)**	0.3	(2.3)
Depreciation		**10.0**	11.3	22.0
Share option expense/(credit)		**4.6**	0.1	(0.1)
Gain on disposal of interest in joint ventures		**-**	-	(2.7)
Gain on disposal of property, plant and equipment		**(0.2)**	(0.6)	(1.0)
Revaluation of investment properties		**-**	-	0.6
Movement in fair value of shared equity loan receivables	6	**-**	-	0.5
Impairment of investments		**-**	2.7	3.3
Proceeds on disposals of investment properties		**1.6**	1.3	1.8
Repayment of shared equity loan receivables	6	**1.1**	1.5	2.4
Increase in provisions		**-**	1.7	2.0
Operating cash inflow before movements in working capital		**66.2**	36.4	95.0
Decrease/(increase) in inventories		**9.4**	(14.8)	43.9
(Increase)/decrease in contract assets		**(41.7)**	(12.8)	15.0
(Increase)/decrease in receivables		**(33.0)**	63.6	41.6
Decrease in contract liabilities		**(1.7)**	(5.6)	(0.6)
Increase/(decrease) in payables		**53.8**	(72.5)	2.7
Movements in working capital		**(13.2)**	(42.1)	102.6
Cash inflow/(outflow) from operations		**53.0**	(5.7)	197.6
Income taxes paid		**(11.3)**	(13.2)	(19.9)
Net cash inflow/(outflow) from operating activities		**41.7**	(18.9)	177.7
Investing activities				
Interest received		**0.4**	0.6	1.2
Proceeds on disposal of property, plant and equipment		**0.6**	0.6	1.4
Purchases of property, plant and equipment		**(1.7)**	(2.6)	(4.2)
Purchases of intangible fixed assets		**(0.8)**	(0.6)	(1.6)
Net decrease/(increase) in loans to joint ventures		**1.7**	(11.7)	(12.9)
Payment for the acquisition of subsidiaries, joint ventures and other businesses		**-**	-	(0.1)
Proceeds from the disposal of other investments		**-**	-	0.5
Proceeds on disposal of interests in joint ventures		**-**	-	8.3
Net cash inflow/(outflow) from investing activities		**0.2**	(13.7)	(7.4)
Financing activities				
Interest paid		**(1.0)**	(1.5)	(3.8)
Dividends paid	4	**(18.5)**	-	(9.6)
Repayments of lease liabilities		**(7.4)**	(7.2)	(15.1)
Proceeds from borrowings	8	**-**	180.0	180.4
Repayment of borrowings	8	**-**	(120.0)	(180.0)
Proceeds on issue of share capital		**0.1**	3.7	7.0
Payments by the Trust to acquire shares in the Company		**(12.3)**	(9.4)	(9.6)

Proceeds on exercise of share options		**1.5**	0.4	0.9
Net cash (outflow)/inflow from financing activities		**(37.6)**	46.0	(29.8)
Net increase in cash and cash equivalents		**4.3**	13.4	140.5
Cash and cash equivalents at the beginning of the period		**333.2**	192.7	192.7
Cash and cash equivalents at the end of the period	8	**337.5**	206.1	333.2

Cash and cash equivalents presented in the consolidated cash flow statement include bank overdrafts. See note 8 for a reconciliation to cash and cash equivalents presented in the consolidated statement of financial position.

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2021

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total equity £m
1 January 2021	2.3	45.5	(0.8)	383.0	430.0
Profit for the period	-	-	-	40.4	40.4
Other comprehensive income	-	-	(0.5)	-	(0.5)
Total comprehensive income	-	-	(0.5)	40.4	39.9
Share option expense	-	-	-	4.6	4.6
Issue of shares at a premium	-	0.1	-	-	0.1
Exercise of share options	-	-	-	1.5	1.5
Purchase of shares in the Company by the Trust	-	-	-	(12.3)	(12.3)
Dividends paid	-	-	-	(18.5)	(18.5)
30 June 2021 (unaudited)	**2.3**	**45.6**	**(1.3)**	**398.7**	**445.3**

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total equity £m
1 January 2020	2.3	38.5	(0.8)	356.8	396.8
Profit for the period	-	-	-	10.7	10.7
Other comprehensive income	-	-	0.7	-	0.7
Total comprehensive income	-	-	0.7	10.7	11.4
Share option expense	-	-	-	0.1	0.1
Issue of shares at a premium	-	3.7	-	-	3.7
Exercise of share options	-	-	-	0.4	0.4
Purchase of shares in the Company by the Trust	-	-	-	(9.4)	(9.4)
30 June 2020 (unaudited)	2.3	42.2	(0.1)	358.6	403.0

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total equity £m
1 January 2020	2.3	38.5	(0.8)	356.8	396.8
Profit for the year	-	-	-	45.4	45.4
Total comprehensive income	-	-	-	45.4	45.4
Share option credit	-	-	-	(0.1)	(0.1)
Tax relating to share option expense	-	-	-	(0.8)	(0.8)
Issue of shares at a premium	-	7.0	-	-	7.0
Exercise of share options	-	-	-	0.9	0.9
Purchase of shares in the Company by the Trust	-	-	-	(9.6)	(9.6)
Dividends paid	-	-	-	(9.6)	(9.6)
31 December 2020 (audited)	2.3	45.5	(0.8)	383.0	430.0

Other reserves

Other reserves include:

- Capital redemption reserve of £0.6m (30 June 2020: £0.6m, 31 December 2020: £0.6m) which was created on the redemption of preference shares in 2003.
- Hedging reserve of (£1.0m) (30 June 2020: (£0.3m), 31 December 2020: (£0.6m)) arising under cash flow and net investment hedge accounting. Movements on the effective portion of hedges are recognised through the hedging reserve, whilst any ineffectiveness is taken to the income statement.
- Translation reserve of (£0.9m) (30 June 2020: (£0.4m), 31 December 2020: (£0.8m)) arising on the translation of overseas operations into the Group's functional currency.

Retained earnings

Retained earnings include shares in Morgan Sindall Group plc purchased in the market and held by the Morgan Sindall Employee Benefit Trust ('the Trust') to satisfy options under the Company's share incentive schemes. The number of shares held by the Trust at 30 June 2021 was 271,678 (30 June 2020: 349,359, 31 December 2020: 278,383) with a cost of £6.3m (30 June 2020: £2.8m, 31 December 2020: £5.3m).

Notes to the consolidated financial statements
For the six months ended 30 June 2021

1 Basis of preparation

General information
The financial information for the year ended 31 December 2020 set out in this half year report does not constitute the Company's statutory accounts as defined by section 434 of the Companies Act 2006. A copy of the statutory accounts for that year was delivered to the Registrar of Companies. The auditor reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under s498(2) or (3) of the Companies Act 2006. This half year report has not been audited or reviewed by the auditor pursuant to the Auditing Practices Board guidance on the Review of Interim Financial Information. Figures as at 30 June 2021 and 2020 and for the six months ended 30 June 2021 and 2020 are therefore unaudited.

Basis of preparation
The annual financial statements of Morgan Sindall Group plc are prepared in accordance with UK adopted International Accounting Standards. The condensed consolidated financial statements included in this half year report were prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting'. While the financial information included in this half year report was prepared in accordance with the recognition and measurement criteria of UK adopted International Accounting Standards ('UK IAS'), this half year report does not itself contain sufficient information to comply with UK IAS.

Going concern
As at 30 June 2021, the Group had net cash and cash equivalents of £414.2m and total loans and borrowings of £77.1m, including £76.7m of overdrafts repayable on demand (together net cash of £337.1m). Should further funding be required the Group has total committed banking facilities of £180m which are in place for greater than one year. The directors have reviewed the Group's forecasts and projections and have modelled certain downside scenarios which show that the Group will have a sufficient level of headroom within facility limits and covenants for the foreseeable future. After making enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Tax
A tax charge of £12.0m is shown for the six-month period (six months to 30 June 2020: £2.9m, year ended 31 December 2020: £15.4m). This tax charge is recognised based upon the best estimate of the average effective income tax rate on profit before tax for the full financial year.

Changes in accounting policies
There have been no significant changes to accounting policies, presentation or methods of preparation since the Group's latest annual audited financial statements for the year ended 31 December 2020 other than those disclosed below and in note 3 'Business Segments'.

IAS 32 'Financial Instruments: Presentation'
The Group's bank overdrafts and certain cash balances are subject to cash pooling arrangements where both the Group and the bank have rights to offset credit balances within the cash pool against overdrafts within the cash pool. In accordance with IAS 32: 'Financial Instruments: Presentation', cash balances are presented gross within cash and cash equivalents and bank overdrafts are presented gross within current loans and other borrowings. In the prior year, it was determined that the Group's cash and overdrafts within cash pooling arrangements did not meet the requirements for offsetting in accordance with IAS 32: 'Financial Instruments: Presentation' and should not have been presented net in cash and cash equivalents in the statement of financial position in prior periods. For presentational purposes, the balances have been re-presented as at 30 June 2020. The impact of this change is to increase both cash and cash equivalents and bank overdrafts within current loans and other borrowings as at 30 June 2020 by £59.9m. This has had no impact on net assets or net cash and cash equivalents.

Seasonality
The Group's activities are generally not subject to significant seasonal variation.

2 Revenue

An analysis of the Group's revenue which depicts the nature, timing and uncertainty of the different revenue streams is as follows:

	Six months to 30 June 2021	Six months to 30 June 2020 *restated*[1]	Year ended 31 Dec 2020 *restated*[1]
	£m	£m	£m
Construction	**338.6**	290.1	670.3
Infrastructure and design	**435.4**	499.4	966.5
Construction and Infrastructure	**774.0**	789.5	1,636.8
Traditional fit out	**303.3**	277.8	600.6
Design and build	**77.1**	38.9	99.5
Fit Out	**380.4**	316.7	700.1
Property Services	**69.4**	52.8	111.7
Contracting	**111.1**	87.1	195.9
Mixed tenure	**158.9**	89.2	278.0
Partnership Housing	**270.0**	176.3	473.9
Urban Regeneration	**68.0**	35.4	124.5
Eliminations	**(3.2)**	(7.6)	(13.0)
Total revenue	**1,558.6**	1,363.1	3,034.0

[1] The prior period comparatives have been restated to reflect the Investments division reorganisation as described in Note 3.

3 Business segments

For management purposes, the Group is organised into five operating divisions: Construction & Infrastructure, Fit Out, Property Services, Partnership Housing and Urban Regeneration. The divisions' activities are as follows:

- Construction & Infrastructure: provides infrastructure services in the highways, rail, aviation, energy, water and nuclear markets, including tunnel design; and construction services in education, healthcare, defence, commercial, industrial, leisure and retail. BakerHicks offers a multidisciplinary design and engineering consultancy.
- Fit Out: Overbury specialises in fit out and refurbishment in commercial, central and local government offices, further education and retail banking. Morgan Lovell provides design and build services for the office sector.
- Property Services: provides planned asset management and responsive maintenance to social housing and the wider public sector.
- Partnership Housing: works in partnerships with local authorities and housing associations. Activities include mixed-tenure developments, building and developing homes for open market sale and affordable rent, design and build contracting and planned maintenance and refurbishment.
- Urban Regeneration: works with landowners and public sector partners to transform the urban landscape through the development of multi-phase sites and mixed-use regeneration, including residential, commercial, retail and leisure.

Group Activities represents costs and income arising from corporate activities which cannot be meaningfully allocated to the operating segments. These include the costs of the Group Board, treasury management, corporate tax coordination, Group finance and internal audit, insurance management, company secretarial services, and information technology services. The divisions are the basis on which the Group reports its segmental information as presented below.

As from 1 January 2021, the activities of the former Investments division were reorganised with it no longer operating as a separate division. The operational management of the joint venture property partnerships and Later Living business formerly reported within Investments were transferred to Partnership Housing, Urban Regeneration and Group Activities. The prior year comparatives have been restated to reflect this reorganisation.

Six months to 30 June 2021

	Construction & Infrastructure	**Fit Out**	**Property Services**	**Partnership Housing**	**Urban Regeneration**	**Group Activities**	**Eliminations**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
External revenue	**771.0**	**380.3**	**69.4**	**270.0**	**68.0**	**-**	**-**	**1,558.6**
Inter-segment revenue	**3.0**	**0.1**	**-**	**-**	**-**	**-**	**(3.2)**	**-**
Total revenue	**774.0**	**380.4**	**69.4**	**270.0**	**68.0**	**-**	**(3.2)**	**1,558.6**
Operating profit/(loss) before amortisation of intangible assets	**22.6**	**19.3**	**2.4**	**12.1**	**8.7**	**(10.3)**	**-**	**54.8**
Amortisation of intangible assets	**-**	**-**	**(0.7)**	**-**	**-**	**-**	**-**	**(0.7)**
Operating profit/(loss)	**22.6**	**19.3**	**1.7**	**12.1**	**8.7**	**(10.3)**	**-**	**54.1**

Six months to 30 June 2020 (restated)

	Construction & Infrastructure	Fit Out	Property Services	Partnership Housing	Urban Regeneration	Investments	Group Activities	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	781.9	316.7	52.8	176.3	35.4	-	-	-	1,363.1
Inter-segment revenue	7.6	-	-	-	-	-	-	(7.6)	-
Total revenue	789.5	316.7	52.8	176.3	35.4	-	-	(7.6)	1,363.1
Operating profit/(loss) before amortisation of intangible assets	11.5	10.9	(0.5)	2.1	2.2	-	(8.1)	-	18.1
Amortisation of intangible assets	-	-	(0.6)	-	-	-	(1.5)	-	(2.1)
Operating profit/(loss)	11.5	10.9	(1.1)	2.1	2.2	-	(9.6)	-	16.0

Six months to 30 June 2020 (as reported)

	Construction & Infrastructure	Fit Out	Property Services	Partnership Housing	Urban Regeneration	Investments	Group Activities	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	781.9	316.7	52.8	165.0	34.5	12.2	-	-	1,363.1
Inter-segment revenue	7.6	-	-	-	-	-	-	(7.6)	-
Total revenue	789.5	316.7	52.8	165.0	34.5	12.2	-	(7.6)	1,363.1
Operating profit/(loss) before amortisation of intangible assets	11.5	10.9	(0.5)	3.0	2.1	(3.2)	(5.7)	-	18.1
Amortisation of intangible assets	-	-	(0.6)	-	-	(1.5)	-	-	(2.1)
Operating profit/(loss)	11.5	10.9	(1.1)	3.0	2.1	(4.7)	(5.7)	-	16.0

Notes to the consolidated financial statements
For the six months ended 30 June 2021

Year ended 31 December 2020 (restated)

	Construction & Infrastructure	Fit Out	Property Services	Partnership Housing	Urban Regeneration	Investments	Group Activities	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	1,623.8	700.1	111.7	473.9	124.5	-	-	-	3,034.0
Inter-segment revenue	13.0	-	-	-	-	-	-	(13.0)	-
Total revenue	1,636.8	700.1	111.7	473.9	124.5	-	-	(13.0)	3,034.0
Operating profit/(loss) before amortisation of intangible assets	35.7	32.1	1.0	16.0	8.8	-	(25.1)	-	68.5
Amortisation of intangible assets	-	-	(1.2)	-	-	-	(1.9)	-	(3.1)
Operating profit/(loss)	35.7	32.1	(0.2)	16.0	8.8	-	(27.0)	-	65.4

Year ended 31 December 2020 (as reported)

	Construction & Infrastructure	Fit Out	Property Services	Partnership Housing	Urban Regeneration	Investments	Group Activities	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	1,623.8	700.1	111.7	441.4	122.8	34.2	-	-	3,034.0
Inter-segment revenue	13.0	-	-	-	-	-	-	(13.0)	-
Total revenue	1,636.8	700.1	111.7	441.4	122.8	34.2	-	(13.0)	3,034.0
Operating profit/(loss) before amortisation of intangible assets	35.7	32.1	1.0	16.1	9.2	(6.9)	(18.7)	-	68.5
Amortisation of intangible assets	-	-	(1.2)	-	-	(1.9)	-	-	(3.1)
Operating profit/(loss)	35.7	32.1	(0.2)	16.1	9.2	(8.8)	(18.7)	-	65.4

During the period ended 30 June 2021, the period ended 30 June 2020 and the year ended 31 December 2020, inter-segment sales were charged at prevailing market prices and significantly all of the Group's operations were carried out in the UK.

4 Dividends

Amounts recognised as distributions to equity holders in the period:

	Six months to 30 June 2021 £m	Year ended 31 Dec 2020 £m
Final dividend for the year ended 31 December 2020 of 40.0p per share	**18.5**	-
Interim dividend for the year ended 31 December 2020 of 21.0p per share	**-**	9.6
	18.5	9.6

A proposed interim dividend of 30p per share for 2021 was approved by the Board on 4 August 2021 and will be paid on 26 October 2021 to shareholders on the register at 8 October 2021. The ex-dividend date is 7 October 2021.

Notes to the consolidated financial statements
For the six months ended 30 June 2021

5 Earnings per share

	Six months to 30 June 2021 £m	Six months to 30 June 2020 £m	Year ended 31 Dec 2020 £m
Profit attributable to the owners of the Company	**40.4**	10.7	45.4
Adjustments:			
Amortisation of intangible assets net of tax	**0.6**	1.7	2.5
Deferred tax charge arising due to change in UK corporation tax rates	**1.9**	-	1.5
Adjusted earnings	**42.9**	12.4	49.4

Basic weighted average ordinary shares (m)	**46.1**	45.2	45.5
Dilutive effect of share options and conditional shares not vested (m)	**1.4**	1.3	0.8
Diluted weighted average ordinary shares (m)	**47.5**	46.5	46.3

Basic earnings per share	**87.6p**	23.7p	99.8p
Diluted earnings per share	**85.1p**	23.0p	98.1p
Adjusted earnings per share	**93.1p**	27.4p	108.6p
Diluted adjusted earnings per share	**90.3p**	26.7p	106.7p

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options and long-term incentive plan shares was based on quoted market prices for the period that the options were outstanding. The weighted average share price for the period was £18.76 (30 June 2020: £14.61, 31 December 2020: £13.60).

A total of 2,497,229 share options that could potentially dilute earnings per share in the future were excluded from the above calculations because they were anti-dilutive at 30 June 2021 (30 June 2020: 783,723, 31 December 2020: 1,724,145).

6 Shared equity loan receivables

	30 June 2021	30 June 2020	31 Dec 2020
	£m	£m	£m
1 January	**5.5**	8.4	8.4
Net change in fair value recognised in the income statement	**-**	-	(0.5)
Repayments by borrowers	**(1.1)**	(1.5)	(2.4)
End of period	**4.4**	6.9	5.5

Basis of valuation and assumptions made

There is no directly observable fair value for individual loans arising from the sale of properties under the scheme, and therefore the Group has developed a model for determining the fair value of the portfolio of loans based on national property prices, expected property price increases, expected loan defaults and a discount factor which reflects the interest rate expected on an instrument of similar risk and duration in the market. Details of the key assumptions made in this valuation are as follows:

	30 June 2021	30 June 2020	31 Dec 2020
Assumption			
Period over which shared equity loan receivables are discounted:			
First Buy and Home Buy schemes	**20 years**	20 years	20 years
Other schemes	**9 years**	9 years	9 years
Nominal discount rate	**5.3%**	5.3%	5.3%
Weighted average nominal annual property price increase	**3.0%**	2.4%	3.0%
Forecast default rate	**28.0%**	13.0%	27.0%
Number of loans under the shared equity scheme outstanding at the period end	**178**	236	211

Sensitivity analysis

At 30 June 2021, if the nominal discount rate had been 100bps higher at 6.3% and all other variables were held constant, the fair value of the shared equity loan receivables would be unchanged.

At 30 June 2021, if the period over which the shared equity loan receivables (excluding those relating to the First Buy and Home Buy schemes) are discounted had been 10 years and all other variables were held constant, the fair value of the shared equity loan receivables would decrease by less than £0.1m with a corresponding reduction in both the result for the period and equity (excluding the effects of tax).

At 30 June 2021, if the forecast default rate had been 100bps higher at 29.0% and all other variables were held constant, the fair value of the shared equity loan receivables would decrease by £0.1m with a corresponding reduction in both the result for the period and equity (excluding the effects of tax).

7 Trade and other receivables

	30 June 2021	30 June 2020	31 Dec 2020
	£m	£m	£m
Trade receivables	**219.5**	174.4	202.9
Amounts owed by joint ventures	**0.3**	4.2	0.9
Prepayments	**22.4**	21.4	11.3
Other receivables	**25.1**	11.8	19.5
	267.3	211.8	234.6

8 Net cash

	30 June 2021	30 June 2020 *re-presented*	31 Dec 2020
	£m	£m	£m
Cash and cash equivalents	**414.2**	266.0	400.5
Bank overdrafts presented as borrowings due within one year	**(76.7)**	(59.9)	(67.3)
Cash and cash equivalents reported in the consolidated cash flow statement	**337.5**	**206.1**	**333.2**
Borrowings due in less than one year		(60.0)	-
Borrowings due between two and five years	**(0.4)**	-	(0.4)
Net cash	**337.1**	**146.1**	**332.8**

The prior year balance for cash and cash equivalents has been re-presented in accordance with IAS 32 (see the basis of preparation for details). There is no impact on the net assets of the Group or net cash and cash equivalents.

Included within cash and cash equivalents is £61.3m which is the Group's share of cash held within jointly controlled operations (30 June 2020: £54.1m, 31 December 2020: £53.8m).There is £8.0m included within cash and cash equivalents held for future payments to designated suppliers (30 June 2020: £7.8m, 31 December 2020: £7.5m).

9 Trade and other payables

	30 June 2021	30 June 2020	31 Dec 2020
	£m	£m	£m
Trade payables	**172.9**	171.1	189.2
Amounts owed to joint ventures	**0.2**	0.2	0.2
Other tax and social security	**97.4**	42.7	40.5
Accrued expenses	**590.4**	527.5	577.9
Deferred income	**15.4**	-	17.7
Other payables	**17.8**	18.1	12.5
	894.1	759.6	838.0

10 Retirement benefit schemes

The Morgan Sindall Retirement Benefits Plan ('the Retirement Plan') was established on 31 May 1995 and currently operates on defined contribution principles for employees of the Group. The Retirement Plan also includes a defined benefit section comprising liabilities and transfers of funds representing the accrued benefit rights of active and deferred members and pensioners of pension plans of companies which are now part of the Group. These include salary related benefits for members in respect of benefits accrued before 31 May 1995 (and benefits transferred in from The Snape Group Limited Retirement Benefits Scheme accrued up to 1 August 1997). No further defined benefit membership rights can accrue after those dates. The scheme duration is an indicator of the weighted-average time until benefit payments are expected to be made. For the scheme as a whole, the duration is around 15 years.

On 23 May 2018 the Trustees of the Retirement Plan completed a buy-in transaction with Aviva to insure the benefits of the Defined Benefit members. The buy-in policy is an asset of the Plan that provides payments that are an exact match to the pension payments made to the Defined Benefit members covered by the policy. During the year ended 31 December 2020, additional liabilities were considered due to a court ruling on 20 November 2020 in respect of a guaranteed minimum pension (GMP) equalisation for past transfers out. A liability of £0.2m (31 December 2020: £0.2m) is recognised as a result of this ruling.

11 Contingent liabilities

Group banking facilities and surety bond facilities are supported by cross guarantees given by the Company and participating companies in the Group. There are contingent liabilities in respect of surety bond facilities, guarantees and claims under contracting and other arrangements, including joint arrangements and joint ventures entered into in the normal course of business.

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.

12 Subsequent events

There have not been any significant subsequent events to report.

The directors confirm that to the best of their knowledge:

- the unaudited condensed consolidated financial statements, which have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by DTR 4.2.4R;

- the half year report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

- the half year report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein)

This responsibility statement was approved by the Board on 4th August 2021 and is signed on its behalf by:

John Morgan	**Steve Crummett**
Chief Executive	**Finance Director**