4 August 2022

MORGAN SINDALL GROUP PLC
('Morgan Sindall' or 'Group')

The Construction & Regeneration Group

This announcement contains information that qualified, or may have qualified, as inside information for the purposes of Article 17 of the Market Abuse Regulations (EU) 596/2014 (MAR). The person responsible for making this announcement is Steve Crummett, Finance Director.

RESULTS FOR THE HALF YEAR (HY) ENDED 30 JUNE 2022

	HY 2022	HY 2021	Change
Revenue	£1,698m	£1,559m	+9%
Operating profit – adjusted[1]	£56.9m	£54.8m	+4%
Profit before tax – adjusted[1]	£54.6m	£53.1m	+3%
Earnings per share – adjusted[1]	95.8p	93.1p	+3%
Period end net cash	£274m	£337m	-£63m
Interim dividend per share	33.0p	30.0p	+10%
Operating profit - reported	£56.0m	£54.1m	+4%
Profit before tax – reported	£53.7m	£52.4m	+2%
Basic earnings per share – reported	94.3p	87.6p	+8%

[1] 'Adjusted' is defined as before intangible amortisation of £0.9m
(HY 2021: before intangible amortisation of £0.7m and deferred tax charge for future changes in tax rates of £1.9m)

HY 2022 summary:

- Record performance for the Group despite market headwinds
    - Revenue up 9% to £1.7bn
    - Adjusted profit before tax up 3% to £54.6m
    - Full year performance expected to be slightly above previous expectations
- Continued balance sheet strength
    - Net cash of £274m (HY 2021: £337m)
    - Average daily net cash of £264m (HY 2021: £294m)
- High quality order book with secured workload of £8.5bn
    - Up 2% on prior year (HY 2021: £8.3bn); down 1% on year end (FY 2021: £8.6bn)
- Interim dividend up 10% to 33.0p per share (HY 2021: 30.0p)

- Divisional highlights
    - Further margin improvement in ***Construction & Infrastructure***; operating margin up to 3.2% (HY 2021: 2.9%), with operating profit up 7% to £24.1m (HY 2021: £22.6m)
    - Another excellent performance from ***Fit Out***; operating profit up 10% to £21.2m (HY 2021: £19.3m)
    - ***Property Services'*** operating profit[1] up 4% to £2.5m (HY 2021: £2.4m)
    - Further good progress in ***Partnership Housing*** with operating profit up 15% to £13.9m (HY 2021: £12.1m) and operating margin up to 4.9% (HY 2021: 4.5%)
    - Long-term regeneration schemes progressing in ***Urban Regeneration*** with operating profit of £7.3m (HY 2021: £8.7m)

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

"We've had a record first half of the year and these results reinforce the significant strategic and operational progress we have made over the past few years. Whilst early days, this is a good start towards our medium-term targets outlined in February.

With the more challenging economic backdrop, our strong balance sheet including a substantial net cash position is critical to operating efficiently and effectively. It allows us to continue making the right decisions and to best position us in our markets, giving us competitive advantage for continued sustainable long-term growth.

Our market positions and disciplined approach to contract selection continues to drive positive momentum across the Group. Our order book is substantial and of high quality. Following our strong first half performance and with the current visibility we have of the rest of the year, we now expect to deliver a result for the full year which is slightly ahead of our previous expectations".

Enquiries

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<u>Presentation</u>

- There will be an analyst and investor presentation at 09.00am at Numis Securities Limited, 45 Gresham Street, London EC2V 7BF. Coffee and registration will be from 08.30am
- A copy of these results is available at: www.morgansindall.com
- Today's presentation will be available via live webcast from 09.00am 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 £3.2bn, employing around 7,200 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 division 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.

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, industrial, leisure and retail markets in *Construction*; and on the highways, rail, energy, water and nuclear markets in *Infrastructure*. *Infrastructure* also includes the BakerHicks 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

Medium-term divisional targets

To provide a framework for future performance, each division operates to a medium-term financial target or set of targets (the 'target' or 'targets'). The targets relate to revenue, operating margin, return on capital employed and/or profit and are referred to in the Divisional review.

The medium-term targets are shown in the table below and were first published on 24 February 2022.

Division	Medium-term target
Construction	Operating margin of between 2.5% and 3% per annum, revenue of £1bn
Infrastructure	Operating margin of between 3.5% and 4% per annum, revenue of £1bn
Fit Out	Average annual operating profit through the cycle of £40m-£45m
Property Services	Operating profit of £15m
Partnership Housing	Operating margin of 8% / return on capital up towards 25%
Urban Regeneration	3-year rolling average return on capital up towards 20%

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 £0.9m (HY 2021: before intangible amortisation of £0.7m and (in the case of earnings per share) a deferred tax charge for future changes in tax rates of £1.9m).

Group operating review

Summary Group financial results

The Group delivered a record performance in the first half against a difficult market backdrop, with Group revenue increasing by 9% up to £1,698m (HY 2021: £1,559m), while adjusted operating profit increased 4% to £56.9m (HY 2021: £54.8m). Operating margin was 3.4%, 10bps lower than the prior year period (HY 2021: 3.5%).

The net finance expense increased to £2.3m (HY 2021: £1.7m) resulting in adjusted profit before tax of £54.6m, up 3% (HY 2021: £53.1m). The statutory profit before tax was £53.7m, an increase of 2% (HY 2021: £52.4m).

The adjusted tax charge for the period was £10.9m (statutory tax charge of £10.7m), an effective rate of 20%. The tax charge is based upon the expected effective tax rate for the full year and includes the impact of the Residential Property Developer Tax which became effective on 1 April 2022.

The adjusted earnings per share increased 3% to 95.8p (HY 2021: 93.1p), with the statutory basic earnings per share of 94.3p, up 8% (HY 2021: 87.6p).

General market conditions

Across the Group, inflationary pressures and supply issues have remained a significant headwind throughout the period. Rising energy prices, supply constraints on certain materials and increased trade and labour costs have continued to drive upward pressure on total build costs, which in turn is placing increased strain on the stability of the supply chain. This is expected to continue through the second half and beyond.

Where projects are active and underway, the additional costs arising have generally been offset by a combination of contractual protection, operational efficiencies, flexible sourcing and (in the case of Partnership Housing) by house sales price inflation. On projects where it has not been possible to mitigate all such additional costs in full, the resulting impact on margins has been unavoidable.

Where projects are being priced for future delivery, the inflationary environment has continued to place some project budgets under pressure particularly in Construction & Infrastructure, which in turn has led to some delays in decision-making and project commencement.

In Urban Regeneration, construction cost inflation has also provided additional challenges to the returns on some of its active developments and on the viability of some of its schemes being evaluated prior to commencement.

Divisional performances

On a divisional basis, Construction & Infrastructure further improved its operating margin to 3.2% (HY 2021: 2.9%) by continuing its disciplined focus on operational delivery and contract selectivity. Its operating profit of £24.1m was an increase of 7% (HY 2021: £22.6m), with revenue slightly lower at £764m (HY 2021: £774m). Fit Out delivered another excellent performance, with revenue and profit both increasing. Revenue grew 20% to £457m, while profit increased by 10% to £21.2m at a margin of 4.6% (HY 2021: 5.1%). Property Services also increased its profit, up 4% to £2.5m (HY 2021: £2.4m), with revenue up 10% to £76m (HY 2021: £69m) and a margin of 3.3% (HY 2021: 3.5%).

Of the Group's regeneration divisions, Partnership Housing performed well, with operating profit increasing by 15% to £13.9m (HY 2021: £12.1m) on revenue of £284m, up 5% (HY 2021: £270m). Its operating margin increased 40bps to 4.9% (HY 2021: 4.5%). Urban Regeneration progressed as planned with its development portfolio, delivering an operating profit of £7.3m (HY 2021: £8.7m), after charging £7.0m in relation to building safety (see section below).

Secured workload

The Group has a high-quality workload and 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 £8,519m, up 2% on the same time last year (HY 2021: £8,324m) and 1% lower than at the year-end position (FY 2021: £8,614m).

Payment practices

The Group's relationships with its supply chain partners are of major strategic importance and the prompt payment of its suppliers remains a key component of this. Particularly in the current inflationary environment, strong supply chain relationships can provide a competitive advantage and support superior operational delivery.

For the formal Payment Practices Reporting period of 1 January 2022 to 30 June 2022, Construction & Infrastructure, the largest operating division by revenue, reported 26 days on average to pay invoices, with 99% of its invoices paid within 60 days. Fit Out reported its average time taken to pay invoices at 27 days, with 96% of invoices paid within 60 days, while Property Services reported an average of 41 days to pay invoices, with 97% of invoices paid within 60 days. Partnership Housing reported 32 days as its average time to pay, with 96% of its invoices paid within 60 days.

Balance sheet & cash

Operating cash for the period was an outflow of £40.4m (HY 2021: inflow of £44.1m). Operating cash for the last 12 months was an inflow of £33.1m.

Net cash at the period end was £274m, a reduction of £63m on the prior year (HY 2021: £337m). Of this total, £54m 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 £264m (including £67m in JVs/PBAs) compared to £294m in the prior year period.

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 slightly lower than that reported for the first half.

Building Safety

The new Building Safety Act received Royal Assent on 28 April 2022.

The main implication for the Group is the extension to the limitation period for bringing claims relating to construction under the Defective Premises Act to a retrospective 30-year period. Partnership Housing and Urban Regeneration are the divisions in the Group most directly impacted by this new legislation.

In addition, following the announcement by the Secretary of State for the Department of Levelling Up, Housing and Communities ("DLUHC") on Building Safety on 10 January and following the subsequent discussions coordinated by the Home Builders Federation ("HBF") acting on behalf of its members, Partnership Housing signed the Developer Pledge Letter ("the Pledge") on 4 April 2022 which sets out the principles under which life-critical fire-safety issues on buildings that they have developed of 11 metres and above are to be remediated. The requirements under the final contract formalising the commitment with the Government are still being finalised through coordination with the HBF.

The costs arising across the Group in relation to general fire safety and the provisions of the new Building Safety Act have been charged through trading results of the relevant division in the ordinary course of business. These costs are not expected to be material to the Group and will likely span a number of years.

In Urban Regeneration, a comprehensive review of historic developments covering the extended limitation period under the new Building Safety Act and any potential liabilities arising therefrom is ongoing. In the Half Year, a provision of £7.0m has been charged through its operating results in the ordinary course to cover the liabilities identified to date.

The discussions referred to above between DLUHC and HBF regarding the Pledge were restricted to a specific market sector and included only Partnership Housing from within the Group. Subsequent to the period end, on 18 July 2022 a letter was received from DLUHC as part of its next wave of negotiations with industry extending its reach to other developers, requesting that Urban Regeneration also commit to the principles of the Pledge as part of its commitment to support the remediation of historic cladding and fire safety defects over and above its obligations under the new Building Safety Act.

One of the significant differences in respect of the Pledge over and above the obligations of the Building Safety Act is the requirement for the reimbursement of amounts provided by the Building Safety Fund ("BSF") on developments where such claims had already been made and were being/had been rectified.

In addition is the requirement to identify buildings that are proposed to be remediated with funds from BSF and take over, fund and complete these works as quickly as possible.

In most cases for Urban Regeneration (as is usual for a mixed-use developer), contractual coverage and other remedies to recover such costs are in place. However, because income from these other third parties cannot be recognised until it is virtually certain to be received, it is expected that the expense of reimbursing the BSF or of funding works which would be proposed to be remediated by the BSF will be required to be recognised in an earlier period than the income recovering these costs. On this basis and although the review remains ongoing, the initial assessment of the charge to the Group should Urban Regeneration also take on the obligations of the principles of the Pledge, is in the range of £40m-£50m.

In this event, due to the nature and materiality of this item, it is intended that the expenses related to the Pledge for both Urban Regeneration and Partnership Housing would be shown separately as an exceptional 'Developer's Pledge' provision/expense and adjusted for when reporting the Group's adjusted (underlying) trading performance.

Subsequent income received for recoveries from third parties would similarly be presented separately as exceptional 'Developer's Pledge' income.

Dividend

The interim dividend has been increased by 10% to 33.0p per share (HY 2021: 30.0p). 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.

Outlook

Following the Group's strong first half performance and with the current visibility there is of the rest of the year, the Group now expects to deliver a result for the full year which is slightly ahead of its previous expectations.

Divisional Review

The following 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 2021)

	Revenue		Operating Profit		Operating Margin	
	£m	Change	£m	Change	%	Change
Construction & Infrastructure	764	-1%	24.1	+7%	3.2%	+30bps
Fit Out	457	+20%	21.2	+10%	4.6%	-50bps
Property Services	76	+10%	2.5	+4%	3.3%	-20bps
Partnership Housing	284	+5%	13.9	+15%	4.9%	+40bps
Urban Regeneration	126	+85%	7.3	-16%	n/a	n/a
Group/Eliminations	(9)		(12.1)			
Total	**1,698**	**+9%**	**56.9**	**+4%**	**3.4%**	**-10bps**

Group secured workload[1] by division

The Group's secured workload[1] at 30 June 2022 was £8,519m, up 2% compared to the prior year and 1% lower than at the year end. The divisional split is shown below.

	HY 2022 £m	HY 2021 £m	Change	FY 2021 £m	Change
Construction & Infrastructure	2,535	2,542	-	2,715	-7%
Fit Out	869	581	+50%	897	-3%
Property Services	1,279	973	+31%	945	+35%
'Construction' secured order book[2]	**4,683**	**4,096**	**+14%**	**4,557**	**+3%**
Partnership Housing	1,633	1,478	+10%	1,498	+9%
Urban Regeneration	2,235	2,759	-19%	2,574	-13%
'Regeneration' secured order book[2]	**3,868**	**4,237**	**-9%**	**4,072**	**-5%**
Inter-divisional eliminations	(32)	(9)		(15)	
Group secured workload[1]	**8,519**	**8,324**	**+2%**	**8,614**	**-1%**

[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.

Construction & Infrastructure

	HY 2022 £m	HY 2021 £m	Change
Revenue	764	774	-1%
Operating profit	24.1	22.6	+7%
Operating margin	3.2%	2.9%	+30bps

Although revenue reduced slightly to £764m (HY 2021: £774m), operating profit increased 7% to £24.1m (HY 2021: £22.6m). Operating margin improved to 3.2%, up 30bps (HY 2021: 2.9%), driven by the division's continuing disciplined focus on operational delivery and contract selectivity. Both the ***Construction*** and ***Infrastructure*** *(*including *Design)*[1] activities improved their respective margins.

Split by activity, ***Construction*** revenue increased 16% to £392m (HY 2021: £339m) and accounted for 51% of divisional revenue. ***Infrastructure*** revenue (49% of divisional revenue) reduced 14% to £372m (HY 2021: £435m) as expected primarily due to the timing and nature of its project workload.

Construction's operating margin for the period was 2.9%, up 50bps from 2.4% in the prior year period, with operating profit of £11.3m, up a substantial 40% from £8.1m in the prior year. ***Infrastructure's*** operating margin increased 10bps to 3.4% (HY 2021: 3.3%), although operating profit reduced by 12% to £12.8m (HY 2021: £14.5m) in line with the lower revenue.

The secured order book for the division at the period end was £2,535m, level with the prior period end position (HY 2021: £2,542m), however 7% lower than at the year-end (FY 2021: £2,715m).

(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 £760m was up 17% from the prior year (HY 2021: £648m) although down 6% from the year-end position (FY 2021: £810m). All work is now 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 £701m of work at preferred bidder stage, up 8% compared to the same time last year (HY 2021: £648m in preferred bidder).

Work won in the period included: the £61m redevelopment of King Henry VIII Secondary School in Abergavenny into a 1,900 place, all-through school for Monmouthshire County Council; the £12.5m Priscilla Bacon Hospice, a new state-of-the-art hospice on an eight-acre site in Norwich; and two new Grade A, BREEAM Excellent-rated office buildings in Birkenhead with a project total of £40m, in partnership with Urban Regeneration. In addition, Construction gained a place on the £9bn Procure 23 framework, a partnership between Crown Commercial Services and NHS England and Improvement (NHSE&I).

The medium-term target for ***Construction*** is an operating margin of between 2.5% and 3% per annum and revenue of £1bn. For the full year, it is expected that the margin will be around the top end of this range and progress made towards its revenue target, whilst maintaining its normal risk profile in its workload and bidding discipline.

(ii) Infrastructure[1]

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

Infrastructure's order book of £1,775m was down 7% compared to the year end (FY 2021: £1,905m) and down 6% from the prior year (HY 2021: £1,894m). Around 95% of the order book value remains derived through existing frameworks and with 78% of the order book for 2023 and beyond, this demonstrates the long-term nature of the work streams and client relationships.

In Highways, the division commenced the A11 Concrete Roads scheme as part of National Highway's 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. In addition, work was completed on the A45 Sprint corridor for Transport for West Midlands (TfWM), a c£40m scheme forming part of a bus priority corridor linking Walsall with the centre of Birmingham, Solihull and Birmingham Airport.

In Rail, work began on six new stations as part of an extension to the Northumberland Line for Northumberland County Council, and work continued to progress on the Network Rail Parsons Tunnel rockfall shelter extension in Devon. In addition, work completed (delivered in joint venture) on the Barking Riverside Extension project for Transport for London.

In Nuclear, work continued for Sellafield Ltd on the Infrastructure Strategic Alliance and the £1.6bn Programme and Project Partners contract, while in Water, work continued as part of the long-term AMP7 framework with Welsh Water.

In Energy, the division was awarded a place, in a joint venture, on Scottish & Southern Electricity Networks (SSEN)'s RIIO-2 framework with an initial term of five years, with an option for a two-year extension. The framework involves the construction, refurbishment and decommissioning of both overhead lines, underground cable systems and substations operating between 33kV to 400kV across SSEN's transmission network.

In the BakerHicks design business[1], Whitechapel Station was completed and opened to the public while projects underway included multi-disciplinary design on the new HMP Highland in Inverness for Scottish Prison Services.

The medium-term target for ***Infrastructure*** is an operating margin of between 3.5% and 4% per annum and revenue of £1bn. For the full year, based upon the current visible work mix and volumes through its existing frameworks for the rest of the year, it is expected that revenue will be lower than last year, however the margin is expected to be towards the top end of its target range, albeit lower than last year's very strong performance.

[1] *Design results are reported within Infrastructure*

Fit Out

	HY 2022 £m	HY 2021 £m	Change
Revenue	457	380	+20%
Operating profit	21.2	19.3	+10%
Operating margin	4.6%	5.1%	-50bps

Fit Out delivered another excellent result in the period, with significant growth in revenue and profit. Revenue increased by 20% to £457m (HY 2021: £380m), with operating profit up 10% to £21.2m (HY 2021: £19.3m). The operating margin was still a strong 4.6%, albeit lower than last year (HY 2021: 5.1%) as a result of contract mix and type.

The division's focus on consistent operational delivery and customer experience has again driven performance, complemented by a high-quality workload and disciplined and focused bidding.

Geographically, the London region remained the division's largest market, accounting for 62% of revenue (HY 2021: 54%) while other regions accounted for 38% of revenue (HY 2021: 46%).

There was no significant change to the market sectors served. The commercial office market remained the largest, contributing 78% of revenue (HY 2021: 73%), with government/local authority, higher education and retail banking accounting for the majority of the remainder.

In terms of type of work delivered in the period, 86% related to traditional fit out work (HY 2021: 80%), while 14% related to 'design and build' (HY 2021: 20%). The proportion of revenue generated from the fit out of existing office space increased slightly to 78% (HY 2021: 73%), with the fit out of new office space reducing to 22% (HY 2021: 27%). Of the fit out of existing office space, work was broadly split evenly between refurbishment 'in occupation' and non-occupied space. Again, this slight shift in revenue balance is not indicative of any long-term market trend.

The market for Fit Out remains strong, with a number of different factors driving demand; lease events and significant project requirements in the London commercial office market; carbon-driven planning restrictions for new buildings and energy efficiency of existing office space; and the re-purposing of office space in the wake of the pandemic to enable new ways of working. At the period end, the secured order book stood at £869m, an increase of 50% from the prior year position (HY 2021: £581m) and only slightly lower than the year end high position (FY 2021: £897m).

Of the secured order book, £394m (45%) relates to the second half of the year, which is 23% higher than the equivalent amount as at 30 June 2021 of £321m. In addition, with £475m of the current order book (55%) for 2023 and beyond, the division has significantly better long-term visibility of workload than in previous years. The comparable number at the same time last year was £260m, 45% lower. This advantageous position has been driven by the securing of a number of larger contracts which will generate revenue over a number of years.

Major projects continuing onsite during the period included; 366,000 sq ft of office space at Five Bank Street, Canary Wharf; 200,000 sq ft for BP in North Colonnade, Canary Wharf; 200,000 sq ft for BT in Bristol; the CAT 'A' fit out of 180,000 sq ft at Campus Reading, one of the largest office developments in the Thames Valley.

Projects won during the period included; the 57,000 sq ft CAT 'B' fit out for InterContinental Hotel Group in Windsor; the fit out of CBRE Investment Management's offices in London; the design and build fit out for Montagu Private Equity in London; and fit out projects for the BBC in Newcastle, the Cambridge Design Partnership in Cambridge and the Nottingham Central Library for Nottingham City Council. In the Education sector, significant projects won during the period included three projects for University College London, totalling £35m; the £8m fit out and refurbishment of Middlesex University's West Stand at StoneX Stadium and the fit out of the School of Health at Leeds Beckett University.

Delivered under frameworks and corporate partnerships, projects included; £25m of works carried out for The Mayor's Office for Policing and Crime (MOPAC) (with a future order book of £33m); a fit out of 60,000 sq ft for the University of Leicester via the Pagabo framework; and 19 projects won under the division's partnership for NatWest Group.

The medium-term target for Fit Out is for average annual operating profit through the cycle of £40m-£45m. Looking ahead to the second half, based upon the current order book and timing of delivery, a further very strong performance is expected and consequently, the division is expected to be materially ahead of the top end of this range in 2022.

Property Services

	HY 2022 £m	HY 2021 £m	Change
Revenue	76	69	+10%
Operating profit[1]	2.5	2.4	+4%
Operating margin[1]	3.3%	3.5%	-20bps

Property Services improved its performance in the period, with revenue increasing 10% to £76m (HY 2021: £69m) and operating profit[1] increasing 4% to £2.5m (HY 2021: £2.4m). Its operating margin was slightly lower at 3.3% (HY 2021: 3.5%).

The division remains focused 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. During the period, there have been continued delays to decision-making for some planned maintenance programmes, leading to lower volumes. In addition, margin has been impacted by the time lag between immediate labour inflationary pressures and the administration of contractual inflation-uplift mechanisms.

At the period end, the secured order book was £1,279m, up 31% from the prior year (HY 2021: £973m) and up 35% from the full year position (FY 2021: £945m). Of this total, over 80% is for 2024 and beyond.

Included in the secured order book are; a ten-year contract with South East housing association, Moat, to provide services to 11,500 homes across south east London, Kent, Essex and Sussex, worth over £200m and with the potential to be extended by a further five years; a £80m contract with Longhurst Group, maintaining 6,500 homes in their East region for up to ten-years; and a ten-year contract with Welwyn Hatfield Borough Council delivering maintenance and planned works for 9,500 homes, worth £120m. All three contracts will have mobilised and commenced operations by the end of the year.

The medium-term target for Property Services is to generate operating profit of £15m. With slightly higher revenue expected in the second half due to contract phasing and mobilisations, the division is on track to make progress towards this target in 2022.

[1] *before intangible amortisation of £0.9m (HY 2021: £0.7m)*

Partnership Housing

	HY 2022 £m	HY 2021 £m	Change
Revenue	284	270	+5%
Operating profit	13.9	12.1	+15%
Operating margin	4.9%	4.5%	+40bps
Average capital employed[1] (last 12 months)	179.0	158.3	+£20.7m
Capital employed[1] - at period end	190.9	146.3	+£44.6m
ROCE[2] (last 12 months)	20%	17%	

Partnership Housing made progress in the period, with revenue up 5% to £284m (HY 2021: £270m). Split by type of activity, ***Mixed-tenure*** revenue was 12% lower at £140m (49% of divisional revenue), however ***Contracting*** revenue (including planned maintenance and refurbishment) was up 30% to £144m (51% of divisional total) compared to the prior year.

In ***Mixed-tenure***, 755 units were completed across open market sales and social housing (including through its joint ventures) compared to 815 in the prior year period. The average sales price was £261k compared to the prior year average of £232k. In line with the division's strategy to increase the size of its mixed-tenure sites, there was an average of 169 open market units per site at the period end (up from 122 at the prior year period end) across a total of 49 mixed-tenure sites at various stages of construction and sales.

Operating profit of £13.9m was up 15% on the prior year (HY 2021: £12.1m). The increase in average selling price in ***Mixed-tenure*** helped to offset the impact of build cost inflation across both activities, with the operating margin increasing to 4.9% (HY 2021: 4.5%).

The secured order book at the period end was £1,633m, an increase of 10% on the prior year (HY 2021: £1,478m) and 9% higher than the year-end position (FY 2021: £1,498m). Of this total, the order book relating to the **Mixed-tenure** activities was up 9% on the prior year position and 1% lower than the year end at £980m (HY 2021: £896m, FY 2021: £992m). The **Contracting** secured order book increased to £653m, up 12% on the prior year (HY 2021: £582m) and up 29% on the year end (FY 2021: £506m). In terms of progressing with the delivery of the order book, the planning system has remained slow and has hindered the speed of progress on some of its developments. In particular, the guidance from Natural England to local authorities in relation to nutrient neutrality is taking time to work through and has added an additional layer of complexity and uncertainty to the planning process.

In mixed-tenure, work secured included; c£35m of work within the division's Compendium JV (joint venture with The Riverside Group) at Ings (Hull) and Castleward (in Derby); a 398 unit scheme in Queensferry, Edinburgh; and 156 units in Mayfield, Midlothian.

Key contracting schemes awarded in the period included; a £30m, 143 unit scheme at Barne Barton, Plymouth for Clarion; a £15m, 90 unit scheme for Saffron Housing Trust on the old Wymondham Rugby club site in South Norfolk; and the £20m, 124 unit Chartist Garden Village scheme for Pobl, the housing association based in Newport.

The capital employed at period end was £190.9m, an increase of £44.6m on the prior year (HY 2021: £146.3m) and £35.3m higher than at the year end (FY 2021: £155.6m), reflecting the significant amount of ongoing activity in the division. The average capital employed for the last 12-month period was £179.0m (HY 2021: £158.3m), resulting in an overall ROCE of 20% for the last 12-month period. Average capital employed for the full year is expected to be c£190m-£200m.

Partnership Housing's medium-term targets are to generate a return on average capital employed up towards 25% and to deliver an operating margin of 8% and looking ahead to the rest of the year, continued progress is expected towards these targets.

[1] *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)*
[2] *Return On Average Capital Employed = (Adjusted operating profit plus interest from JVs) divided by average capital employed*

Urban Regeneration

	HY 2022 £m	HY 2021 £m	Change
Revenue	126	68	+85%
Operating profit	7.3	8.7	-16%
Average capital employed[1] (last 12 months)	91.9	110.0	-£18.1m
Capital employed[1] at period end	99.4	96.6	+£2.8m
ROCE[2] (last 12 months)	12%	14%	
ROCE[2] (average last 3 years)	12%	15%	

Urban Regeneration delivered an operating profit of £7.3m in the period, a reduction of 16% on prior year (HY 2021: £8.7m), with a ROCE[2] for the last 12 months of 12% based on the average capital employed[1] of £91.9m.

During the period, there was further good progress made on the Lewisham Gateway, London, and New Victoria, Manchester, developments which were both subject to forward funding deals signed in 2020. Profits were also generated from the sale of 166 homes across the portfolio, including 115 sales at Atelier, Salford, delivered by The English Cities Fund (a joint venture with Legal & General and Homes England). Several other developments were active within The English Cities Fund including Four New Bailey, Salford, where a 20-year pre-let had been signed with BT for 175,000 sq ft of Grade A office space, and Phase 1 Manor Road Quarter, Canning Town, which will deliver 355 homes (177 affordable).

The operating result also included a provision of £7.0m to cover potential liabilities identified in relation to building safety. See separate section in Group Operating Review above. Adjusting for the impact of this provision, the ROCE[2] for the last 12 months would be 20%, which is more representative of the underlying performance of the division.

At the period end, the division's regeneration order book amounted to £2,235m, a reduction of 19% on the prior year period (HY 2021: £2,759m) and 13% lower than the year end (FY 2021: £2,574m). Activity levels remain good and there are a significant number of sizeable schemes currently being bid and any short/medium term reductions in the value of the order book are not indicative of any wider trends or concerns.

Capital employed[1] at the period end was £99.4m, £2.8m higher than the prior year (HY 2021: £96.6m), and £15.4m higher than the year end (FY 2021: £84.0m). Based upon the current profile and type of scheme activity across the portfolio, the average capital employed[1] for the full year is expected to be c£100m.

The medium-term target for Urban Regeneration is to increase its rolling three-year average ROCE[2] up towards 20%. Based upon the current profile of scheme completions throughout the second half, ROCE[2] is expected to improve, with progress made towards its target in the full year.

[1] *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)*
[2] *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 £2.3m, an increase of £0.6m compared to HY 2021.

	HY 2022 £m	HY 2021 £m	Change £m
Interest payable on drawings on bank facilities	-	-	-
Amortisation of bank fees & non-utilisation fees	(1.1)	(1.3)	0.2
Interest expense on lease liabilities	(1.0)	(0.7)	(0.3)
Interest from JVs	-	0.4	(0.4)
Other	(0.2)	(0.1)	(0.1)
Total net finance expense	**(2.3)**	**(1.7)**	**(0.6)**

2. Tax. A tax charge of £10.7m is shown for the period (HY 2021: £12.0m). This equates to an effective tax rate of 19.9% on profit before tax. The adjusted tax charge is £10.9m (HY 2021: £10.2m).

	HY 2022 £m	HY 2021 £m
Profit before tax	53.7	52.4
Less: share of net profit in joint ventures	(3.1)	(5.7)
Profit before tax excluding joint ventures	**50.6**	**46.7**
Statutory tax rate	19.0%	19.0%
Current tax charge at statutory rate	**(9.6)**	**(8.9)**
Tax on joint venture profits[1]	(0.6)	(1.0)
Effect of change in tax rate used to calculate deferred tax	-	(1.9)
Residential Property Developer Tax	(0.4)	-
Other adjustments	(0.1)	(0.2)
Tax charge as reported	**(10.7)**	**(12.0)**
Tax on amortisation	(0.2)	(0.1)
Effect of change in tax rate used to calculate deferred tax	-	1.9
Adjusted tax charge	**(10.9)**	**(10.2)**

[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.

	HY 2022 £m	HY 2021[3] £m	Change £m
Inventories	333.9	284.8	+49.1
Trade & Other Receivables[1]	574.4	479.9	+94.5
Trade & Other Payables[2]	(977.7)	(957.5)	-20.2
Net working capital	**(69.4)**	**(192.8)**	**+123.4**

[1] Adjusted to exclude capitalised arrangement fees of £0.6m (HY 2021: £0.9m) and accrued interest receivable of £0.1m (HY 2021: £nil)
[2] Adjusted to exclude accrued interest payable of £0.5m (HY 2021: £0.4m)
[3] Includes the restatement to correct an historic error – see Note 1 of the consolidated financial statements

4. Cash flow. The operating cash flow for the 12 months to 30 June 2022 was an inflow of £33.1m and a free cash inflow of £0.1m. For the half year period, there was an operating cash outflow of £40.4m (HY 2021: inflow of £44.1m).

	HY 2022 £m	HY 2021 £m	Last 12 months
Operating profit - adjusted	**56.9**	**54.8**	**133.4**
Depreciation	10.8	10.0	21.3
Share option expense	4.2	4.6	11.7
Movement in fair value of shared equity loans	-	-	1.9
Share of net loss/(profit) of joint ventures	(3.1)	(5.7)	(2.8)
Other operating items [1]	(12.3)	2.5	16.3
Change in working capital [2]	(84.7)	(13.2)	(124.2)
Net capital expenditure (including repayment of finance leases)	(12.2)	(9.3)	(24.7)
Dividends and interest received from joint ventures	-	0.4	0.2
Operating cash flow	**(40.4)**	**44.1**	**33.1**
Income taxes paid	(14.9)	(11.3)	(31.9)
Net interest paid (non-joint venture)	(0.4)	(1.0)	(1.1)
Free cash flow	**(55.7)**	**31.8**	**0.1**

[1] 'Other operating items' includes decrease in provisions (£12.7m) and gains on disposals (£0.9m), less shared equity redemptions (£1.0m) and impairment of investments (£0.3m)

[2] The cash flow due to change in working capital for the 12-month period excludes £0.8m of non-cash movements relating to the unwinding of discounting on land creditors and other non-cash working capital movements

5. Net cash. Net cash at the period end was £273.5m.

	£m
Net cash as at 1 January 2022	**358.0**
Free cash flow (as above)	(55.7)
Dividends	(28.3)
Other[1]	(0.5)
Net cash as at 30 June 2022	**273.5**

[1] 'Other' includes the purchase of shares in the Company by the employee benefit trust (£15.6m) less proceeds from the issue of new shares (£7.7m), proceeds from the disposal of investments (£0.6m), net loan receipts from joint ventures (£5.4m) and proceeds from the exercise of share options (£1.4m).

6. Capital employed by strategic activity. An analysis of the capital employed in the **Construction** activities shows an increase of £49.6m since the prior period, split as follows:

Capital employed[1] in Construction	HY 2022 £m	HY 2021[2] £m	Change £m
Construction & Infrastructure	(244.7)	(288.7)	+44.0
Fit Out	(80.0)	(68.5)	-11.5
Property Services	47.9	30.8	+17.1
	(276.8)	**(326.4)**	**+49.6**

An analysis of capital employed in the **Regeneration** activities shows an increase of £47.4m since the prior period, split as follows:

Capital employed in Regeneration	HY 2022 £m	HY 2021 £m	Change £m
Partnership Housing	190.9	146.3	+44.6
Urban Regeneration	99.4	96.6	+2.8
	290.3	**242.9**	**+47.4**

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 Includes the restatement to correct an historic error – see Note 1 of the consolidated financial statements

7. Dividends. The Board of Directors has proposed an interim dividend of 33.0p per share, an increase of 10% on the prior year interim dividend. This will be paid on 26 October 2022 to shareholders on the register at 7 October 2022. The ex-dividend date will be 6 October 2022.

8. Building Safety. See Note 12 'Contingent liabilities' in the financial statements

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 within the 2021 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). However, since compiling these the following additional matters should be noted when considering the Group's risk profile:

Conflict in Ukraine - Has exacerbated inflationary pressures and could impact business confidence later in the year. However, the Group's predominantly public sector and largely negotiated orderbook provides resilience.

Building Safety Act – The Group needs to ensure that its future buildings comply with the Act and that related issues in completed projects are identified, appropriate provisions made, and rectification strategies implemented.

Summary of principal risks as per 2021 Annual Report:

Economic change and uncertainty - There could be fewer or less profitable opportunities in the Group's chosen markets including a decline in construction activity caused by macroeconomic weakness and/or further UK lockdowns. Allocating resources and capital to declining markets or less attractive opportunities would reduce its profitability and cash generation.

*Exposure to UK housing marke*t - The UK housing sector is strongly influenced by government stimulus and consumer confidence. Inflationary pressures could challenge scheme viability, slowing down its secured order book conversion. If mortgage availability, affordability or consumer confidence is reduced, this could impact on demand, make existing schemes difficult to sell and future developments unviable, reducing profitability and tying up capital.

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

Climate change - Failure to protect the environment in which the Group works 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 the Group's ability to continue to trade or restrict its 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.

Poor contract selection and/or bidding - Failure to fully understand the risks on projects may lead the Group to accepting work outside its core competencies or for which the Group has insufficient resources, leading to poor delivery, a reduction in gross margin and ultimately result in reputational damage and loss of opportunities.

Poor project delivery (including changes to contracts and contract disputes) - Failure to meet client expectations could lead to disputes and 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.

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 2022

	Notes	**Six months to 30 June 2022 (unaudited) £m**	Six months to 30 June 2021 (unaudited) £m	Year ended 31 Dec 2021 (audited) £m
Revenue	2	**1,697.5**	1,558.6	3,212.8
Cost of sales		**(1,504.7)**	(1,383.0)	(2,830.0)
Gross profit		**192.8**	175.6	382.8
Administrative expenses		**(139.6)**	(126.5)	(258.3)
Share of net profit of joint ventures	7	**3.1**	5.7	5.4
Other gains and losses		**0.6**	-	1.4
Operating profit before amortisation of intangible assets		**56.9**	54.8	131.3
Amortisation of intangible assets		**(0.9)**	(0.7)	(1.5)
Operating profit		**56.0**	54.1	129.8
Finance income		**0.4**	0.4	0.6
Finance costs		**(2.7)**	(2.1)	(4.2)
Profit before tax		**53.7**	52.4	126.2
Tax	4	**(10.7)**	(12.0)	(28.3)
Profit for the period		**43.0**	40.4	97.9
Attributable to:				
Owners of the Company		**43.0**	40.4	97.9
Earnings per share				
Basic	6	**94.3p**	87.6p	212.4p
Diluted	6	**91.9p**	85.1p	204.4p

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 2022

	Six months to 30 June 2022 (unaudited) £m	Six months to 30 June 2021 (unaudited) £m	Year ended 31 Dec 2021 (audited) £m
Profit for the period	**43.0**	40.4	97.9
Items that may be reclassified subsequently to profit or loss:			
Gain/(loss) arising during the period on translation of investments in foreign operations	**0.8**	(0.5)	(0.2)
Other comprehensive income/(expense)	**0.8**	(0.5)	(0.2)
Total comprehensive income	**43.8**	39.9	97.7
Attributable to:			
Owners of the Company	**43.8**	39.9	97.7

Condensed consolidated statement of financial position
At 30 June 2022

	Notes	**30 June 2022 (unaudited) £m**	30 June 2021 (unaudited) *restated*[1] £m	31 Dec 2021 (audited) £m
Assets				
Goodwill and other intangible assets		**221.5**	222.2	221.9
Property, plant and equipment		**66.9**	62.7	66.6
Investment property		**0.8**	1.1	0.8
Investments in joint ventures	7	**91.8**	95.4	94.1
Shared equity loan receivables		**-**	4.4	-
Non-current assets		**381.0**	385.8	383.4
Inventories		**333.9**	284.8	288.5
Contract assets		**281.5**	213.5	232.6
Trade and other receivables	8	**293.6**	267.3	328.3
Current tax assets		**8.9**	0.2	4.7
Shared equity loan receivables		**0.5**	-	1.5
Cash and cash equivalents	9	**352.3**	414.2	468.6
Current assets		**1,270.7**	1,180.0	1,324.2
Total assets		**1,651.7**	1,565.8	1,707.6
Liabilities				
Contract liabilities		**(70.3)**	(53.9)	(78.5)
Trade and other payables	10	**(878.2)**	(904.0)	(891.4)
Lease liabilities		**(14.2)**	(12.1)	(13.4)
Borrowings	9	**(78.4)**	(76.7)	(110.2)
Provisions	11	**(18.2)**	(3.4)	(33.4)
Current liabilities		**(1,059.3)**	(1,050.1)	(1,126.9)
Net current assets		**211.4**	129.9	197.3
Trade and other payables	10	**(29.7)**	-	(32.6)
Lease liabilities		**(38.3)**	(37.8)	(39.4)
Borrowings	9	**(0.4)**	(0.4)	(0.4)
Retirement benefit obligation		**(0.2)**	(0.2)	(0.2)
Deferred tax liabilities		**(10.0)**	(14.4)	(10.0)
Provisions	11	**(26.4)**	(27.5)	(23.9)
Non-current liabilities		**(105.0)**	(80.3)	(106.5)
Total liabilities		**(1,164.3)**	(1,130.4)	(1,233.4)
Net assets		**487.4**	435.4	474.2
Equity				
Share capital		**2.4**	2.3	2.3
Share premium account		**53.4**	45.6	45.8
Other reserves		**(0.2)**	(1.3)	(1.0)
Retained earnings		**431.8**	388.8	427.1
Equity attributable to owners of the Company		**487.4**	435.4	474.2
Total equity		**487.4**	435.4	474.2

[1]The prior period balances for Trade and other payables and Retained earnings have been restated as described in the basis of preparation, along with their respective totals.

Condensed consolidated cash flow statement
For the six months ended 30 June 2022

	Notes	**Six months to 30 June 2022 (unaudited) £m**	Six months to 30 June 2021 (unaudited) £m	Year ended 31 Dec 2021 (audited) £m
Operating activities				
Operating profit		**56.0**	54.1	129.8
Adjusted for:				
Amortisation of intangible assets		**0.9**	0.7	1.5
Share of net profit of equity accounted joint ventures	7	**(3.1)**	(5.7)	(5.4)
Depreciation		**10.8**	10.0	20.5
Share option expense		**4.2**	4.6	12.1
Gain on disposal of investments		**(0.6)**	-	-
Gain on disposal of property, plant and equipment		**(0.3)**	(0.2)	(0.5)
Movement in fair value of shared equity loan receivables		**-**	-	1.9
Impairment of investments		**0.3**	-	1.2
Proceeds on disposal of investment properties		**-**	1.6	1.9
Repayment of shared equity loan receivables		**1.0**	1.1	2.1
(Decrease)/increase in provisions	11	**(12.7)**	-	26.4
Operating cash inflow before movements in working capital		**56.5**	66.2	191.5
(Increase)/decrease in inventories		**(45.7)**	9.4	5.7
Increase in contract assets		**(48.9)**	(41.7)	(60.8)
Decrease/(increase) in receivables		**34.4**	(33.0)	(94.0)
(Decrease)/increase in contract liabilities		**(8.2)**	(1.7)	22.9
(Decrease)/increase in payables		**(16.3)**	53.8	73.5
Movements in working capital		**(84.7)**	(13.2)	(52.7)
Cash (outflow)/inflow from operations		**(28.2)**	53.0	138.8
Income taxes paid		**(14.9)**	(11.3)	(28.3)
Net cash (outflow)/inflow from operating activities		**(43.1)**	41.7	110.5
Investing activities				
Interest received		**0.3**	0.4	0.6
Proceeds on disposal of property, plant and equipment		**0.3**	0.6	1.4
Purchases of property, plant and equipment		**(3.9)**	(1.7)	(6.7)
Purchases of intangible fixed assets		**(0.5)**	(0.8)	(1.3)
Net decrease in loans to joint ventures	7	**5.4**	1.7	1.5
Proceeds from the disposal of investments		**0.6**	-	-
Net cash inflow/(outflow) from investing activities		**2.2**	0.2	(4.5)
Financing activities				
Interest paid		**(0.7)**	(1.0)	(1.7)
Dividends paid	5	**(28.3)**	(18.5)	(32.3)
Repayments of lease liabilities		**(8.1)**	(7.4)	(15.2)
Proceeds on issue of share capital		**7.7**	0.1	0.3
Payments by the Trust to acquire shares in the Company		**(15.6)**	(12.3)	(33.6)
Proceeds on exercise of share options		**1.4**	1.5	1.7
Net cash outflow from financing activities		**(43.6)**	(37.6)	(80.8)
Net (decrease)/increase in cash and cash equivalents		**(84.5)**	4.3	25.2

Cash and cash equivalents at the beginning of the period		**358.4**	333.2	333.2
Cash and cash equivalents at the end of the period	9	**273.9**	337.5	358.4

Cash and cash equivalents presented in the consolidated cash flow statement include bank overdrafts. See note 9 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 2022

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total equity £m
1 January 2022	2.3	45.8	(1.0)	427.1	474.2
Profit for the period	-	-	-	43.0	43.0
Other comprehensive income	-	-	0.8	-	0.8
Total comprehensive income	-	-	0.8	43.0	43.8
Share option expense	-	-	-	4.2	4.2
Issue of shares at a premium	0.1	7.6	-	-	7.7
Exercise of share options	-	-	-	1.4	1.4
Purchase of shares in the Company by the Trust	-	-	-	(15.6)	(15.6)
Dividends paid	-	-	-	(28.3)	(28.3)
30 June 2022 (unaudited)	**2.4**	**53.4**	**(0.2)**	**431.8**	**487.4**

	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
Adjustment for correction of an historic error (see basis of preparation)	-	-	-	(9.9)	(9.9)
1 January 2021 (restated)	2.3	45.5	(0.8)	373.1	420.1
Profit for the period	-	-	-	40.4	40.4
Other comprehensive expense	-	-	(0.5)	-	(0.5)
Total comprehensive (expense)/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)	388.8	435.4

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total equity £m
1 January 2021 (restated)	2.3	45.5	(0.8)	373.1	420.1
Profit for the year	-	-	-	97.9	97.9
Other comprehensive expense	-	-	(0.2)	-	(0.2)
Total comprehensive (expense)/income	-	-	(0.2)	97.9	97.7
Share option expense	-	-	-	12.1	12.1
Tax relating to share option expense	-	-	-	8.2	8.2
Issue of shares at a premium	-	0.3	-	-	0.3
Exercise of share options	-	-	-	1.7	1.7
Purchase of shares in the Company by the Trust	-	-	-	(33.6)	(33.6)
Dividends paid	-	-	-	(32.3)	(32.3)
31 December 2021 (audited)	2.3	45.8	(1.0)	427.1	474.2

Other reserves
Other reserves include:

- Capital redemption reserve of £0.6m (30 June 2021: £0.6m, 31 December 2021: £0.6m) which was created on the redemption of preference shares in 2003.
- Hedging reserve of (£0.8m) (30 June 2021: (£1.0m), 31 December 2021: (£0.8m)) arising under cash flow 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 nil (30 June 2021: (£0.9m), 31 December 2021: (£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 to satisfy options under the Group's share incentive schemes. The number of shares held by the Trust at 30 June 2022 was 1,157,029 (30 June 2021: 271,678, 31 December 2021: 1,051,664) with a cost of £26.6m (30 June 2021: £6.3m, 31 December 2021: £25.3m).

1 Basis of preparation

General information

The financial information for the year ended 31 December 2021 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 2022 and 2021 and for the six months ended 30 June 2022 and 2021 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 (UK IAS). The condensed consolidated financial statements included in this half year report were prepared in accordance with 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 IAS, this half year report does not itself contain sufficient information to comply with UK IAS.

Going concern

As at 30 June 2022, the Group had cash of £352.3m and total loans and borrowings of £78.8m, including £78.4m of overdrafts repayable on demand (together net cash of £273.5m). 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 going concern period, which the directors have defined as the period from the date of approval of the 30 June 2022 financial statements through to 4 August 2023. 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 going concern period to 4 August 2023. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Tax

A tax charge of £10.7m is shown for the six-month period (six months to 30 June 2021: £12.0m, year ended 31 December 2021: £28.3m). 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 2021.

Correction of an historic error

On 27 July 2007 the Group acquired Amec Developments Limited and certain assets and businesses carried on by Amec Investments Limited and the assets, liabilities and contracts relating to the Design and Project Services ('DPS') division of Amec plc, save for certain excluded assets and liabilities (together 'Amec').

A difference was identified relating to the acquired business of Amec. This error was an historic unsubstantiated asset of £9.9m that continued to be recorded on the consolidated statement of financial position in accrued expenses within Trade and other payables. The error was corrected as at 31 December 2021 by restating each of the affected financial statements line items for the prior periods and this effected the prior year comparative for 30 June 2021 as follows:

Impact on equity ((decrease) in equity)

	30 June 2021
	£m
Trade and other payables	9.9
Total liabilities	**9.9**
Net impact on equity	**(9.9)**

The change has no impact on the consolidated income statement, consolidated statement of comprehensive income, basic and diluted earnings per share or the Group's operating, investing and financing cash flows for each period presented. In accordance with IAS 1, a restated balance sheet at 30 June 2021 has been presented.

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

2 Revenue

An analysis of the Group's revenue is as follows:

	Six months to 30 June 2022	Six months to 30 June 2021	Year ended 31 Dec 2021
	£m	£m	£m
Construction	**392.2**	338.6	693.5
Infrastructure and design	**372.1**	435.4	826.1
Construction and Infrastructure	**764.3**	774.0	1,519.6
Traditional fit out	**392.6**	303.3	634.7
Design and build	**64.4**	77.1	160.7
Fit Out	**457.0**	380.4	795.4
Property Services	**75.9**	69.4	133.8
Contracting	**144.3**	111.1	249.2
Mixed tenure	**139.4**	158.9	323.0
Partnership Housing	**283.7**	270.0	572.2
Urban Regeneration	**126.1**	68.0	202.5
Inter-segment revenue	**(9.5)**	(3.2)	(10.7)
Total revenue	**1,697.5**	1,558.6	3,212.8

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, and this is the structure of segment information reviewed by the Chief Operating Decision Maker (CODM). The divisions' activities are as follows:

- Construction & Infrastructure: Morgan Sindall Construction & Infrastructure Ltd provides construction services in the education, healthcare, commercial, defence, industrial, leisure and retail markets and delivers infrastructure projects in the highways, rail, energy, water and nuclear markets. Infrastructure also includes the BakerHicks Limited design activities based in the UK and Switzerland.
- Fit Out: Overbury plc specialises in fit out and refurbishment in commercial, central and local government offices, as well as further education. Morgan Lovell plc provides office interior design and build services direct to occupiers.
- Property Services: Morgan Sindall Property Services Limited provides responsive repairs and planned maintenance for social housing and the wider public sector.
- Partnership Housing: Lovell Partnerships Limited works in partnerships with local authorities and housing associations. Activities include mixed-tenure developments, building and developing homes or open market sale and for social/affordable rent, design and build house contracting and planned maintenance and refurbishment.
- Urban Regeneration: Muse Developments Limited focuses on transforming the urban landscape through partnership working and the development of multi-phase sites and mixed-use regeneration.

Group Activities represent 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, information technology services, interest revenue and interest expense.

Adjusted Performance Measures
The divisions are the basis on which the Group reports its segmental information as presented. In addition to monitoring and reviewing the financial performance of the operating segments and the Group on a statutory basis, management also use adjusted performance measures. These measures are not an alternative or substitute to statutory IFRS measures but are seen by management as useful in assessing the performance of the business on a comparable basis. These financial measures are also aligned to the measures used internally to assess business performance in the Group's budgeting process and when determining compensation. The Group also uses other non-statutory measures which cannot be derived directly from the financial statements. There are four alternative performance measures used by management which are referred to in the disclosure of the results for the 6 months ended 30 June 2022, which are:

'Adjusted'	In all cases the term 'adjusted' excludes the impact of intangible amortisation of £0.9m (six months to 30 June 2021: £0.7m, year ended 31 December 2021: £1.5m). This is used to improve the comparability of information between reporting periods and aid the reader's understanding of the activities across the Group's portfolio. The below segmental analysis reconciles the statutory operating profit measure to the 'adjusted' measure and is used in reviewing the segmental performance. Adjusted profit before tax is used only in monitoring the Group's performance which is the statutory measure excluding the impact of intangible amortisation of £0.9m (six months to 30 June 2021: £0.7m, year ended 31 December 2021: £1.5m). Adjusted basic earnings per share and adjusted diluted earnings per share is the statutory measure excluding the post-tax impact of intangible amortisation of £0.7m (six months to 30 June 2021: £0.6m, year ended 31 December 2021: £1.2m) and the deferred tax charge arising due to changes in UK corporation tax rates of £nil (six months to 30 June 2021: £1.9m, year ended 31 December 2021: £5.1m). See note 6 for a detailed reconciliation of the adjusted EPS measures.

'Net cash'	Net cash is defined as cash and cash equivalents less borrowings and non-recourse project financing. Lease liabilities are not deducted from net cash. A reconciliation of this number at the reporting date can be found in note 9. In addition, management monitor and review average daily net cash as good discipline in managing capital. Average daily net cash is defined as the average of the end of day balances of the net cash over the course of the reporting period.
'Operating cashflow'	Management use an adjusted measure for operating cashflow as it encompasses other cashflows that are key to the ongoing operations of the Group such as repayments of lease liabilities, investment in property, plant and equipment, investment in intangible assets, and returns from equity accounted joint ventures. The figures can be derived from the consolidated cash flow statement being: Cash outflow from operations (£28.2m) plus repayments of lease liabilities (£8.1m), purchase of property, plant and equipment (£3.9m), and purchase of intangible assets (£0.5m) less dividend from joint ventures (£nil), interest received from joint ventures (£nil) and proceeds from the disposal of property, plant and equipment (£0.3m). Operating cash flow conversion is operating cashflow as defined above divided by adjusted operating profit as defined above.
'Return on capital employed'	Management use return on capital employed (ROCE) in assessing the performance and efficient use of capital within the Regeneration activities. ROCE is calculated as adjusted operating profit plus interest received from joint ventures divided by average capital employed. Average capital employed is the 12-month average of total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding corporation tax, deferred tax, intercompany financing and overdrafts).

Notes to the condensed consolidated financial statements
For the six months ended 30 June 2022

The Group reports its segmental information as presented below:

Six months to 30 June 2022

	Construction & Infrastructure	**Fit Out**	**Property Services**	**Partnership Housing**	**Urban Regeneration**	**Group Activities**	**Eliminations**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
External revenue	**754.8**	**457.0**	**75.9**	**283.7**	**126.1**	**-**	**-**	**1,697.5**
Inter-segment revenue	**9.5**		**-**		**-**	**-**	**(9.5)**	**-**
Total revenue	**764.3**	**457.0**	**75.9**	**283.7**	**126.1**	**-**	**(9.5)**	**1,697.5**
Operating profit/(loss) before amortisation of intangible assets	**24.1**	**21.2**	**2.5**	**13.9**	**7.3**	**(12.1)**	**-**	**56.9**
Amortisation of intangible assets	**-**	**-**	**(0.9)**	**-**	**-**	**-**	**-**	**(0.9)**
Operating profit/(loss)	**24.1**	**21.2**	**1.6**	**13.9**	**7.3**	**(12.1)**	**-**	**56.0**
Finance income								**0.4**
Finance expense								**(2.7)**
Profit before tax								**53.7**

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	770.9	380.3	69.4	270.0	68.0	-	-	1,558.6
Inter-segment revenue	3.1	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
Finance income								0.4
Finance expense								(2.1)
Profit before tax								52.4

Year ended 31 December 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	1,509.0	795.3	133.8	572.2	202.5	-	-	3,212.8
Inter-segment revenue	10.6	0.1	-	-	-	-	(10.7)	-
Total revenue	1,519.6	795.4	133.8	572.2	202.5	-	(10.7)	3,212.8
Operating profit/(loss) before amortisation of intangible assets	58.1	44.2	4.1	33.2	12.1	(20.4)	-	131.3
Amortisation of intangible assets	-	-	(1.5)	-	-	-	-	(1.5)
Operating profit/(loss)	58.1	44.2	2.6	33.2	12.1	(20.4)	-	129.8
Finance income								0.6
Finance expense								(4.2)
Profit before tax								126.2

During the period ended 30 June 2022, the period ended 30 June 2021 and the year ended 31 December 2021, inter-segment sales were charged at prevailing market prices and significantly all of the Group's operations were carried out in the UK.

4 Tax

The effective tax rate applied for the period was 19.9% (six months to 30 June 2021: 22.9%, year ended 31 December 2021: 22.4%). This reflects the anticipated full year effective rate before adjusting items, as amended for the tax effect of adjusting items incurred in the first half of the financial year. This is higher than the statutory rate of 19.0% mainly due to the expected liability arising from Residential Property Developer Tax ("RPDT") which applies from 2022.

Deferred tax has been measured using the enacted rates that are expected to apply to the period in which each asset or liability is expected to unwind. In 2021, the effective tax rate included the effect of increases in deferred tax liabilities arising due to the announcement of the increase to the rate of UK statutory tax from 19% to 25% from 1 April 2023.

The adjusted effective tax rate for the period was 20.0% (six months to 30 June 2021: 19.2%, year ended 31 December 2021: 18.4%) with the difference between the reported and adjusted rates reflecting adjustments to exclude the impact of the amortisation of intangibles and the effect of the change in tax rate used to calculate deferred tax.

5 Dividends

Amounts recognised as distributions to equity holders in the period:

	Six months to 30 June 2022 £m	Six months to 30 June 2021 £m	Year ended 31 Dec 2021 £m
Final dividend for the year ended 31 December 2021 of 62.0p per share	**28.3**	-	-
Final dividend for the year ended 31 December 2020 of 40.0p per share	**-**	18.5	18.5
Interim dividend for the year ended 31 December 2021 of 30.0p per share	**-**	-	13.8
	28.3	18.5	32.3

A proposed interim dividend of 33.0p per share for 2022 was approved by the Board on 4 August 2022 and will be paid on 26 October 2022 to shareholders on the register at 7 October 2022. The ex-dividend date is 6 October 2022.

6 Earnings per share

	Six months to 30 June 2022 £m	Six months to 30 June 2021 £m	Year ended 31 Dec 2021 £m
Profit attributable to the owners of the Company	**43.0**	40.4	97.9
Adjustments:			
Amortisation of intangible assets net of tax	**0.7**	0.6	1.2
Deferred tax charge arising due to change in UK corporation tax rates	**-**	1.9	5.1
Adjusted earnings	**43.7**	42.9	104.2

Basic weighted average ordinary shares (m)	**45.6**	46.1	46.1
Dilutive effect of share options and conditional shares not vested (m)	**1.2**	1.4	1.8
Diluted weighted average ordinary shares (m)	**46.8**	47.5	47.9

Basic earnings per share	**94.3p**	87.6p	212.4p
Diluted earnings per share	**91.9p**	85.1p	204.4p
Adjusted earnings per share	**95.8p**	93.1p	226.0p
Diluted adjusted earnings per share	**93.4p**	90.3p	217.5p

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 average share price for the period was £21.77 (30 June 2021: £18.76, 31 December 2021: £21.39).

A total of 712,103 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 2022 (30 June 2021: 2,497,229, 31 December 2021: 865,271).

7 Investments in joint ventures

Investments in equity accounted joint ventures are as follows:

	Six months to 30 June 2022	Six months to 30 June 2021	Year ended 31 Dec 2021
	£m	£m	£m
1 January	**94.1**	91.4	91.4
Equity accounted share of net profits	**3.1**	5.7	5.4
Loans advanced to joint ventures	**10.9**	16.0	28.1
Loans repaid to joint ventures	**(16.3)**	(17.7)	(29.6)
Non-cash impairment	-	-	(1.2)
End of period	**91.8**	95.4	94.1

8 Trade and other receivables

	30 June 2022	30 June 2021	31 Dec 2021
	£m	£m	£m
Trade receivables	**232.6**	219.5	250.2
Amounts owed by joint ventures	**0.4**	0.3	13.5
Prepayments	**20.2**	22.4	13.2
Insurance receivables	**10.9**	-	30.4
Other receivables	**29.5**	25.1	21.0
	293.6	267.3	328.3

The Group holds third party insurances that may mitigate the contract and legal liabilities described in note 11 - Provisions. Insurance receivables are recognised when reimbursement from insurers is virtually certain.

9 Net cash

	30 June 2022	30 June 2021	31 Dec 2021
	£m	£m	£m
Cash and cash equivalents	**352.3**	414.2	468.6
Bank overdrafts presented as borrowings due within one year	**(78.4)**	(76.7)	(110.2)
Cash and cash equivalents reported in the consolidated cash flow statement	**273.9**	337.5	358.4
Borrowings due between two and five years	**(0.4)**	(0.4)	(0.4)
Net cash	**273.5**	337.1	358.0

Included within cash and cash equivalents is £50.1m which is the Group's share of cash held within jointly controlled operations (30 June 2021: £61.3m, 31 December 2021: £55.7m). There is £8.6m included within cash and cash equivalents held for future payments to designated suppliers (30 June 2021: £8.0m, 31 December 2021: £6.4m).

The Group has £180m of committed loan facilities maturing more than one year from the balance sheet date, of which £15m matures in March 2024 and £165m in October 2024. These facilities are undrawn at 30 June 2022. The Group has a further facility of £0.4m that was drawn down in full during 2021 and the six-month period to 30 June 2022, and matures in July 2025.

10 Trade and other payables

	30 June 2022	30 June 2021 *restated*[1]	31 Dec 2021
	£m	£m	£m
Trade payables	**191.3**	172.9	157.6
Amounts owed to joint ventures	**0.2**	0.2	0.2
Other tax and social security	**83.5**	97.4	107.5
Accrued expenses	**581.4**	600.3	602.7
Deferred income	**2.8**	15.4	8.9
Other payables	**19.0**	17.8	14.5
Current	**878.2**	904.0	891.4
Other payables	**29.7**	-	32.6
Non-current	**29.7**	-	32.6

[1] The prior period balances for Accrued expenses within Trade and other payables have been restated as described in note 1 - Basis of preparation, along with their respective totals.

11 Provisions

	Self-insurance	Contract & legal	Other	Total
	£m	£m	£m	£m
1 January 2021	22.8	-	8.1	30.9
Utilised	(0.4)	-	(2.0)	(2.4)
Additions	3.0	-	-	3.0
Released	-	-	(0.6)	(0.6)
30 June 2021	**25.4**	**-**	**5.5**	**30.9**
Utilised	(1.2)	-	(3.0)	(4.2)
Additions	1.5	22.7	0.2	24.4
Reclassifications[1]	-	10.7	-	10.7
Released	(4.5)	-	-	(4.5)
1 January 2022	**21.2**	**33.4**	**2.7**	**57.3**
Utilised	(0.7)	-	-	(0.7)
Additions	3.1	8.9	0.6	12.6
Released	-	(24.1)	(0.5)	(24.6)
30 June 2022	**23.6**	**18.2**	**2.8**	**44.6**
Current	-	18.2	-	18.2
Non-current	23.6	-	2.8	26.4
30 June 2022	**23.6**	**18.2**	**2.8**	**44.6**

[1] A number of items previously presented as accruals were reclassified to provisions in the prior year.

Self-insurance provisions

Self-insurance provisions comprise the Group's self-insurance of certain risks and include £11.1m (30 June 2021: £13.5m, 31 December 2021: £10.8m) held in the Group's captive insurance company, Newman Insurance Company Limited.

The Group makes provisions in respect of specific types of claims incurred but not reported (IBNR). The valuation of IBNR considers past claims experience and the risk profile of the Group. These are reviewed periodically and are intended to provide a best estimate of the most likely or expected outcome.

Contract and legal provisions
Contract and legal provisions include liabilities, loss provisions, defect and warranty provisions on contracts that have reached completion.

The Group also holds third party insurances that may mitigate the liabilities. Third party insurance reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. See note 8 for details of mitigating insurance assets recognised at the period end.

Other provisions
Other provisions include property dilapidations and other personnel related provisions.

The majority of the provisions are expected to be utilised within 10 years.

12 Contingent liabilities

Building Safety

The new Building Safety Act received Royal Assent on 28 April 2022.

The main implication for the Group is the extension to the limitation period to bring claims relating to construction under the Defective Premises Act to a retrospective 30-year period. Partnership Housing and Urban Regeneration are the divisions in the Group most directly impacted by this new legislation.

In addition, following the announcement by the Secretary of State for the Department of Levelling Up, Housing and Communities ("DLUHC") on Building Safety on 10 January and following the subsequent discussions coordinated by the Home Builders Federation ("HBF") acting on behalf of its members, Partnership Housing signed the Developer Pledge Letter ("the Pledge") on 4 April 2022 which sets out the principles under which life-critical fire-safety issues on buildings that they have developed of 11 metres and above are to be remediated. The requirements under the final contract formalising the commitment with the Government are still being finalised through coordination with the HBF.

The costs arising across the Group in relation to general fire safety and the provisions of the new Building Safety Act have been charged through trading results of the relevant division in the ordinary course. These costs are not expected to be material to the Group and will likely span a number of years.

In Urban Regeneration, a comprehensive review of historic developments covering the extended limitation period under the new Building Safety Act and any potential liabilities arising therefrom is ongoing. In the Half Year, a provision of £7.0m has been charged through its trading results in the ordinary course to cover such identified liabilities to date.

The discussions referred to above between DLUHC and HBF regarding the Pledge were restricted to a specific market sector and included only Partnership Housing from within the Group. Subsequent to the period end, on 18 July 2022, a letter was received from DLUHC requesting information to assess whether it may be appropriate for Urban Regeneration to also commit to the principles of the Pledge as part of its commitment to support the remediation of historic cladding and fire safety defects over and above its obligations under the new Building Safety Act.

One of the significant differences in respect of the Pledge over and above the obligations of the Building Safety Act is the requirement for the immediate re-imbursement of grants provided by the Building Safety Fund ("BSF") on developments where such claims had already been made and were being/had been rectified.

In addition is the requirement to identify buildings that are proposed to be remediated with funds from BSF and take over, fund and complete these works as quickly as possible.

In most cases for Urban Regeneration (as is usual for a mixed-use developer), contractual coverage and other remedies to recover such costs are in place. However, because income from these other third parties cannot be recognised until it is virtually certain to be received, it is expected that the expense of reimbursing the BSF or of funding works which would be proposed to be remediated by the BSF will be required to be recognised in an earlier period than the income recovering these costs. On this basis and although the review remains ongoing, the initial assessment of the charge to the Group should Urban Regeneration also take on the obligations of the principles of the Pledge, is in the range of £40m-£50m.

In this event, due to the nature and materiality of this item, it is intended that the expenses related to the Pledge for both Urban Regeneration and Partnership Housing would be shown separately as an exceptional 'Developer's Pledge' provision/expense and adjusted for when reporting the Group's adjusted (underlying) trading performance.

Subsequent income received for recoveries from third parties would similarly be presented separately as exceptional 'Developer's Pledge' income.

13 Subsequent events

The only significant subsequent event was the receipt of the letter from DLUHC by Urban Regeneration on 18 July 2022 as described in note 12 'Contingent liabilities'. This was considered a non-adjusting subsequent event in the financial statements for the six months ended 30 June 2022.

The directors confirm that to the best of their knowledge:

- the unaudited condensed consolidated financial statements, which have been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting', 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 2022 and is signed on its behalf by:

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