22 February 2024

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

The Construction & Regeneration Group

RESULTS FOR THE FULL YEAR (FY) ENDED 31 DECEMBER 2023

Record full year performance reflecting strength and depth of Group's operations

	FY 2023	FY 2022	Change
Revenue	£4,118m	£3,612m	+14%
Operating profit – adjusted[1]	£141.3m	£139.2m	+2%
Profit before tax – adjusted[1]	£144.6m	£136.2m	+6%
Earnings per share – adjusted[1]	247.7p	237.9p	+4%
Net cash at year end	£461m	£355m	+£106m
Total dividend per share	114p	101p	+13%
Operating profit - reported	£140.6m	£88.3m	+59%
Profit before tax – reported	£143.9m	£85.3m	+69%
Basic earnings per share – reported	254.2p	132.7p	+92%

[1] 'Adjusted' is defined as before intangible amortisation of £2.9m and exceptional building safety credit of £2.2m (FY 2022: before intangible amortisation of £2.0m and exceptional building safety charge of £48.9m)

FY 2023 Summary:

- **Strong revenue growth delivers record results**
  - Revenue up 14% to £4.1bn
  - Adjusted profit before tax up 6% to £144.6m
- **Continued balance sheet strength**
  - Net cash of £461m (FY 2022: £355m)
  - Average daily net cash of £282m (FY 2022: £256m), slightly ahead of previous guidance
- **High quality and growing secured order book**
  - Order book of £8.9bn, up 5% on prior year (FY 2022: £8.5bn)
- **Total dividend up 13% to 114p per share**
- **Continued leadership in sustainability**
  - MSCI 'AAA' rating retained again for Group's ESG performance
  - CDP 'A' rating retained again for Group's leadership on climate change

- **Divisional highlights**
  - Continued market-leading performance from ***Fit Out***; operating profit up 38% to £71.8m (FY 2022: £52.2m) with revenue up 14% to £1,105m (FY 2022: £967m) and operating margin of 6.5% (FY 2022: 5.4%)
  - Good performance from ***Construction***; revenue up 18% to £967m (FY 2022*: £820m) at an operating margin of 2.7%. (FY 2022*: 2.8%). Operating profit[1] up 15% to £25.9m (FY 2022: £22.6m)
  - Strong profit and margin growth from ***Infrastructure***; operating profit up 31% to £38.5m (FY 2022: £29.5m), with revenue up 15% to £887m (FY 2022*: £768m) at an operating margin of 4.3% (FY 2022*: 3.8%)
  - Cost pressures and ongoing operational challenges impact ***Property Services***; operating loss[1] of £16.8m (FY 2022: operating profit £4.3m). Remediation programme on track to return to profit in 2025
  - Robust performance from ***Partnership Housing*** against challenging market conditions; revenue up 20% to £838m (FY 2022: £696m), with operating profit[1] 18% lower at £30.5m (FY 2022: £37.4m) and average capital employed over the year of £255m (FY 2022: £197m)
  - Progress made on long-term regeneration schemes in ***Urban Regeneration***; operating profit[1] of £14.8m (FY 2022: £18.9m) and average capital employed over the year of £99m (FY 2022: £97m)

** Prior year comparatives adjusted for revised business segments*
[1] 'Adjusted before intangible amortisation of £2.9m and exceptional building safety net credit of £2.2m

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

"2023 was another record year for the Group and these strong results reflect the high quality of our operations and the talent and commitment of our people.

Despite facing market headwinds in the year and the disappointing losses in Property Services, the diversified nature of our operations and capabilities has allowed us to continue to make significant strategic and operational progress. In addition, our focus on positive cash flow together with our strong balance sheet has positioned us well to benefit over the long term from the opportunities available in our markets.

Looking ahead, while there remains some uncertainty in the wider economy, reducing inflation and the prospect of lower interest rates provides a backdrop of confidence for the year ahead. Together with our high-quality and growing order book spread across a wide number of sectors covering the built environment, we are well-positioned for the future and on track to deliver a result for 2024 which is in line with our current expectations."

Enquiries

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Presentation

- There will be an analyst and investor presentation at 09.00am at Deutsche Numis, 45 Gresham Street, London EC2V 7BF on 22 February 2024. Coffee and registration will be from 08.30am.
- A copy of these results is available at: www.morgansindall.com
- The presentation will be available via live webcast from 09.00am on 22 February 2024 at www.morgansindall.com.

Note to Editors

Morgan Sindall Group

Morgan Sindall Group plc is a leading UK Construction & Regeneration group with annual revenue of £4.1bn, employing around 7,700 employees and operating in the public, regulated and private sectors. It reports through six 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 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 which support the UK's current and future regeneration and affordable housing needs.

Through both its Construction and Infrastructure divisions, the Group is also well positioned to meet the demand for ongoing investment in the UK's physical 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 six reporting divisions as follows:

Construction activities comprise the following operations:

- ***Construction***: Focused on the education, healthcare, commercial, industrial, leisure and retail markets
- ***Infrastructure***: Focused on the highways, rail, energy, nuclear and water markets. It 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

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, however 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 £2.9m and of the exceptional building safety credit of £2.2m. *For FY 2022, 'adjusted' excluded the impact of intangible amortisation of £2.0m and of the exceptional building safety charge of £48.9m.*

Group Operating Review

Summary Group financial results

The Group delivered a strong performance in 2023 against a difficult market backdrop. The results were another record for the Group and reflected the strength and breadth of the Group's operations and the talent and commitment of its people.

Group revenue increased by 14% up to £4,118m (FY 2022: £3,612m), while adjusted operating profit increased 2% to £141.3m (FY 2022: £139.2m). Adjusted operating margin was 3.4%, 50bps lower than the prior year (FY 2022: 3.9%).

The Group benefited from higher interest rates on its cash balances compared to the prior year period, with a net finance income of £3.3m (FY 2022: expense of £3.0m) resulting in adjusted profit before tax of £144.6m, up 6% (FY 2022: £136.2m).

An exceptional Building Safety credit of £2.2m was recognised in the year compared to a charge of £48.9m in the prior year. The credit arose as a result of a better estimate of expected costs and recoveries and this movement was the main driver of the 69% increase in the statutory profit before tax to £143.9m (FY 2022: £85.3m).

The adjusted tax charge for the period was £29.9m (statutory tax charge of £26.2m), an effective rate of 20.7% on adjusted profit before tax. This was lower than the UK statutory rate for the year of 23.5% primarily due to a number of items relating to prior years.

The adjusted earnings per share increased 4% to 247.7p (FY 2022: 237.9p), while the statutory basic earnings per share of 254.2p was up 92% (FY 2022: 132.7p), with the increase on prior year again driven by the change in the exceptional Building Safety credit/charge.

General market conditions

The challenging general market conditions coming into the year continued to ease throughout, with inflation falling in most areas. Although still a headwind for the Group, the general trading environment became more manageable and predictable as the year progressed.

During the year, however, the ongoing stability of the supply chain has become more uncertain with liquidity issues increasingly common, requiring additional vigilance both pre-construction and during the delivery of projects. The risk is mitigated to some extent by the diligence taken before project commencement and the fact that no division is overly reliant on any one supplier.

In Construction and Infrastructure, where projects are currently underway, most include appropriate inflationary protection within the overall contract pricing and this is not seen as a significant risk. Where projects are being priced for future delivery, inflation continues to place some project budgets under pressure, which in turn has led to some delays in decision-making and project commencement. However, the impact of this has not been material and in many cases, any client budget constraints are being addressed by adjustments to project scopes, thereby allowing projects to proceed.

The market for Fit Out's services has continued to be very strong, with a number of positive structural changes in the market. The main drivers of this include lease-related events, the requirement for greater energy efficiency from offices, the move towards more flexible and collaborative workspaces, the use of office space as a tool for enhancing staff retention and brand image, and office relocations to the regions with clients requiring increasingly complex projects.

In Property Services, housing maintenance and the general state of repair of housing stocks are increasingly the focus for local authorities and housing associations. During the year, the business has been severely impacted by general cost and labour inflation which has impacted the profitability of its contracts.

The general UK housing market has been difficult throughout the year, however in Partnership Housing, the partnership model focusing on long-term partnerships with the public sector has provided some level of resilience and cushion against the full impact. Although demand for contracting has remained strong, the division experienced a significant slowdown in its sales rates of private homes on its mixed-tenure sites, driven by the combination of economic uncertainty and the cost-of-living crisis, together with rising mortgage rates and the end of the Help to Buy scheme in England at the end of March. Alongside this there is the wider context of a continually challenging planning environment.

In Urban Regeneration, build cost inflation continued to provide challenges to the returns on some of its active developments and on the viability of some of its schemes being evaluated prior to commencement, although not material to the overall portfolio of schemes and their future financial performance.

Divisional performances

The Group has amended the structure of its reporting segments in the year and now reports through six divisions, with Construction and Infrastructure now being reported as separate segments (previously reported together as 'Construction & Infrastructure') to more appropriately reflect the separate management of these two businesses. See Note 2 of the consolidated financial statements: Business Segments.

Construction continued with its disciplined focus on operational delivery and contract selectivity, with its revenue increasing 18% to £967m (FY 2022: £820m[1]), while operating profit increased 15% to £25.9m (FY 2022: £22.6m) resulting in an operating margin of 2.7% (FY 2022: 2.8%).

Infrastructure reported a strong year of profit and margin growth. Revenue was 15% higher at £887m (FY 2022: £768m[1]) with operating profit of £38.5m, 31% higher than the prior year (FY 2022: £29.5m), resulting in an operating margin of 4.3% (FY 2022: 3.8%).

Fit Out had another excellent year, with profit and margin both increasing significantly. Operating profit was up 38% to £71.8m (FY 2022: £52.2m) while its operating margin increased up to 6.5% (FY 2022: 5.4) from revenue of £1,105m, up 14% (FY 2022: £968m).

Property Services had a very difficult and disappointing year with operational and market challenges leading to the division making an operating loss in the period of £16.8m (FY 2022: operating profit £4.3m).

In Partnership Housing, the resilience of the partnership model was reinforced by the increase in revenue in the year, up 20% to £838m (FY 2022: £696m), driven by an increase in contracting work. This was despite the softer housing market in the year and allowed the division to cushion the full extent of the market downturn, with operating profit down 18% to £30.5m (FY 2022: £37.4m).

Although Urban Regeneration made generally satisfactory progress with its long-term regeneration developments in the year, operating profit of £14.8m was 22% lower than the prior year (FY 2022: £18.9m) due to the scale, nature and timing of scheme completions across the overall development portfolio. The return on capital in the year was 15%.

Secured order book

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 key to the future success of the Group.

The total secured order book at the year end was £8,920m, up 5% on the prior year-end position (FY 2022: £8,459m).

Balance sheet & cash

The Group's Capital Allocation Framework is set out in the separate section below.

Net cash at the year-end was £461m (FY 2022: £355m) and the average daily net cash for the year was £282m (FY 2022: £256m). The year-end cash position included £40m held in jointly controlled operations or held for future payment to designated suppliers.

Operating cash flow for the year was an inflow of £189.0m (FY 2022: inflow of £48.0m), which included an adjusted working capital inflow of £59.7m. The operating cash flow represented 134% of adjusted operating profit.

Looking ahead, the Group currently expects that the average daily net cash for 2024 will be in excess of £300m.

Dividend

The proposed final dividend has increased by 15% to 78p per share (FY 2022: 68p), resulting in a total dividend for the year of 114p per share (FY 2022: 101p), an increase of 13%. This represents dividend cover of 2.2x and reflects the result for the year, the strong balance sheet and the Board's confidence in the long-term prospects of the Group.

As part of the Capital Allocation Framework below, the Board operates a formal dividend policy such that dividend cover is expected to be in the range of 2.0x-2.5x on an annual basis.

[1] Prior year comparative revenue and margin adjusted for revised business segments. See Note 2 of consolidated financial statements

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. This will provide a stable and firm foundation for the Group to make sound decisions for its long-term development, thereby enhancing its competitive advantage and future work winning.

As stated in the Group Operating Review above, the Group's net cash at 31 December 2023 was £461m (FY 2022: £355m) and the average daily net cash for the year was £282m (FY 2022: £256m). The year-end cash position included £40m held in jointly controlled operations or held for future payment to designated suppliers.

Across 2023, the lowest net cash balance on any one day in the year was £195m. Of this, £42m was held in jointly controlled operations or held for future payment to designated suppliers. The Board uses this net cash balance on the lowest day of the year as the initial reference point from which it then considers its application of its capital allocation hierarchy. This allows it to balance the needs of all stakeholders whilst enhancing the Group's market competitiveness and capabilities and maintaining its financial strength.

The Group's capital allocation hierarchy comprises:

A. Maintaining a strong balance sheet

(i) to enhance its 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.

(ii) to ensure 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.

B. Maximising investment in the current Regeneration activities to drive sustainable growth

Significant opportunities are expected to arise through the medium and long-term to invest in the existing business to support and accelerate the organic growth of these activities.

Specifically, investment in the regeneration activities of Partnership Housing and Urban Regeneration is a strategic priority:

- For *Partnership Housing*, the growth potential remains substantial despite the short-term market headwinds. The medium-term target is for an operating margin of 8% and for return on capital to be up towards 25% on an annual basis.

  The capital employed has increased significantly over the last 5 years, up from an average of £115m in 2018 to an average of £255m in 2023. The scalability of the partnership housing model provides the potential to further increase the capital employed significantly 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.

  The capital employed has reduced slightly over the last 5 years, down from an average of £109m in 2018 to an average of £99m in 2023. Notwithstanding this reduction, based on the identified pipeline of future opportunities as well as the investment profile of schemes already secured, the capital employed in the division has the potential to increase over the medium term, albeit modestly.

C. Ordinary returns to shareholders

Ordinary dividends are considered by the Board to be an important component of shareholder returns. The Board has previously 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.

D. Investment by acquisition to accelerate sustainable 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 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.

In the short to medium term, the macro environment across the UK is expected to provide the Group with a number of potential opportunities to accelerate its long-term growth plans predominantly through bolt-on acquisitions.

Any acquisition activity will likely be targeted towards the Group's regeneration activities, primarily Partnership Housing. The focus would be on opportunities to complement the existing growth strategy by acquiring pre-existing development schemes, land options, positions in existing schemes from third parties or businesses which can complement or reinforce the division's position in the partnerships sector.

Other potential acquisition opportunities across the Group's construction activities would only be considered where they would accelerate growth through the existing divisional structure and capabilities.

E. Special returns to shareholders

The Board will continue to assess the needs of the business and the optimum balance sheet structure within the context of the principle and the hierarchy A-D described above. Any capital then deemed surplus above these requirements may be returned to shareholders.

Such returns would be in the form of either share buybacks or special dividends, with the method of distribution to be determined by the Board at the time based on prevailing conditions.

Environment & Social Summary

The Group continues to prioritise its commitment to delivering positive economic, social, and environmental value to stakeholders – collectively known as social value. In 2023, the Group added a new Core Value, 'We act responsibly to do the right thing', highlighting how sustainability is embedded in daily operations. Moreover, to ensure the responsible business strategy continues to support the most relevant ESG issues, the Group undergoes periodic materiality assessments and the outcomes of its 2023 assessment reaffirmed the strategic value of the Group's five Total Commitments: to protecting people, developing people, improving the environment, working with its supply chain, and enhancing local communities.

Subsequent to the year end, in early 2024 the Group was awarded 'AAA' under MSCI's ESG ratings for a third consecutive year and again achieved an 'A' score for leadership on climate change mitigation from CDP. This is the fourth consecutive year the Group has achieved this outstanding performance.

For full details, see the responsible business section of the 2023 annual report and our 2023 responsible business data sheet which will be published on 21 March 2024 on the Group's website (www.morgansindall.com).

(a) Environmental

The Group continues to be a leader in its sector in addressing climate change. In January 2023, the Group won the 'Net Zero Innovation of the Year' award at the edie Awards for the Group's 'Growing Natural Capital' project in the Dorn Valley Woodlands in partnership with the Blenheim Estate in Oxfordshire. In addition to absorbing and storing measurable amounts of carbon and improving air quality, the project has also achieved +78% increase in biodiversity. The Group also continues to evolve industry-leading climate solutions and received a £1m innovation grant from the government to apply AI capabilities to our carbon reduction tool, Carbon*i*Ca, which will facilitate whole-life carbon assessments of projects.

In 2023, the Group received revalidation from the Science Based Target Initiative to align with a 1.5°C scenario and added new targets for 2045, including an extended target to incorporate 'wider'[1] as well as 'operational'[2] Scope 3 emissions. This includes emissions by suppliers in processing their products and by clients in running their buildings after handover. While some of the data on these wider emissions are a challenge to collect, the Group's environmental teams are engaged with supply chain partners to improve the process.

The Group remains on track to achieve its medium term 2030 targets. Although the Group had a 1.6% increase in its Scope 1[3], Scope 2[4], and operational Scope 3 emissions in 2023 compared to prior year, this was in the context of Group revenue increasing by 14% and notwithstanding this increase, the Group has still achieved a total 39% reduction from its 2019 baseline.

The Group's additional nature and carbon credit projects are also making good progress. At the Lakenheath Fen reserve in Norfolk, planning permission has been secured for the restoration of 54 hectares of new land to support the RSPB in creating a haven for bitterns and other wildlife. Meanwhile rewetting has begun to restore over 300 hectares of blanket bog in the Northern Pennines AONB and the Yorkshire Dales National Park. At Blenheim in Oxfordshire, the Group finished planting the last two woodlands bringing the total to nine new woodlands with 270,000 trees. 15 km of permissive pathways were also completed for the public to enjoy. The project has passed its annual carbon audit by Grown in Britain, validating the Group's carbon credits with the Woodland Carbon Code, the Forestry Commission and DEFRA. Combined, these projects will deliver climate and biodiversity benefits by preventing future carbon loss, absorbing additional carbon from the atmosphere, protecting existing wildlife while enabling endangered species to recover, and provide local communities with new recreational spaces for healthier living.

Reducing waste and increasing recycling and the reuse of materials where appropriate continues to be a priority for the Group and in 2023, 94% of the Group's waste was diverted from landfill. Total waste increased by 14% from 2022.

Other 2023 highlights and performance measures include:

- Carbon intensity[5] reduced to 4.0 from 4.5 in 2022
- 161 BREEAM, CEEQUAL, LEED, SKA or other industry-relevant sustainability ratings (109 in 2022)
- 70 % of electricity purchased from renewable sources (65% in 2022)
- Total waste intensity[6] increased by 14% from 2022

(b) Social

The Group is an active member in the communities it which it serves and seeks to deliver long term social and economic benefits to local communities through its operations. To maximise outcomes the Group collaborates with clients, educational institutions, local community organisations and suppliers to provide local volunteering and upskilling opportunities for local people and employees.

The Group also aims to procure locally where possible and 65% of 2023 Group spend was with small and medium-sized enterprises (SMEs). The Group has also completed 3,988 affordable and energy efficient homes, supporting more sustainable living and combatting the rising cost of energy for occupants. To help capture the social value generated through our projects, and provide clients with the information they need, the Group has expanded its reporting to include values captured through the Social Value Portal[7] in addition to its continued use of the Social Value Bank[8] and HACT[9].

The Group's divisions continue to strengthen and expand their support to employees through a range of mental, physical, and financial wellbeing initiatives. All divisions continue to pay the real living wage or above, two divisions are accredited Living Wage Foundation employers, and three divisions are also accredited from Investors in People. In 2023 the Group also signed up to the Armed Forces Covenant, a pledge to support employees with a military background and are aiming for gold status in 2024. These accreditations reflect the Group's wider and ongoing commitment to prioritising the needs and wellbeing of its employees.

Ensuring the safety of the Group's onsite workforce remains fundamental to the business. In 2023, the Group's health and safety performance has been disappointing with a higher number of RIDDOR[10] incidents, which increased to 37, up from 28 in 2022. In addition, the lost time incident rate[11] increased slightly to 0.24 compared to 0.22 in 2022. In response, the Group's divisions are evaluating new solutions, including the use of technology to enhance site supervision and the adoption of positive leading indicators to drive corrective behaviours moving forward.

The Group considers diversity in the broadest sense and is committed to fostering an inclusive work environment. To attract and retain the best possible talent pool, national partnerships with Women into Construction, Working Families/Working Mums, BPIC (Black Professionals in Construction) and Build Force UK have been maintained; while each division continues to develop and introduce additional policies, training, and career development resources to ensure every employee can succeed in their role. In 2023, 25% of employees were female (2022: 25%) and 9% from an ethnic minority background (2022: 9%). The Group's median gender pay gap for 2023 was 29.0 % (2022: 30.6%). While the gap decreased, it remains high and reflects a higher number of senior male employees in the Group. Women make up 12% (2022: 11%) of the upper pay quartile compared to 38% (2022: 39%) in the lower quartile. The Group recognises that its progress towards reducing the gender pay gap continues to be slow and more work is needed to recruit and promote women into senior leadership.

The Group continues to support the Supply Chain Sustainability School (SCSS) and encourages employees and supply chain partners to leverage its free training. Over the course of 2023, 10,500 e-learnings were completed by the Group's supply chain members, and 1,910 of the Group's suppliers attended training workshops. These educational initiatives are valued at over £1.3m. The Group was also awarded Gold status (previously Silver) by the School, a reflection of the Group's increasing involvement and active knowledge sharing.

The Group's relationships with its supply chain partners are essential in the successful delivery of projects and overcoming challenges in the market. The Group has always considered its suppliers as significant strategic partners and maintains strong relationships based on mutual reward and long-term commitment. While inflationary pressures have subsided and material availability is improving, the ongoing stability of the supply chain has become more uncertain with liquidity issues increasingly common. Consequently, the prompt payment of the Group's suppliers remains a key priority. For the formal Payment Practices Reporting period of 1 July 2023 to 31 December 2023, Construction & Infrastructure (taken together as a legal reporting entity for these purposes) reported its average time taken to pay invoices at 25 days, with 99% of invoices paid within 60 days. Fit Out improved its average time taken to pay invoices to 20 days, with 97% of invoices being paid within 60 days. Partnership Housing reported 32 days as its average time to pay, with 97% of invoices being paid within 60 days while Property Services averaged 44 days to pay invoices and 98% of invoices paid within 60 days. Urban Regeneration reported 21 days as its average time to pay, with 95% of invoices paid within 60 days.

Some other performance measures and actions in this area include:

- Employee voluntary turnover rate of 12.0% (2022: 15.0%)
- 565 (2022: 535) people sponsored to complete national vocational qualifications and professional qualifications
- 401 (2022: 347) directly employed apprentices and graduates sponsored
- 8,456 (2022: 4,779) number of hours employees spent supporting schools
- 73p of social value per £1 spent on 80 projects (2022: 67p) through the social value bank
- £7.4 million of social value generated through HACT[9] (2022: £3.5m)
- £33.3m of social value generated through social value portal[7]

[1] *Wider scope 3 emissions are all emissions arising from the whole value chain from supply chain and end-users of buildings. Total emissions include carbon embodied in the materials (emitted during raw extraction, manufacture, transport to site, and disposal or recycling; carbon emitted during construction via energy use and waste; and estimated carbon emitted from operating the buildings for 60 years following handover to the client.*
[2] *Operational Scope 3 emissions are all indirect emissions not included in Scope 2 that occur in limited categories of the Group's value chain as measured by the Toitu carbon reduce scheme.*
[3] *Scope 1 emissions are direct emissions from owned or controlled sources.*
[4] *Scope 2 emissions are Indirect emissions generated from purchased energy.*
[5] *Carbon intensity is measured as 'Carbon emissions (in tonnes) per £m revenue'.*

[6] *Waste intensity is measured as 'Total waste (in tonnes) per £m revenue'.*
[7] *'Social Value Portal' is an accounting tool based upon the national Themes, Outcomes and Measures (TOMS) framework. The TOMS framework is compatible with all major ESG frameworks, endorsed by the Local Government Association, and used by many public sector organisations across the UK.*
[8] *'Social Value Bank' is Morgan Sindall's social value accounting tool developed with Simetrica-Jacobs to measure and track in monetary terms the social, economic, and environmental value. The bank aligns with the valuation methodology used in HM Treasury's Green Book and OECD guidelines. It measures the long-term social impacts of completed developments*
[9] *Housing Association Charitable Trust (HACT)'s social value measurement tool and adopts a 'Wellbeing Valuation Approach' which is used by Property Services. HACT's reporting cycle spans from April 2022 to March 2023.*
[10] *RIDDOR is The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.*
[11] *Lost time incident rate is the number of incidents resulting in absence from work for a minimum of one working day, excluding the day the incident occurred per 100,000 hours worked.*

Outlook

Group outlook for 2024

While there remains some uncertainty in the wider economy, reducing inflation and the prospect of lower interest rates provides a backdrop of confidence for the year ahead. Together with its high-quality and growing order book spread across a wide number of sectors covering the built environment, the Group is well-positioned for the future and on track to deliver a result for 2024 which is in line with its current expectations.

The 2024 outlook for each division is detailed in the Divisional Review.

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') and are referred to in the Business review.

The targets were originally set in February 2022. Subsequently, the medium-term target for Fit Out was significantly upgraded in February 2023 and then again in August 2023, while the target for Property Services was downgraded in August 2023 to reflect its current performance.

Division	Target
Construction	Operating margin of 2.5% - 3% pa Revenue of £1bn
Infrastructure	Operating margin of 3.5% - 4.0% pa Revenue of £1bn
Fit Out	Annual operating profit of £50m - £70m
Property Services	Annual operating profit of £7.5m
Partnership Housing	Operating margin of 8% / return on capital up towards 25%
Urban Regeneration	3-year rolling average return on capital up towards 20%

Divisional Review

The following Divisional Review is given on an adjusted basis unless otherwise stated. Refer to Note 15 for appropriate reconciliations to the comparable UK IAS measures.

Headline results by division

	Revenue		Operating Profit		Operating Margin	
	£m	Change	£m	Change	%	Change
Construction	967	+18%[1]	25.9	+15%	2.7%	-10bps[1]
Infrastructure	887	+15%[1]	38.5	+31%	4.3%	+50bps[1]
Fit Out	1,105	+14%	71.8	+38%	6.5%	+110bps
Property Services	185	+13%	(16.8)	-491%	-9.1%	-1170bps
Partnership Housing	838	+20%	30.5	-18%	3.6%	-180bps
Urban Regeneration	185	-24%	14.8	-22%	n/a	n/a
Group/Eliminations	(49)		(23.4)			
Total	**4,118**	**+14%**	**141.3**	**+2%**	**3.4%**	**-50bps**

[1] Prior year comparative revenue and margin adjusted for revised business segments. See Note 2 of consolidated financial statements

Group secured order book[1] by division

The Group's secured order book[1] at 31 December 2023 was £8,920m, an increase of 5% on the prior year end (FY 2022: £8,459m) and 2% lower than at the half year (HY 2023: £9,068m).

The divisional split is shown below.

	FY 2023 £m	FY 2022 £m	Change
Construction	796	802	-1%
Infrastructure	1,689	1,799	-6%
Fit Out	1,098	841	+31%
Property Services	1,478	1,204	+23%
Partnership Housing	2,034	1,984	+3%
Urban Regeneration	1,825	1,847	-1%
Inter-divisional eliminations	-	(18)	-
Group secured workload[1]	**8,920**	**8,459**	**+5%**

[1] The 'Secured order book' is the sum of the 'committed order book', the 'framework order book' and (for Partnership Housing and Urban Regeneration) 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

	FY 2023 £m	FY 2022[2] £m	Change
Revenue	967	820	+18%
Operating profit[1]	25.9	22.6	+15%
Operating margin[1]	2.7%	2.8%	-10bps

Construction's revenue increased 18% to £967m (FY 2022[2]: £820m), while operating profit increased 15% to £25.9m (FY 2022: £22.6m), resulting in an operating margin of 2.7% (FY 2022[2]: 2.8%) being in the middle of its targeted range (medium-term target range of 2.5%-3.0%). This good performance was driven by the continued focus over many years on consistent, high-quality operational delivery and prudent risk management within its order book.

The order book at the year end was £796m, a reduction of only 1% on the prior year (FY 2022: £802m) despite the strong revenue performance in the year. Of the total, £652m (82% by value) is secured for 2024, which is broadly the same volume of work which was secured for the year ahead at the start of last year (FY 2022: £646m). In addition to the total order book, Construction also had £1,284m of work at preferred bidder stage at the year-end, 69% higher than the equivalent amount at the same time last year (FY 2022: preferred bidder £758m).

In education, project wins included: the £42m Nine Elms primary school for the London Borough of Wandsworth; the £30m Star Radcliffe Academy, a 750-place secondary school in Greater Manchester; the £20m remodel of Dixons Newall Green Academy in Wythenshawe; the £18m Pear Tree school in Stockport which will provide 133 new places for children with special educational needs and disabilities (SEND); the £9.2m Gateford Park primary school in Nottinghamshire; Lakenheath Primary School, Suffolk's first net zero school; and Orbiston Community Hub, a £41.7m facility accommodating two primary schools, a family learning centre and a community centre.

During the year, work progressed on: the £41m retrofit and repurposing of Pen-Y-Dre High School, a zero-carbon initiative for Merthyr Tydfil Council; the £75m Clive Booth student accommodation village, a four-block redevelopment for Oxford Brookes University due to complete in 2024; the £52m MIM Schools contract consisting of three new-build, zero-carbon primary schools for the Welsh Government in Cardiff, due to complete in 2024 and 2025; and the £38m redevelopment of a former Debenhams building into a brand-new city-centre campus for the University of Gloucestershire.

Completions in the year included: Buntingford First School (£10m), Hertfordshire's first carbon-neutral, Passivhaus primary and nursery school; and Trent View College in Scunthorpe (£12m), the first SEND school in the world with a hydrotherapy pool to achieve Passivhaus standards.

In healthcare, Construction was awarded four contracts via the ProCure23 framework, including: clinical and theatre facilities for Harrogate and District NHS Foundation Trust; multiple new-build and refurbishment projects as part of upgrade work across several Mid and South Essex NHS Foundation Trust sites in Basildon, Pitsea and Thurrock; a community diagnostic centre (CDC) in Epping for Princess Alexandra Hospital NHS Trust; and a further CDC in Newmarket for West Suffolk NHS Foundation Trust.

In addition, through the NHS SBS (Shared Business Services) framework, the division secured: two theatre refurbishments totalling £4.3m at Diana, Princess of Wales Hospital in Grimsby and Scunthorpe General Hospital respectively for Northern Lincolnshire and Goole NHS Foundation Trust; a new £25.2m diagnostic centre for Norfolk and Norwich University Hospitals NHS Foundation Trust; and a new £35m veterinary school for the University of Central Lancashire. During the year, work completed on the Core, a £20m mixed clinical and training facility at Evelina London Children's Hospital for Guy's and St Thomas' NHS Foundation Trust.

In other sectors, project wins included: a £45m sport and leisure centre in Stevenage; a £45m residential tower at Plot C2 New Bailey, Salford, the third residential project working in partnership with Urban Regeneration; Newton Nursery, a £21.7m modernisation of Forestry and Land Scotland's facilities to support the country's ambitious tree planting targets; redevelopment works at Accrington Square, partly funded by a £20m contribution from the Levelling Up Fund (LUF) to Hyndburn Borough Council; and a £3.7m community sports complex in Lennoxtown, East Dunbartonshire. The £90m redevelopment of Woolwich Leisure Centre for the Royal Borough of Greenwich has progressed at pace, with the centre set to become one of the country's largest urban leisure hubs.

In 2023, Construction resecured its positions on the Pagabo National Medium Works Framework and Southern Construction Framework (SCF), as well as securing places on both the Ministry of Justice framework and the Ministry of Defence's Defence Estate Optimisation Project (DEOP), all of which will provide the division with further growth opportunities.

Divisional outlook for Construction

The medium-term target for Construction is maintaining its operating margin within the range of 2.5%-3.0% per annum while increasing revenue to £1bn per annum.

For 2024, based upon its secured order book together with the timing of projects at 'preferred bidder' stage expected to convert into contract and commence in the year, the division is expected to meet both its revenue and margin targets.

1 *Before exceptional Building Safety net charge of £11.5m (FY 2022: £nil). See Note 2 of the consolidated financial statements*
2 *Adjusted for revised business segments. See Note 2 of consolidated financial statements*

Infrastructure[1]

	FY 2023 £m	FY 2022[2] £m	Change
Revenue	887	768	+15%
Operating profit	38.5	29.5	+31%
Operating margin	4.3%	3.8%	+50bps

Infrastructure[1] reported a strong year of profit and margin growth, driven by the timing and nature of projects delivered through its frameworks, and by high-quality operational delivery across the business. Revenue was 15% higher at £887m (FY 2022[2]: £768m) with operating profit of £38.5m, 31% higher than the prior year (FY 2022: £29.5m), resulting in an operating margin of 4.3% (FY 2022[2]: 3.8%). This was well ahead of the top end of its targeted range for its operating margin of 3.5%-4.0%.

The order book at the year end was £1,689m, down 6% on the previous year end (FY 2022: £1,799m). As in previous years, in excess of 95% of the value of the order book is derived through frameworks, consistent with the strategic focus on long-term workstreams from its clients.

The focus for the division remained on its key sectors of highways, rail, nuclear, energy and water.

In highways, Infrastructure was awarded a project by Oxfordshire County Council to replace Kennington Railway Bridge on the A423 Southern Bypass. The division started work during the year on a £66m A12 project in Essex and completed its A11 works in Norwich, both part of National Highway's Concrete Roads Programme - Reconstruction Works Framework, a four-year, c£130m programme to repair or replace the concrete surface of motorways and major A roads in England. Work continued on safety-critical works for National Highways to upgrade the M40-M42 interchange, as part of the original Smart Motorways Alliance.

In rail, the division began work on an £88m project to extend Beckton Depot and a £40m project to upgrade Surrey Quays station. Both projects were awarded by Transport for London via its London

Rail Infrastructure Improvement Framework. In addition, Transport for London appointed Infrastructure to upgrade Colindale station with a new ticket hall and step-free access and to conduct feasibility studies for providing step-free access to the next tranche of stations. Work continued on several schemes for Network Rail, including the Bangor to Colwyn Bay signalling power upgrade, as part of the CP6 Wales and Western framework, the lift scheme at Liverpool Central Station as part of the Mersey Rail framework, and the Northumberland Line extension project. Work completed on the £48m Parsons Tunnel rockfall shelter extension, delivered for Network Rail under the South West Rail Resilience Programme. Infrastructure was awarded a position on the CP7 Wales and Western Framework, a £2bn programme to be implemented over the next eight years.

In nuclear, decommissioning works continued for Sellafield on the Infrastructure Strategic Alliance and on the £1.6bn Programme and Project Partners contract. In addition, work progressed on the 10-year Clyde Commercial Framework for the Defence Infrastructure Organisation and on the D58 facility for BAE Systems.

In energy, work continued on the Dinorwig, Wales and ZZA, Sunderland projects as part of the RIIO-2 electricity construction EPC (Engineer, Procure and Construct) framework for National Grid. The division also progressed several schemes under Scottish & Southern Electricity Network's (SSEN) RIIO-2 framework for the construction, refurbishment and decommissioning of overhead lines, underground cable systems and substations operating between 33kV to 400kV across SSEN's transmission network. Work completed on the Peak District East Visual Impact Provision scheme for National Grid.

In water, work continued on various environmental improvement projects and wastewater treatment upgrades as part of the long-term AMP7 framework with Welsh Water. In addition, civil engineering works continued on the west section of the Thames Tideway 'super sewer' project to help prevent pollution in the Thames.

In the BakerHicks design[1] business, new appointments included mechanical and electrical engineering on Alloa West, a wellbeing hub and school in Alloa, Clackmannanshire, which will include one of the first leisure centres in Scotland designed to Passivhaus standards; and a place on the Royal Parks Highways Engineering Consultancy Services Framework.

Design work completed in the year included: the £42.5m Allander Leisure Centre for East Dunbartonshire Council in Bearsden; the Biological Development Centre for Boehringer Ingelheim in Biberach, Germany, which combines biological analytics, process development and drug production for clinical trials; Woodland View School in Waterside, Kirkintilloch; and the £60m Maybole Community Campus in South Ayrshire.

In addition, design work continued on an innovative feed-additive facility for DSM-Firmenich in Dalry, North Ayrshire which will reduce methane emissions from cattle; a multi-disciplinary design for Scottish Prison Service's new HMP Highland in Inverness; a visual impact provision project in the Cotswolds for National Grid to replace overhead electricity infrastructure with underground cabling; and engineering services for the UK Atomic Energy Authority through its Embedded Engineering Resource framework. The Ulster Hospital Acute Services Block in Belfast, for which BakerHicks provided design services, received a RIBA Regional Award, RSUA Design Award and RSUA Sustainability Award.

Divisional outlook for Infrastructure

The medium-term target for Infrastructure is to maintain its operating margin within the range of 3.5%-4.0% per annum while also increasing revenue to £1bn per annum.

Looking ahead to 2024, based upon the timing of projects and the projected type of work, the division is expected to make significant progress towards its revenue target, with its margin expected at around the top end of its target range.

1 Design results are reported within Infrastructure
2 Adjusted for revised business segments. See Note 2 of consolidated financial statements

Fit Out

	FY 2023 £m	FY 2022 £m	Change
Revenue	1,105	968	+14%
Operating profit	71.8	52.2	+38%
Operating margin	6.5%	5.4%	+110bps

Fit Out delivered another excellent, market-leading performance in the year. Revenue increased 14% to £1,105m (FY 2022: £968m) while operating profit increased 38% to £71.8m (FY 2022: £52.2m), a record result for the division, resulting in a strong operating margin of 6.5% (FY 2022: 5.4%). Underpinning this performance again was a continued focus on consistent operational project delivery and enhanced customer experience, supported by a high-quality workload.

The overall balance of the business has been reasonably consistent over recent years, with any movements in geography, type of work and sectors served not indicative of any longer-term trends.

The commercial office sector remained the largest sector served, contributing 80% of revenue (FY 2022: 73%), with work in higher education amounting to 10% of revenue (FY 2022: 11%). Public sector and work for local authorities dropped back slightly to 8% of revenue (FY 2022: 12%), with the retail banking sector and others covering the remaining 2% of revenue (FY 2022: 4%).

The geographical spread of the business also remained broadly similar to the prior year, with the London region accounting for 64% of revenue (FY 2022: 60%). Other key geographies are served out of offices in the Thames Valley, Birmingham, Manchester, Leeds and Glasgow.

In terms of type of work delivered in the year, traditional fit out work was 85% of revenue (FY 2022: 87%), with 'design and build' work making up the remainder at 15% of revenue (FY 2022: 13%).

The proportion of revenue generated from the fit out of existing office space was 77% (FY 2022: 83%), with the fit out of new office space at 23% (FY 2022: 17%). Of the fit out of existing office space, 84% of the work was refurbishment 'in occupation' compared to 16% where work was performed in non-occupied space.

At the year end, the secured order book was £1,098m, an increase of 31% from the previous year end (FY 2022: £841m). Of this total, £816m (74%) relates to 2024 and this level of orders for the next 12 months is 38% higher (and £225m higher) than it was at the same time last year.

In addition to these secured orders, the division had over £150m of work in the pre-contract 'preferred bidder' stage at the year end, as well as in excess of £300m of work already tendered and pending a decision and over £250m of work at the tender stage. The average value of enquiries received through the year remained at around £3m.

Commercial fit out projects won in London during the period included 114,000 sq ft for law firm, Reed Smith near Spitalfields; two projects totalling 99,500 sq ft for Deloitte at New Street Square; 51,500 sq ft for Berkeley Estate Asset Management in Mayfair; 40,000 sq ft for British Land on Bishopsgate; 17,000 sq ft for Boston Consulting Group on Charlotte Street; and an 11,000 sq ft fit out for Burges Salmon at New Street Square.

Regional project wins in the period included 160,000 sq ft for Lloyds Banking Group in Leeds; 144,000 sq ft for Wirral Borough Council; 50,000 sq ft for Dojo in Bristol; 44,000 sq ft for Samsung in Cambridge; 27,000 sq ft for Arup in Bristol; 20,000 sq ft for Sky in Leeds; 12,000 sq ft for Playground Games in Leamington Spa; and 6,500 sq ft for VISA in Hampshire.

Commercial fit out projects on site or completed in London during the period included 750,000 sq ft for a global financial services firm in Canary Wharf; 360,000 sq ft for Marsh McLennan; 250,000 sq ft for a global financial organisation in Paddington; 225,000 sq ft for LandSec at New Street Square; 110,000 sq ft for a professional services firm in London; 109,000 sq ft for Aviva at 80 Fenchurch Street; 82,000 sq ft for a technology company; 41,000 sq ft for a law firm on Bishopsgate; 12,500 sq ft for a specialist insurer on Bishopsgate; 10,000 sq ft for Rolls-Royce at Kings Place; and 10,750 sq ft for telecommunications company CIENA in Shoreditch.

Regional projects completed included two projects for Arup in Manchester and Birmingham totalling 106,000 sq ft; 100,000 sq ft fit out of Stopford House for Stockport Metropolitan Borough Council; 81,000 sq ft for ROKU Europe in Manchester; 44,000 sq ft for Aviva in the city of Manchester; and 16,000 sq ft for Swiss Life Asset Managers UK in Birmingham.

In the higher education sector, projects won included 100,000 sq ft at Durham University School of Business; five projects totalling 45,000 sq ft for Queen Mary University; 27,500 sq ft for Aston University; 26,000 sq ft fit out at Birmingham City University; and 12,500 sq ft to fit out Keele University's Clinical Skills department.

Projects on site or completed during the period included a 150,000 sq ft HQ for GSK in London's Life Sciences Hub, known as the Knowledge Quarter; three projects for University College London totalling £40m; 54,000 sq ft for London School of Economics and Political Science; four projects for Anglia Ruskin University; 25,000 sq ft including a laboratory refurbishment for Coventry University; a 20,000 sq ft laboratory fit out for the Anatomy and Clinical Skills department at the University of Warwick; 16,000 sq ft for Loughborough University; two projects for the University of Portsmouth to refurbish 14,000 sq ft in the Medical Education Centre and Photography Suite; and the 19,000 sq ft fit out of a laboratory and workspace at Queen Mary University's Francis Bancroft building.

Design and build fit out projects won in the period included 30,000 sq ft of fully-fitted labs and office space for Stanhope at MediaWorks in White City Place; 21,000 sq ft for Kajima Properties (Europe); 13,500 sq ft for Smiths Group plc; 8,600 sq ft for Centiva; and 8,000 sq ft for AEW UK Investment Management.

Design and build projects continuing or completed during the period included 90,000 sq ft for BAE Systems at Victory Point in Camberley; a 22,000 sq ft co-working hub for Industrious in London; 21,000 sq ft for C&C Group at The Pavilions in Bristol; a 15,000 sq ft fit out for TT Group in London; 11,000 sq ft for Butlins in Hemel Hempstead; 10,000 sq ft for Kobalt Music Group in London; 9,000 sq ft for Reflex Bracknell (a subsidiary of CLS Holdings) in Bracknell; and 9,000 sq ft for Chubb Fire and Security in Staines-upon-Thames.

Projects won under frameworks and corporate partnerships included £23m of works for the Mayor's Office for Policing and Crime (MOPAC), with a future order book of £25m; and 14 projects for landlord GPE totalling 84,000 sq ft. Works completed included the General Pharmaceutical Council in London through the Procure Partnerships Framework; two projects completed through the Scape Framework included the refurbishment of Nottingham City Council's Central Library and the relocation of Transport for London's Lost Property office; and 23 projects through NatWest Group's Office, Retail and Capital Investment partnership programme.

Divisional outlook for Fit Out

Fit Out's medium-term target was upgraded in August 2023 to reflect the division's performance in the year, its market position and its future prospects, and it is now expected to deliver average annual operating profit of £50m-£70m.

Based on the timing of projects in the order book and the current visibility the division has of future workload for the year, Fit Out is expected to have another strong year in 2024, with profit towards the top end of this revised target range.

Property Services

	FY 2023 £m	FY 2022 £m	Change
Revenue	185	163	+13%
Operating (loss)/profit[1]	(16.8)	4.3	-491%
Operating margin[1]	-9.1%	2.6%	-1170bps

[1] *before intangible amortisation of £2.9m (FY 2022: £2.0m)*

Property Services had a difficult and disappointing year, with the division reporting an operating loss[1] in the period of £16.8m (FY 2022: operating profit[1] of £4.3m).

Revenue increased in the year to £185m, up 13% (FY 2022: £163m). The growth was driven by some more established client contracts increasing their volumes to clear backlogs in repairs arising from previous years and to improve the overall quality of their estates, together with the new contracts mobilised in 2022 becoming fully operational.

However, the division has experienced a significant number of operational and contract issues in the year, resulting in an operating loss[1] £16.8m (FY 2022: profit of £4.3m). Contributing factors included additional costs being required to support the start-up phases of more recently mobilised contracts, ongoing inflationary pressures and contract pricing mechanisms, and high levels of subcontract labour providing contract delivery challenges.

A remediation programme was initiated in the middle of the year, with the focus addressing client service and operational performance. As part of this programme, a number of key roles in the senior management team have been changed.

At the year end, the secured order book increased 23% to £1,478m (FY 2022: £1,204m) and of this total, over 85% is for 2025 and beyond. Until the remediation programme has been successfully implemented and the operational delivery capability stabilised, no new material contracts are being bid and as such, the growth in the year was as a result of growth in existing contracts and new contracts bid prior to the current operational issues. These new contracts are being mobilised under the new management team.

Included in the order book is a 15-year contract to deliver a major works investment programme for L&Q housing association, valued at £450m over the term. The programme includes estate and environmental improvements, planned mechanical and engineering works and internal works for residents. The division was also appointed through four existing contracts to deliver retrofit and decarbonisation works under the Department for Energy Security and Net Zero's (DESNZ) Social Housing Decarbonisation Fund Wave 2.1, with a combined two-year value of £31m.

In addition, a place was secured on two sub-lots of Abri housing association's Greener Futures Partnership framework, to deliver decarbonisation construction works over £2m in south and east England and London. The framework will run for an initial term of four years with the option to extend by up to a further three years, and initial opportunities have already started to come through.

Divisional outlook for Property Services

In order to reflect the current trading performance and operational issues, the medium-term target for Property Services was downgraded in August 2023 to £7.5m operating profit per annum.

Further progress with the remediation programme in 2024 is expected which will stabilise and enhance the operational performance. A further loss is expected in 2024 at around half of that reported in 2023, however the remediation programme is expected to leave the business positioned to return to profit in 2025 and beyond.

Partnership Housing

	FY 2023 £m	FY 2022 £m	Change
Revenue	838	696	+20%
Operating profit[1]	30.5	37.4	-18%
Operating margin[1]	3.6%	5.4%	-180bps
Average capital employed[1,2] (last 12 months)	254.5	197.3	+£57.2m
Capital employed[1,2] - at year end	234.4	189.3	+£45.1m
ROCE[1,3] (last 12 months)	12%	19%	

In Partnership Housing, the partnership model focusing on long-term partnerships with the public sector provided the business with some resilience against a softer housing market in the year.

Throughout the year, demand for contracting remained strong and cushioned the full impact of lower open market sales within the mixed-tenure activities. At the same time, the division was able to accelerate construction of the contracted affordable homes on mixed-tenure sites to maintain activity.

Reflecting this, revenue for the year was up 20% to £838m (FY 2022: £696m) with a marked shift in the balance towards *Contracting* activities. Split by type of activity, ***Contracting*** revenue (including planned maintenance and refurbishment) increased by 44% to £473m (56% of total revenue compared to 47% in the prior year) while ***Mixed-tenure*** revenue was down 1% to £365m (now 44% of total revenue compared to 53% in the prior year).

As a consequence of this strategic change in business mix and the lower number of open market sales in the year in the mixed-tenure activities, operating profit[1] reduced 18% to £30.5m (FY 2022: £37.4m), resulting in an operating margin[1] of 3.6% (FY 2022: 5.4%).

Despite the challenging short-term market conditions, the longer-term development of the business and its partnerships with local authorities and housing associations has continued as planned. Reflective of this significant amount of ongoing activity and investment in future growth, the average capital employed[1] for the last 12-month period increased by £57.2m to £254.5m (FY 2022: £197.3m). The capital employed[1] at the year end was £234.4m, an increase of £45.1m on the prior year (FY 2022: £189.3m. As a result of the lower profit in the year together with the significantly higher average capital employed, the overall ROCE[2] for the last 12-month period reduced to 12%.

The division has a substantial and high-quality secured order book, with clients increasingly looking to Partnership Housing to award work either through frameworks or through direct negotiation. The secured order book at the year end was £2,034m, 3% higher than the prior year end (FY 2022: £1,984m) and with c60% of its total value for 2025 and beyond providing long-term visibility of workload.

Mixed tenure

Good progress was made with the strategy of increasing the number and size of mixed-tenure sites. Currently a total of 61 mixed-tenure sites are at various stages of construction and sales (up from 58 at the prior year end), with an average of 163 open market units per site (up from 157 at the prior year end). Average site duration is 48 months, providing long-term visibility of activity.

During the year, 1,923 units were completed across open market sales and social housing (including through joint ventures) compared to 1,936 units in 2022. The average sales price of £239k compared to the prior-year average of £258k has reduced due to an increased proportion of affordable plots being completed in the year. Increased contracting and pre-sold affordable homes compensated for a reduction in open market sales as with the rest of the UK housing industry.

Of the total divisional order book, the amount relating to mixed-tenure activities decreased 9% to £1,167m (2022: £1,279m). 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 £821m at the year end.

Partnership Housing increased its portfolio of long-term joint ventures during 2023. The division executed a joint venture with Peabody to deliver 750 homes for phases two and three of the Thamesmead regeneration scheme, and secured planning on 450 units for phases two and four at Pendleton with Together Housing Group.

Other mixed-tenure work secured included a c£90m, 400-unit development in partnership with Saffron Housing Trust at Harleston, Norfolk; a 46-unit scheme in Skelmanthorpe, Huddersfield; and a 99-unit development in Hunstanton to deliver affordable, traditional open market and later living units with an extra care block to follow.

The division's new joint ventures with Suffolk County Council and West Sussex County Council progressed well during the year, with initial developments on site and others reaching detailed planning stage. The long-established partnership with the Borough Council of King's Lynn & West Norfolk continued to evolve with the award of the 226-unit Parkway scheme in Gaywood, while the partnership with Repton Property Developments, owned by Norfolk County Council, also continued to deliver. Compendium Living, Partnership Housing's joint venture with Riverside, launched sales on new phases of the Ings development in Hull and Castleward in Derby. The division was engaged to carry out pre-construction services for a 400-home regeneration scheme in Runcorn, Liverpool and anticipates starting phase one of the construction works in 2024.

Elsewhere, good progress continued to be made on other mixed-tenure schemes, in partnerships with Clarion Housing, Trafford Housing Trust, Together Housing Group, Flagship Group, Pobl Group, Hertfordshire County Council and Homes England.

Contracting

Partnership Housing saw good levels of demand with clients increasingly looking to award work either through frameworks or direct negotiation.

The total number of equivalent units built was 2,865, up from 2,010 in the prior year. Of the total divisional order book, the contracting secured order book was 23% higher at £867m (2022: £705m), of which £472m is for 2024.

Key contracting schemes awarded in the year included: the c£23m, 103-home Cocoa Works West development for Clarion Housing Group; a c£38m, 143-apartment scheme in Stevenage for the Guinness Partnership; a £50m, 159-unit scheme at Loxford Lane, Redbridge for the London Borough of Redbridge; a £40m, 110-unit scheme for the City of London Corporation in Sydenham Hill; and a £24m, 150-unit scheme in Coalville, Leicestershire for the EMH Group.

Divisional outlook for Partnership Housing

Partnership Housing's medium-term targets are; firstly, to generate a return on average capital employed[2] of up to 25% and secondly, to deliver an operating margin of 8%.

The average capital employed[1,2] is expected to increase up towards c£275m-£290m, reflecting the increased scale of the business and stage of developments.

Looking ahead to 2024, no significant improvement in market conditions is expected although with a potentially more positive backdrop for the housing market driven by the reduction in mortgage rates early in the year, modest growth in profit is expected in the year.

[1] Before exceptional Building Safety charge of £nil (FY 2022: £5.5m). See Note 2 of the consolidated financial statements
[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

	FY 2023 £m	FY 2022 £m	Change
Revenue	185	244	-24%
Operating profit[1]	14.8	18.9	-22%
Average capital employed[1,2] (last 12 months)	98.6	96.5	+£2.1m
Capital employed[1,2] at year end	79.7	100.4	-£20.7m
ROCE[1,3] (last 12 months)	15%	20%	
ROCE[1,3] (average last 3 years)	16%	13%	

Although Urban Regeneration made generally satisfactory progress with its long-term regeneration developments in the year, operating profit[1] of £14.8m was 22% lower than the prior year (FY 2022: £18.9m) due to the scale, nature and timing of scheme completions across the overall development portfolio. The ROCE[1,3] in the year was 15%, based on the average capital employed[1,2] in the year of £98.6m.

Key contributors to performance were profit from a land sale in Slough; profit and development fees generated from activity in Wirral, Salford Central, and Forge Island in Rotherham; and the sale of 113 homes across the portfolio, including 54 sales at Novella, Salford, delivered by The English Cities Fund ('ECF'), a joint venture with Legal & General and Homes England.

Good progress was made on several long-term developments, including: 113 affordable homes at Northshore in Stockton-on-Tees; 191 affordable homes for Haringey Council at Hale Wharf, Tottenham Hale through the Waterside Places partnership with the Canal & River Trust; and Forge Island, Rotherham, where work completed on a new bridge to connect the town centre to the new leisure destination being developed by the division. The final phase of Lewisham Gateway is nearing completion, delivering 649 homes for rent, retail space, food and beverage space, workspace and a multiplex cinema.

Construction began on a new neighbourhood at Stroudley Walk in Bromley-by-Bow to create 274 homes, with 50% of the scheme available for London Affordable Rent or shared ownership; and a 215,000 sq ft civil service hub in Blackpool, which will accommodate more than 3,000 civil servants. In Prestwich, the division has been consulting with the local community to progress plans in partnership with Bury Council to create a new heart in the village centre, including new homes, a community hub and public realm.

Completions in the year included 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; One City Park, a 56,000 sq ft workplace in Bradford city centre; 520 homes for rent at New Victoria; 106 homes at Islington Wharf in Manchester in partnership with the Canal & River Trust; a 64,000 sq ft workplace and 399-space multi-storey car park at Stockport Exchange; two office buildings totalling 150,000 sq ft in Birkenhead; and 30 affordable homes at Brixton Centric, marking the completion of a nine-year regeneration partnership with Lambeth Council.

The ECF partnership made progress on a number of developments. Work continued on Eden, a 115,000 sq ft office building in Salford, designed to be net zero carbon in operation. At Manor Road Quarter in Canning Town, construction continued on a new community of 355 homes (50% affordable), leisure and amenity space, and a 2.9-acre park, and consent was received from the London Borough of Newham for a second phase of 290 homes. At Greenhaus in Salford, work continued on 96 affordable Passivhaus homes. St Helens Borough Council approved a £69.2m funding package for the regeneration of St Helens, and a contractor appointed for the first phase. Planning consent was secured for 100 sustainable, affordable, Passivhaus-accredited apartments as part of the

240-acre, mixed-use regeneration of Salford Crescent. In addition, ECF was selected by Stockport Mayoral Development Corporation to create a new walkable neighbourhood near the railway station, with over 1,200 new homes, and retail, leisure and workspace.

In terms of strategic development, the division enhanced its regional footprint in the year by establishing a permanent presence in the Midlands in order to leverage off the significant opportunities in the region. As well as supporting the Arden Cross, Solihull scheme which the division had previously been appointed as development partner, the business was also selected as Solihull Council's preferred development partner for the regeneration of Mell Square shopping centre during the year. In 2024, it is anticipated that net c£3m cost will be incurred in developing the long term capability of the Midlands base to progress these and other potential opportunities across the region.

The division's development portfolio included 12 projects on site at the year end, totalling £932m gross development value, with a further 9 projects, with a gross development value of £313m, expected to start on site in 2024.

At the year end, the regeneration order book amounted to £1,825m, a reduction of 1% on the prior year end and includes a significant new business win in the year to partner with Oldham Council to deliver a vibrant town centre neighbourhood with 2,000 new mixed-tenure homes.

The regeneration order book also maintains a diverse regional and sector split:

- by value, 64% is in the North West, 34% in London and the South East and 2% in Yorkshire and the North East: and
- by sector, 64% by value relates to residential, 19% to offices, with the remainder broadly split between retail, leisure and industrial.

Divisional outlook for Urban Regeneration

The medium-term target for Urban Regeneration is to increase its rolling three-year average ROCE[1,3] up towards 20%.

The phasing of schemes expected in 2024 reflects a hiatus between projects having reached completion towards the end of 2023 and new projects not starting until later years. The business will also commit c£3m of investment in the year to support the strategic growth of the Midlands region.

As a result, profit (and the resulting ROCE[1,3]) in 2024 is expected to be much lower than in 2023, with the average capital employed[1,2] for 2024 expected to be c£80-£90m.

[1] Before exceptional Building Safety net credit of £13.7m (FY 2022: charge of £43.4m). See Note 2 of the consolidated financial statements
[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
[4] Includes projects delivered through joint ventures at 100% of the project value to the JV

Other Financial Information

1. Net finance income/(expense). The net finance income was £3.3m, an increase of £6.3m compared to FY 2022 and which is broken down as follows:

	FY 2023 £m	FY 2022 £m	Change £m
Interest income on bank deposits	10.8	2.3	8.5
Amortisation of bank fees & non-utilisation fees	(2.0)	(2.2)	0.2
Interest expense on lease liabilities	(2.5)	(1.9)	(0.6)
Discount on unwinding of deferred land payments	(3.0)	(1.2)	(1.8)
Total net finance income/(expense)	**3.3**	**(3.0)**	**6.3**

2. Tax. A reported tax charge of £26.2m is shown for the year (FY 2022: £24.4m). The adjusted tax charge is £29.9m (FY 2022: £27.0m), which equates to an effective tax rate of 20.7% on adjusted profit before tax.

	FY 2023	FY 2022 £m
Profit before tax	143.9	85.3
Less: share of underlying[1] net profit in joint ventures	(14.1)	(14.3)
Profit before tax excluding joint ventures	**129.8**	**71.0**
Statutory tax rate	23.50%	19.00%
Current tax charge at statutory rate	**(30.5)**	**(13.5)**
Tax on joint venture profits[2]	(2.6)	(2.6)
Non-deductible portion of exceptional items	1.5	(7.0)
Other non-deductible expenses	0.7	(2.1)
Residential Property Developer Tax	-	(0.3)
Prior year adjustments	4.2	0.6
Other adjustments	0.5	0.5
Tax charge as reported	**(26.2)**	**(24.4)**
Tax on amortisation	(0.7)	(0.4)
Tax on exceptional items	(3.0)	(2.2)
Adjusted tax charge	**(29.9)**	**(27.0)**

[1] Underlying net profit of joint ventures excludes the exceptional building safety credit (£4.1m) related to joint ventures
[2] 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.

	FY 2023 £m	FY 2022 £m	Change £m
Inventories	344.7	333.9	+10.8
Trade & Other Receivables[1]	713.5	646.3	+67.2
Trade & Other Payables[2]	(1,210.7)	(1,070.1)	-140.6
Net working capital	**(152.5)**	**(89.9)**	**(62.6)**

[1] Adjusted to exclude capitalised arrangement fees and accrued interest receivable of £2.2m (FY 2022: £1.3m) and exceptional Building Safety receivables of £16.5m (FY 2022: £nil)
[2] Adjusted to exclude accrued interest payable of £0.3m (FY 2022: £0.6m) and JV funding obligation of £nil (FY 2022: £4.0m)

4. Cash flow. The operating cash flow was an inflow of £189.0m (FY 2022: inflow of £48.0m). Free cash flow was an inflow of £171.4m (FY 2022: inflow of £27.7m).

	FY 2023 £m	FY 2022 £m
Operating profit – adjusted	**141.3**	**139.2**
Depreciation	26.8	22.9
Share option expense	6.6	9.7
Movement in fair value of shared equity loans	-	(0.4)
Share of underlying[1] net profit of joint ventures	(14.1)	(14.3)
Other operating items [2]	0.9	(17.6)
Change in working capital [3]	59.7	(64.5)
Net capital expenditure (including repayment of finance leases)	(33.8)	(28.4)
Dividends received from joint ventures	1.6	1.4
Operating cash flow	**189.0**	**48.0**
Income taxes paid	(25.2)	(20.3)
Net interest received/(paid)	7.6	-
Free cash flow	**171.4**	**27.7**

[1] Underlying net profit of joint ventures excludes the exceptional building safety credit of £4.1m related to joint ventures
[2] 'Other operating items' includes shared equity redemptions (£0.4m) and provision movements (£1.4m); less gain on disposal of property, plant & equipment (£0.1m), additional pension contributions (£0.2m) and exceptional building safety provision movements (£0.6m)
[3] The cash flow due to change in working capital excludes exceptional building safety receivable of £16.5m and non-cash movements relating to the unwind of discounting on land creditors of £3.0m and other non-cash movements

5. Net cash. Net cash at the year end was £460.7m as a result of a net cash inflow of £106.1m from 1 January 2023.

	£m
Net cash as at 1 January 2023	**354.6**
Free cash flow (as above)	171.4
Dividends	(48.1)
Other[1]	(17.2)
Net cash as at 31 December 2023	**460.7**

[1] 'Other' includes proceeds from the issue of new shares (£0.1m) and proceeds from the exercise of share options (£4.0m); less the purchase of shares in the Company by the employee benefit trust (£11.3m) and net capital advanced to joint ventures (£10.0m)

6. Capital employed by strategic activity. An analysis of the capital employed[1,2] in the **Construction** activities shows a decrease of £62.8m since the prior year, split as follows:

Capital employed[1,2] in Construction	**FY 2023 £m**	**FY 2022 £m**	**Change £m**
Construction	(216.5)	(185.2)	-31.3
Infrastructure	(87.0)	(75.3)	-11.7
Fit Out	(105.6)	(86.8)	-18.8
Property Services	60.8	61.8	-1.0
	(348.3)	**(285.5)**	**-62.8**

An analysis of adjusted capital employed[1,2] in the **Regeneration** activities shows an increase of £24.4m since the prior year, split as follows:

Capital employed[1,2] in Regeneration	**FY 2023 £m**	**FY 2022 £m**	**Change £m**
Partnership Housing	234.4	189.3	+45.1
Urban Regeneration	79.7	100.4	-20.7
	314.1	**289.7**	**+24.4**

[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] Adjusted to exclude exceptional Building Safety receivables & provisions

7. Exceptional Building Safety credit. The total exceptional building safety credit of £2.2m arose as a result of a better estimate of expected costs and recoveries. This includes a credit of £4.1m that has been recognised in respect of the Group's share of constructive and legal obligations to remediate legacy building safety issues within JVs, and this has been recognised within the Group's share of net profit of joint ventures. A net charge of £1.9m has been recognised in cost of sales.

	2023	2022
	£m	£m
Net (additions)/releases on building safety provisions	**(18.4)**	(39.1)
Insurance and recoveries recognised in receivables	**16.5**	-
Exceptional building safety credit/(charge) within cost of sales	**(1.9)**	(39.1)
Exceptional building safety credit/(charge) within joint ventures	**4.1**	(9.8)
Total exceptional building safety credit/(charge)	**2.2**	(48.9)

8. Dividends. The Board of Directors has proposed a final dividend of 78p per share, an increase of 15% on the prior year. This will be paid on 16 May 2024 to shareholders on the register at 26 April 2024. The ex-dividend date will be 25 April 2024.

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 will be included in the 2023 Annual Report which will be published on 21 March 2024. These are considered to be relevant risks and uncertainties for the Group at this time and are summarised below (in no order of magnitude):

Economic change and uncertainty - UK construction continues to benefit from sustained cross-party investment commitments, as confirmed in the Autumn Statement. This continues to support the Group's market sectors which remain structurally secure particularly in regeneration, construction and infrastructure (primary areas in the UK targeted for growth). In addition, the Group's diversity of offering and strong balance sheet protects the business from cyclical changes in individual markets.

Exposure to UK housing market - The Group's long-term public sector partnership models, Government support and the UK's housing need complement its product position. However, headwinds such as the interest rate and inflation trajectory, mortgage availability and cost of living crisis, continues to influence consumer confidence, which together with continued planning constraints has resulted in a slowdown of sales. In Regeneration, cost inflation on some schemes is impacting their potential viability.

Poor contract selection and/or bidding - The quality of the Group's public and regulated industry sectors should safeguard future performance, allowing the Group to continue selecting the right projects and in sectors where it has proven capability.

Macro-induced inflationary pressures have eased, with impacted projects procured in 2022 now largely completed and newer projects benefiting from improved customer budgets which, whilst more realistic in some instances do still result in preconstruction periods taking longer.

Poor project delivery (including changes to contracts and contract disputes) – The Group continues to benefit from an ability to pass through costs in bids together with the inclusion of contingency allowances and/or contract terms allowing inflation recovery. The eased inflationary backdrop has resulted in some competition re-emerging in the supply chain and the Group's longstanding supply chain relationships and focus on customer experience continue to mitigate any significant issues and disputes should they arise.

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

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 - There is an increasing risk that our supply chain partners may be trading with strained finances as a result of inflationary and borrowing pressures. Our teams are acutely aware of this and have increased their due diligence as well as providing help and assistance where appropriate. In some limited circumstances we have supported key partners with more favourable terms to assist their cash flow while obtaining assurance on production progress and forms of guarantee.

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

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.

UK cyber activity and failure to invest in information technology - Cybercrime continues its prevalence and to counter this the Group's investment in IT continues to increase in order to meet the future needs of the business in terms of expected growth, security, and innovation, and enable its long-term success. It is also essential 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.

Consolidated income statement
For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Revenue		**4,117.7**	3,612.2
Cost of sales		**(3,672.9)**	(3,241.3)
Gross profit		**444.8**	370.9
Analysed as:			
Adjusted Gross profit		**446.7**	410.0
Exceptional building safety items		**(1.9)**	(39.1)
Administrative expenses		**(324.0)**	(287.6)
Share of net profit of joint ventures		**18.2**	4.5
Other operating income		**1.6**	0.5
Operating profit		**140.6**	**88.3**
Analysed as:			
Adjusted Operating profit		**141.3**	139.2
Exceptional building safety items	3	**2.2**	(48.9)
Amortisation of intangible assets		**(2.9)**	(2.0)
Finance income		**10.8**	2.3
Finance expense		**(7.5)**	(5.3)
Profit before tax		**143.9**	85.3
Analysed as:			
Adjusted Profit before tax		**144.6**	136.2
Exceptional building safety items	3	**2.2**	(48.9)
Amortisation of intangible assets		**(2.9)**	(2.0)
Tax	4	**(26.2)**	(24.4)
Profit for the year		**117.7**	60.9
Attributable to:			
Owners of the Company		**117.7**	60.9
Earnings per share			
Basic	6	**254.2p**	132.7p
Diluted	6	**250.4p**	130.4p

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

Consolidated statement of comprehensive income
For the year ended 31 December 2023

	2023 £m	2022 £m
Profit for the year	**117.7**	60.9
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange movement on translation of overseas operations	**0.2**	2.1
	0.2	2.1
Other comprehensive income	**0.2**	2.1
Total comprehensive income	**117.9**	63.0
Attributable to:		
Owners of the Company	**117.9**	63.0

Consolidated statement of financial position
At 31 December 2023

	Notes	2023 £m	2022 £m
Assets			
Goodwill and other intangible assets		**218.6**	221.2
Property, plant and equipment		**86.0**	74.8
Investment property		**0.8**	0.8
Investments in joint ventures	7	**106.6**	84.0
Non-current assets		**412.0**	380.8
Inventories		**344.7**	333.9
Contract assets		**270.6**	294.6
Trade and other receivables	8	**461.6**	353.0
Shared equity loan receivables		**-**	0.4
Cash and cash equivalents	12	**541.3**	431.7
Current assets		**1,618.2**	1,413.6
Total assets		**2,030.2**	1,794.4
Liabilities			
Contract liabilities		**(95.8)**	(74.2)
Trade and other payables	9	**(1,087.0)**	(963.2)
Current tax liabilities		**(1.9)**	(5.6)
Lease liabilities		**(19.1)**	(16.0)
Borrowings	12	**(80.6)**	(77.1)
Provisions	10	**(76.7)**	(55.1)
Current liabilities		**(1,361.1)**	(1,191.2)
Net current assets		**257.1**	222.4
Trade and other payables	9	**(28.2)**	(37.3)
Lease liabilities		**(44.7)**	(40.9)
Retirement benefit obligation		**-**	(0.2)
Deferred tax liabilities		**(8.7)**	(6.8)
Provisions	10	**(19.4)**	(21.8)
Non-current liabilities		**(101.0)**	(107.0)
Total liabilities		**(1,462.1)**	(1,298.2)
Net assets		**568.1**	496.2
Equity			
Share capital		**2.4**	2.4
Share premium account		**56.0**	55.9
Other reserves		**1.3**	1.1
Retained earnings		**508.4**	436.8
Equity attributable to owners of the Company		**568.1**	496.2
Total equity		**568.1**	496.2

Consolidated cash flow statement
For the year ended 31 December 2023

	Notes	**2023 £m**	2022 £m
Operating activities			
Operating profit		**140.6**	88.3
Adjusted for:			
Exceptional building safety items		**13.7**	48.9
Amortisation of intangible assets		**2.9**	2.0
Underlying share of net profit of equity accounted joint ventures		**(14.1)**	(14.3)
Depreciation		**26.8**	22.9
Share-based payments		**6.6**	9.7
Gain on disposal of property, plant and equipment		**(0.1)**	(0.5)
Movement in fair value of shared equity loan receivables		**-**	(0.4)
Impairment of investments		**-**	0.9
Repayment of shared equity loan receivables		**0.4**	1.5
Increase/(decrease) in provisions (excluding exceptional building safety items)	10	**1.4**	(19.5)
Additional pension contributions		**(0.2)**	-
Operating cash inflow before movements in working capital		**178.0**	139.5
Increase in inventories		**(10.8)**	(45.4)
Decrease/(increase) in contract assets		**24.0**	(62.0)
Increase in receivables		**(107.8)**	(24.4)
Increase/(decrease) in contract liabilities		**21.6**	(4.3)
Increase in payables		**116.2**	71.6
Movements in working capital		**43.2**	(64.5)
Cash inflow from operations		**221.2**	75.0
Income taxes paid		**(25.2)**	(20.3)
Net cash inflow from operating activities		**196.0**	54.7
Investing activities			
Interest received		**10.0**	1.8
Dividends from joint ventures		**1.6**	1.4
Proceeds on disposal of property, plant and equipment		**2.0**	0.6
Purchases of property, plant and equipment		**(14.3)**	(10.5)
Purchases of intangible fixed assets		**(0.3)**	(1.3)
Capital advances to joint venutres[1]		**(44.2)**	(18.3)
Capital repayments to joint venutres[1]		**34.2**	34.6
Net cash (outflow)/inflow from investing activities		**(11.0)**	8.3
Financing activities			
Interest paid		**(2.4)**	(1.8)
Dividends paid	5	**(48.1)**	(43.5)
Repayments of lease liabilities		**(21.2)**	(17.2)
Repayment of borrowings		**-**	(0.4)
Proceeds on issue of share capital		**0.1**	10.2
Payments by the Trust to acquire shares in the Company		**(11.3)**	(15.7)
Proceeds on exercise of share options		**4.0**	1.6
Net cash outflow from financing activities		**(78.9)**	(66.8)
Net increase/(decrease) in cash and cash equivalents		**106.1**	(3.8)
Cash and cash equivalents at the beginning of the year		**354.6**	358.4
Cash and cash equivalents at the end of the year	12	**460.7**	354.6

1 The 2022 figure was presented as part of 'net decrease in loans to joint ventures' in the 2022 financial statements.

Cash and cash equivalents presented in the Consolidated cash flow statement include bank overdrafts. See note 12 for a reconciliation to Cash and cash equivalents presented in the Consolidated statement of financial position.

Consolidated statement of changes in equity

For the year ended 31 December 2023

	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 year	-	-	-	60.9	60.9
Other comprehensive expense	-	-	2.1	-	2.1
Total comprehensive income	-	-	2.1	60.9	63.0
Share-based payments	-	-	-	9.7	9.7
Tax relating to share-based payments	-	-	-	(3.3)	(3.3)
Issue of shares at a premium	0.1	10.1	-	-	10.2
Exercise of share options	-	-	-	1.6	1.6
Purchase of shares in the Company by the Trust	-	-	-	(15.7)	(15.7)
Dividends paid	-	-	-	(43.5)	(43.5)
1 January 2023	**2.4**	**55.9**	**1.1**	**436.8**	**496.2**
Profit for the year	-	-	-	117.7	117.7
Other comprehensive income	-	-	0.2	-	0.2
Total comprehensive income	-	-	0.2	117.7	117.9
Share-based payments	-	-	-	6.6	6.6
Tax relating to share-based payments	-	-	-	2.7	2.7
Issue of shares at a premium	-	0.1	-	-	0.1
Purchase of shares in the Company by the Trust	-	-	-	(11.3)	(11.3)
Exercise of share options	-	-	-	4.0	4.0
Dividends paid	-	-	-	(48.1)	(48.1)
31 December	**2.4**	**56.0**	**1.3**	**508.4**	**568.1**

1 Basis of preparation

General information

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2023 or 2022 but is derived from those accounts. A copy of the statutory accounts for 2022 was delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's Annual General Meeting. 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 preliminary announcement has been prepared solely to assist shareholders in assessing the strategies of the Board and in gauging their potential to succeed. It should not be relied on by any other party or for other purposes. Forward looking statements have been made by the directors in good faith based on the information available to them up to the time of their approval of this preliminary announcement. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business factors, underlying any such forward looking information. Actual future results may differ materially from those expressed in or implied by these statements.

While the financial information included in this preliminary announcement was prepared in accordance with the recognition and measurement criteria of UK adopted International Accounting Standards (‘IAS’) and International Financial Reporting Standards ('IFRS'), this announcement does not itself contain sufficient information to comply with IFRS.

The consolidated financial statements will be available in March 2024. A copy will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

Further information on the Group, including the slide presentation document which will be presented at the Group's results meeting on 22 February 2024, can be found on the Group’s corporate website www.morgansindall.com.

Going Concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group and Company can continue in operational existence during the going concern period, which the Directors have determined to be until 31 March 2025.

As at 31 December 2023, the Group held cash of £541.3m, including £26.1m (2022: £38.0m) which is the Group’s share of cash held within jointly controlled operations, and total overdrafts repayable on demand of £80.6m (together net cash of £460.7m). Should further funding be required, the Group has significant committed financial resources available including unutilised bank facilities of £180.0m (2022: £180m), of which £165m matures in October 2026 and £15m matures in June 2026. The Group’s secured order book at 31 December 2023 is £8.9bn (2022: £8.5bn), of which £3.5bn relates to the 12 months ended 31 December 2024.

The Directors have reviewed the Group’s forecasts and projections for the going concern period, including sensitivity analysis to assess the Group’s resilience to the potential financial impact on the Group of any plausible losses of revenue or operating profit which could arise from one of the principal risks to the business occurring. The analysis also includes a reasonable worst-case scenario in which the Group’s principal risks manifest in aggregate to a severe but plausible level involving the aggregation of the impacts of a number of these risks. The modelling showed that the Group would remain profitable throughout the going concern period and there is considerable headroom above lending facilities such that there would be no expected requirement for the Group to utilise the bank facility, which underpins the going concern assumption on which these financial statements have been prepared. As part of the sensitivity analysis the directors also modelled a scenario that stress tests the Group’s forecasts and projections, to determine the scenario in which the headroom above the committed bank facility would be exceeded. This model showed that the Group’s operating profit would need to deteriorate substantially for the headroom to exceed the committed bank facility. The Directors consider there is no plausible scenario where cash inflows would deteriorate this significantly. However, as part of their analysis the Board also considered further mitigating actions at their discretion, such as a reduction in investments in working capital, to improve the position identified by the reasonable worst-case scenario. In all scenarios, including the reasonable worst case, the Group is able to comply with its financial covenants, operate within its current facilities, and meet its liabilities as they fall due.

Accordingly, the Directors consider there to be no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. They have formed a judgement that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the going concern period which they determine to be until 31 March 2025. For this reason, they continue to adopt the going concern basis in the preparation of these Financial Statements. The period until 31 March 2025 has been assessed as appropriate following consideration of the budgeting cycles and typical contract lengths undertaken across the Group.

Changes in accounting policies
There have been no significant changes to accounting policies, presentation or methods of preparation since the financial statements for the year ended 31 December 2022.

2 Business segments

For management purposes, the Group is organised into six 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 CODM is determined to be the Board of directors and reporting provided to the Board is in line with these six divisions, which have been considered to be the Group's operating segments.

During 2023 the Group restructured internal management reporting to the CODM, including monthly reports, budgets and forecasts, to present the Construction and Infrastructure businesses separately. Under IFRS 8 this change in reporting to the Board triggered the segments to be reported separately.

The six operating divisions' activities are as follows:

- Construction: Morgan Sindall Construction focuses on the education, healthcare, commercial, industrial, leisure and retail markets.
- Infrastructure: Morgan Sindall Infrastructure focuses on the highways, rail, energy, water and nuclear markets. Infrastructure also includes the BakerHicks design activities based out of the UK and Switzerland.
- Fit Out: Overbury plc is focused on 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 response and planned maintenance activities for social housing and the wider public sector.
- Partnership Housing: Lovell Partnerships Limited is 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 and build house contracting and planned maintenance and refurbishment.
- Urban Regeneration: Muse Places Limited is focused 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, Group general counsel services, information technology services, finance income and finance expense.

The Group reports its segmental information as presented below:

2023

	Construction	Infrastructure	Fit Out	Property Services	Partnership Housing	Urban Regeneration	Group Activities	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	945.2	876.0	1,104.8	185.2	821.2	185.3	-	-	4,117.7
Inter-segment revenue	21.4	10.7	0.4	-	16.3	-	-	(48.8)	-
Total revenue	966.6	886.7	1,105.2	185.2	837.5	185.3	-	(48.8)	4,117.7
Adjusted operating profit/(loss) (note 15)	25.9	38.5	71.8	(16.8)	30.5	14.8	(23.4)	-	141.3
Amortisation of intangible assets	-	-	-	(2.9)	-	-	-	-	(2.9)
Exceptional operating items	(11.5)	-	-	-	-	13.7	-	-	2.2
Operating profit/(loss)	14.4	38.5	71.8	(19.7)	30.5	28.5	(23.4)	-	140.6
Finance income									10.8
Finance expense									(7.5)
Profit before tax									143.9
Other information:									
Depreciation	(2.5)	(14.6)	(2.9)	(2.6)	(2.4)	(1.1)	(0.7)	-	(26.8)
Average number of employees	1,430	2,788	1,031	1,105	1,131	97	107	-	7,689

As Restated:

Year ended 31 December 2022

	Construction £m	Infrastructure £m	Fit Out £m	Property Services £m	Partnership Housing £m	Urban Regeneration £m	Group Activities £m	Eliminations £m	Total £m
External revenue	786.8	758.6	967.5	163.5	691.8	244.0	-	-	3,612.2
Inter-segment revenue	33.1	9.1	-	-	4.4	-	-	(46.6)	-
Total revenue	819.9	767.7	967.5	163.5	696.2	244.0	-	(46.6)	3,612.2
Adjusted operating profit/(loss) 15	22.6	29.5	52.2	4.3	37.4	18.9	(25.7)	-	139.2
Amortisation of intangible assets	-	-	-	(2.0)	-	-	-	-	(2.0)
Exceptional operating items	-	-	-	-	(5.5)	(43.4)	-	-	(48.9)
Operating profit/(loss)	22.6	29.5	52.2	2.3	31.9	(24.5)	(25.7)	-	88.3
Finance income									2.3
Finance expense									(5.3)
Profit before tax									85.3
Other information:									
Depreciation	(5.7)	(8.1)	(3.1)	(1.5)	(2.7)	(0.9)	(0.9)	-	(22.9)
Average number of employees	1,332	2,759	962	949	1,002	93	106	-	7,203

As Reported:

Year ended 31 December 2022

	Construction & Infrastructure £m	Fit Out £m	Property Services £m	Partnership Housing £m	Urban Regeneration £m	Group Activities £m	Eliminations £m	Total £m
External revenue	1,545.4	967.5	163.5	691.8	244.0	-	-	3,612.2
Inter-segment revenue	23.2	-	-	4.4	-	-	(27.6)	-
Total revenue	1,568.6	967.5	163.5	696.2	244.0	-	(27.6)	3,612.2
Adjusted operating profit/(loss) 15	52.1	52.2	4.3	37.4	18.9	(25.7)	-	139.2
Amortisation of intangible assets	-	-	(2.0)	-	-	-	-	(2.0)
Exceptional operating items	-	-	-	(5.5)	(43.4)	-	-	(48.9)
Operating profit/(loss)	52.1	52.2	2.3	31.9	(24.5)	(25.7)	-	88.3
Finance income								2.3
Finance expense								(5.3)
Profit before tax								85.3
Other information:								
Depreciation	(13.8)	(3.1)	(1.5)	(2.7)	(0.9)	(0.9)	-	(22.9)
Average number of employees	4,091	962	949	1,002	93	106	-	7,203

Segment assets and liabilities are not presented as these are not reported to the CODM.

3 Exceptional building safety items

	Notes	**2023 £m**	2022 £m
Net additions on building safety provisions	10	**(18.4)**	(39.1)
Insurance and recoveries recognised in receivables		**16.5**	-
Exceptional building safety charge within cost of sales		**(1.9)**	(39.1)
Exceptional building safety credit/(charge) within joint ventures	7	**4.1**	(9.8)
Total exceptional building safety credit/(charge)		**2.2**	(48.9)

During 2022 the Partnership Housing division signed the Developers Pledge (the "Pledge") with the Department of Levelling Up, Housing and Communities ("DLUHC") setting out the principles under which life critical fire-safety issues on buildings that they have developed of 11 meters and above are to be remediated. A letter was also 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. The Group subsequently signed the Developer Remediation Contract in March 2023 on behalf of all of its divisions.

An exceptional charge of £48.9m was recognised in 2022 due to the materiality and irregular nature of creating provisions arising because of the Pledge.

In the current year, the legal and constructive obligations related to the Pledge (including reimbursement of grants provided by the Building Safety Fund), the Building Safety Act and associated fire safety regulations have been reassessed based on further information. The overall movement in the building safety items is a net credit of £2.2m and is shown separately as an exceptional item consistent with prior year treatment.

Included in the £2.2m exceptional building safety credit (2022: £48.9m charge) is a £4.1m credit (2022: £9.8m charge) that has been recognised in respect of the Group's share of constructive and legal obligations to remediate legacy building safety issues within joint ventures, and this has been recognised within the Group's share of net profit of joint ventures. The remaining net charge of £1.9m (2022: £39.1m) has been recognised in cost of sales.

At the reporting date the Group had not yet made any reimbursements to the Building Safety Fund for amounts previously granted and drawn on any of the developments for which the Group has taken responsibility for. As notified by the DLUHC, any repayments will only be requested upon final completion of all the relevant works. On this basis, any repayments are only likely to commence towards the middle of 2024 at the earliest.

4 Tax

Tax expense for the year

	2023	2022
	£m	£m
Current tax:		
Current year	**16.9**	25.0
Adjustment in respect of prior years	**4.7**	8.5
	21.6	33.5
Deferred tax:		
Current year	**13.5**	-
Adjustment in respect of prior years	**(8.9)**	(9.1)
	4.6	(9.1)
Tax expense for the year	**26.2**	24.4

UK corporation tax is calculated at 23.50% (2022: 19.00%) of the estimated taxable profit for the year.

The table below reconciles the tax charge for the year to tax at the UK statutory rate:

		2023	2022
		£m	£m
Profit before tax		**143.9**	85.3
Less: post tax share of profits from joint ventures	7	**(14.1)**	(14.3)
		129.8	71.0
UK corporation tax rate		**23.50%**	19.00%
Income tax expense at UK corporation tax rate		**30.5**	13.5
Tax effect of:			
Adjustments in respect of prior years:			
Change to tax base cost of goodwill		**-**	(1.1)
Relating to Exceptional Items		**(2.0)**	-
Other		**(2.2)**	0.5
Expenses for which no tax relief is recognised:			
Proportion of exceptional items		**(1.5)**	7.0
Proportion of share-based payment expense		**(1.3)**	1.6
Other non-deductible expenses		**0.6**	0.5
Tax liability upon underlying joint venture profits[1]		**2.6**	2.6
Residential property developer tax		**-**	0.3
Other		**(0.5)**	(0.5)
Tax expense for the year		**26.2**	24.4

[1] Certain of the Group's joint ventures are partnerships for which profits are taxed within the Group rather than within the joint venture.

5 Dividends

Amounts recognised as distributions to equity holders in the year:

	2023 £m	2022 £m
Final dividend for the year ended 31 December 2022 of 68p per share	**31.5**	-
Final dividend for the year ended 31 December 2021 of 62p per share	**-**	28.3
Interim dividend for the year ended 31 December 2023 of 36p per share	**16.6**	-
Interim dividend for the year ended 31 December 2022 of 33p per share	**-**	15.2
	48.1	43.5

The proposed final dividend for the year ended 31 December 2023 of 78p per share is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

6 Earnings per share

		2023 £m	2022 £m
Profit attributable to the owners of the Company		**117.7**	60.9
Adjustments:			
Exceptional building safety items	**3**	**(2.2)**	48.9
Amortisation of intangible assets		**2.9**	2.0
Tax relating to the above adjustments		**(3.7)**	(2.6)
Adjusted earnings		**114.7**	109.2

	2023 Number of shares (millions)	2022 Number of shares (millions)
Basic weighted average number of ordinary shares	**46.3**	45.9
Dilutive effect of share options and conditional shares not vested	**0.7**	0.8
Diluted weighted average number of ordinary shares	**47.0**	46.7

Basic earnings per share	**254.2p**	132.7p
Diluted earnings per share	**250.4p**	130.4p
Adjusted earnings per share	**247.7p**	237.9p
Diluted adjusted earnings per share	**244.0p**	233.8p

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 year. The average share price for the year was £18.57 (2022: £19.12).

A total of 2,535,887 share options that could potentially dilute earnings per share in the future were excluded from the above calculations because they were anti-dilutive at 31 December 2023 (2022: 681,571).

7 Investments in joint ventures

Investments in equity accounted joint ventures are as follows:

	Notes	2023 £m	2022 £m
1 January		**84.0**	94.1
Equity accounted share of net profits:			
Underlying share of net profits		**14.1**	14.3
Exceptional building safety items	3	**4.1**	(9.8)
		18.2	**4.5**
Capital advances to joint ventures		**44.2**	18.3
Capital repayments by joint ventures		**(34.2)**	(34.6)
Non-cash impairment		**-**	(0.9)
Dividends received		**(1.6)**	(1.4)
Reclassification to funding obligations payable	9	**(4.0)**	4.0
31 December		**106.6**	**84.0**

During 2023, an exceptional building safety credit of £4.1m (2022: charge of £9.8m) has been recognised in respect of the Group's share of constructive and legal obligations to remediate legacy building safety issues within joint ventures. In the prior year, these obligations created potential funding obligations within joint ventures of £4.0m where the obligations recognised were in excess of the carrying values of investments. These funding obligations have been presented in amounts owed to joint ventures in note 9. In the current year, following the exceptional building safety credit, no potential funding obligations exceeded the carrying values of investments and as a result there is no potential funding obligations at the reporting date.

8 Trade and other receivables

		2023 £m	2022 £m
Amounts falling due within one year			
Trade receivables		**320.9**	243.6
Amounts owed by joint ventures	**13**	**21.1**	9.2
Prepayments		**17.8**	13.0
Insurance receivables		**21.7**	4.8
Other receivables		**31.3**	36.0
		412.8	306.6
Amounts falling due after more than one year			
Trade receivables		**48.8**	46.4
		48.8	46.4
Trade and other receivables		**461.6**	353.0

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables are stated after provisions for impairment losses of £1.5m (2022: £2.5m).

Retentions held by customers for contract work included within trade receivables at 31 December 2023 were £105.3m (2022: £96.8m). These will be collected in the normal operating cycle of the company including £48.8m (2022: £46.4m) that fall due in more than one year. The company manages the collection of retentions through its post completion project monitoring procedures and ongoing contact with clients to ensure that potential issues that could lead to the non-payment of retentions are identified and addressed promptly.

The Group holds third party insurances that may mitigate the contract and legal liabilities described in note 10 – Provisions and note 11 – Contingent liabilities. Insurance receivables are recognised when reimbursement from insurers is virtually certain.

9 Trade and other payables

		2023	2022
		£m	£m
Trade payables		**202.2**	165.4
Amounts owed to joint ventures	**13**	**0.2**	4.2
Other tax and social security		**142.8**	107.0
Accrued expenses		**703.9**	637.7
Deferred income		**3.8**	5.8
Land creditors		**20.7**	30.8
Other payables		**13.4**	12.3
Current		**1,087.0**	963.2
Land creditors		**25.5**	30.9
Other payables		**2.7**	6.4
Non-current		**28.2**	37.3

The directors consider that the carrying amount of trade payables approximates to their fair value. No interest was incurred on outstanding balances. Non-current other payables have been discounted by £4.3m (2022: £2.2m) to reflect the time value of money.

Retentions withheld from subcontractors included in trade payables amount to £88.8m (2022: £80.9m).

Funding obligations to joint ventures included within amounts owed to joint ventures are £nil (2022: £4.0m) as described in note 7.

10 Provisions

	Building Safety	Self-insurance £m	Contract & legal £m	Other £m	Total £m
1 January 2022	-	21.2	33.4	2.7	57.3
Utilised	(0.8)	(1.0)	(6.5)	(0.2)	(8.5)
Additions	39.1	4.0	13.2	1.3	57.6
Released	-	(4.4)	(24.4)	(0.7)	(29.5)
1 January 2023	**38.3**	**19.8**	**15.7**	**3.1**	**76.9**
Reclassifications	0.3	-	3.7	-	4.0
Utilised	(0.9)	(1.3)	(5.2)	(0.3)	(7.7)
Additions	26.3	3.9	10.6	0.8	41.6
Released	(7.9)	(3.2)	(6.5)	(1.1)	(18.7)
31 December 2023	**56.1**	**19.2**	**18.3**	**2.5**	**96.1**
Current	56.1	1.2	18.3	1.1	76.7
Non-current	-	18.0	-	1.4	19.4
31 December 2023	**56.1**	**19.2**	**18.3**	**2.5**	**96.1**

Building Safety provisions
Management have reviewed legal and constructive obligations arising from the Developers Pledge, the Building Safety Act and other associated fire regulations. Where obligations exist, these have been evaluated for the likely cost to address, including repayments of the Building Safety Fund. As a result of this review process provisions are recognised, as reported in the table above, excluding those recognised in joint ventures. The provision is expected to be utilised in the next three years, with repayments to the Building Safety Fund commencing no earlier than the middle of 2024.

See note 3 for further detail.

The Group also holds third party insurances that may mitigate the liabilities. Third party insurance reimbursement in respect of these provisions has been recognised as a separate asset, but only when the reimbursement is virtually certain. See notes 3 and 8 for details of mitigating insurance receivables recognised at the period end.

Note 11 includes details of contingent liabilities related to building safety.

Self-insurance provisions
Self-insurance provisions comprise the Group's self-insurance of certain risks and include £10.0m (2022: £11.1m) held in the Group's captive insurance company, Newman Insurance Company Limited (the ''Captive'').

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 receivables recognised at the period end.

Note 11 includes details of contingent liabilities related to claims.

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

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. As at 31 December 2023, contract bonds in issue under uncommitted facilities covered £174.7m of contract commitments of the Group, of which £22.3m related to joint arrangements and £nil relates to joint ventures (2022: £148.3m, of which £25.7m related to joint arrangements and £0.1m relates to joint ventures).

Contingent liabilities may also arise in respect of subcontractor and other third party claims made against the Group, in the normal course of trading. These claims can include those relating to cladding/legacy fire safety matters, and defects. A provision for such claims is only recognised to the extent that the Directors believe that the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation. However, such claims are predominantly covered by the Group's insurance arrangements. Recoveries under insurance arrangements are recognised as insurance receivables when they are considered virtually certain.

Building Safety

At 31 December 2023, provisions in respect of liabilities arising from the Developers Pledge, the Building Safety Act and other associated fire regulations totalled £61.6m (2022: £48.1m), including those related to joint ventures.

The ongoing legislative and regulatory changes in respect of legacy building safety issues create uncertainty around the extent of remediation required for legacy buildings, the liability for such remediation, recoveries from other parties and the time to be considered. It is possible that as remediation work proceeds, additional remedial works are required that may not have been identified from the reviews and physical inspections undertaken to date. The scope of buildings and remediation works to be considered may also change as legislation and regulations continue to evolve.

Uncertainties also exist in respect of the timing and extent of expected recoveries from other third parties involved in developments.

12 Net cash

Net cash
Net cash is defined as cash and cash equivalents less borrowings and non-recourse project financing as shown below:

	2023 **£m**	2022 £m
Cash and cash equivalents	**541.3**	431.7
Bank overdrafts presented as borrowings due within one year	**(80.6)**	(77.1)
Cash and cash equivalents reported in the Consolidated cash flow statement	**460.7**	354.6
Net cash	**460.7**	354.6

Included within cash and cash equivalents is £26.1m (2022: £38.0m) which is the Group's share of cash held within jointly controlled operations. There is £13.9m included within cash and cash equivalents that is held for future payment to designated suppliers (2022: £11.1m). There is a third party charge of £0.5m (2022: £0.5m) on a bank account in Switzerland for the purpose of rental guarantees for offices occupied by Baker Hicks.

The Group has £180m of committed loan facilities maturing more than one year from the balance sheet date, of which £15m matures in June 2026 and £165m in October 2026. These facilities are undrawn at 31 December 2023.

Average daily net cash during 2023 was £281.7m (2022: £256.3m). Average daily net cash is defined as the average of the 365 end-of-day balances of the net cash (as defined above) over the course of a reporting period. Management use this as a key metric in monitoring the performance of the business.

13 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. During the year, Group companies entered into transactions to provide construction and property development services with related parties, all of which were joint ventures, not members of the Group, amounting to £186.4m (2022: £105.0m). At 31 December 2023, amounts owed to the Group by joint ventures was £21.1m (2022: £9.2m) and amounts owed by the Group to joint ventures was £0.2m (2022: £4.2m) including joint venture funding obligations.

Remuneration of key management personnel
The Group considers key management personnel to be the members of the group management team, and sets out below in aggregate, remuneration for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2023	2022
	£m	£m
Short-term employee benefits	**9.5**	9.8
Post-employment benefits	**0.1**	0.1
Termination benefits	**0.3**	-
Share-based payments	**1.9**	4.4
	11.8	14.3

Directors' transactions
There have been no related party transactions with any director in the year or in the subsequent period to 21 February 2024.

Directors' material interests in contracts with the Company
No director held any material interest in any contract with the Company or any Group company in the year or in the subsequent period to 21 February 2024.

14 Subsequent events
There were no subsequent events that affected the financial statements of the Group.

15 Adjusted Performance Measures
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 which are also disclosed in the Annual Report. 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 and disclosure in the Annual Report which are:

'Adjusted'

In all cases the term 'adjusted' excludes the impact of intangible amortisation and exceptional items. This is used to improve the comparability of information between reporting periods to aid the use of the Annual Report in understanding the activities across the Group's portfolio.

Below is a reconciliation between the reported Gross profit, Operating profit and Profit before tax measures on a statutory basis and the adjustment made to calculate Adjusted Gross profit, Adjusted Operating profit and Adjusted Profit before tax.

Adjusted basic earnings per share and adjusted diluted earnings per share is the statutory measure excluding the post-tax impact of intangible amortisation and exceptional items, and the deferred tax charge arising due to changes in UK corporation tax rates. See note 6 for a detailed reconciliation of the adjusted EPS measures.

	Gross profit		Operating profit		Profit before tax	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Reported	**444.8**	370.9	**140.6**	88.3	**143.9**	85.3
Adjust for: exceptional building safety items[1]	**1.9**	39.1	**(2.2)**	48.9	**(2.2)**	48.9
Adjust for: amortisation of intangible assets	**-**	-	**2.9**	2.0	**2.9**	2.0
Adjusted	**446.7**	410.0	**141.3**	139.2	**144.6**	136.2
Reported tax charge					**(26.2)**	(24.4)
Adjust for: tax relating to amortisation					**(0.7)**	(0.4)
Adjust for: tax relating to exceptional items					**(3.0)**	(2.2)
Adjusted profit after tax / earnings					**114.7**	109.2

[1] The exceptional building safety items includes amounts recognised in cost of sales (£1.9m (2022: £39.1m)) and share of net profit of joint ventures (£4.1m credit (2022: £9.8m charge)). See note 3.

'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 12. 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 365 end of day balances of the net cash over the course of a reporting period.

'Operating cash flow'

Management use an adjusted measure for operating cash flow 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. Operating cash flow can be derived from the cash inflow from operations reported in the consolidated cash flow statement as shown below.

Operating cash flow conversion is operating cash flow divided by adjusted operating profit as defined above.

		2023 £m	2022 £m
Cash inflow from operations - Reported		**221.2**	75.0
Dividends from joint ventures	7	**1.6**	1.4
Proceeds on disposal of property, plant and equipment		**2.0**	0.6
Purchases of property, plant and equipment		**(14.3)**	(10.5)
Purchases of intangible fixed assets		**(0.3)**	(1.3)
Repayments of lease liabilities		**(21.2)**	(17.2)
Operating cash flow		**189.0**	48.0

'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, other intangible assets and cash) less total liabilities (excluding corporation tax, deferred tax, intercompany financing, overdrafts and exceptional building safety items).

We confirm to the best of our knowledge:

1. The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

2. The strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and

3. The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The contents of this announcement, including the responsibility statement above, have been extracted from the annual report and accounts for the year ended 31 December 2023 which will be available on publication at http://www.morgansindall.com. Accordingly, this responsibility statement makes reference to the financial statements of the Company and the Group and to the relevant narrative appearing in that annual report and accounts rather than the contents of this announcement.

This responsibility statement was approved by the Board on 21 February 2024 and is signed on its behalf by:

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