

BALFOUR BEATTY PLC RESULTS FOR THE HALF YEAR ENDED 28 JUNE 2024

14 August 2024

Delivering earnings growth and continued shareholder returns

On track to achieve full year expectations

Leo Quinn, Balfour Beatty Group Chief Executive, said: “The Group’s earnings-based businesses have continued their growth trajectory in the first half of 2024, driving an increase in Group profitability and cash generation, and making great strides in securing the work that will drive further profitable growth in 2025 and beyond.

“The outlook for the Group’s chosen growth markets, where we hold unique capabilities in delivering complex infrastructure projects, remains encouraging, including in the UK with the new Government reinforcing commitments to critical national infrastructure. Balfour Beatty’s prospects across these markets provide the Board with confidence that the Group will continue to deliver significant and attractive shareholder returns in the coming years.”

Continued growth from the earnings-based businesses

- Revenue¹ up 3% to £4.7 billion (2023: £4.5 billion) driven by increases at Support Services and Gammon
- Underlying profit from operations (PFO) from earnings-based businesses up 6% to £101 million (2023: £95 million)
- Underlying Group PFO of £77 million (2023: £80 million) down 4% due to increased Infrastructure Investments costs
- Underlying EPS up 18% to 15.3 pence per share (2023: 13.0 pence)

Diversified portfolio delivering consistency and earnings growth

- Construction Services: PFO up 3% to £67 million with growth in UK
- Support Services: PFO up 13% to £34 million, full year expected towards top of 6-8% targeted margin range
- Infrastructure Investments: £7 million loss in first half; £20 - £30 million gain on disposals forecast for second half

Significant momentum in growth markets

- Material new work initiated with SSEN, National Grid, BP, Rolls-Royce and other key customers in 2024
- £16.6 billion order book (FY2023: £16.5 billion) and first half results underpinning 2024 earnings growth
- Earnings growth accelerating in 2025, with good progress made in chosen markets

Balance sheet and cash flow strength supporting continuing attractive shareholder returns

- Average net cash³ of £735 million (FY2023: £700 million)
- Directors valuation of the Investments portfolio increased 5% to £1.3 billion (FY2023: £1.2 billion)
- Half year dividend increased by 9% to 3.8 pence per share (2023: 3.5p)
- £60 million of total dividends to be paid in 2024 and £100 million share buyback on track to complete in year

(£ million unless otherwise specified)	HY 2024		HY 2023	
	Underlying ²	Total	Underlying ²	Total
Revenue ¹	4,677	4,677	4,527	4,527
Profit from earnings-based businesses	101 [#]	116	95 [#]	82
Profit from operations	77 [#]	91	80 [#]	65
Pre-tax profit	98	112	97	82
Profit for the period	81	96	74	63
Basic earnings per share	15.3p	18.1p	13.0p	11.1p
Dividends per share		3.8p		3.5p

	HY 2024	FY 2023	HY 2023
Order book ¹	£16.6bn	£16.5bn	£16.4bn
Directors' valuation of Investments portfolio	£1.3bn	£1.2bn	£1.3bn
Net cash – recourse ³	785	842	710
Average net cash – recourse ³	735	700	695

Segment analysis	HY 2024			HY 2023		
	Revenue ¹	PFO ^{2,#}	PFO margin ²	Revenue ¹	PFO ^{2,#}	PFO margin ²
	£m	£m	%	£m	£m	%
UK Construction	1,458	34	2.3%	1,516	30	2.0%
US Construction	1,703	18	1.1%	1,736	21	1.2%
Gammon	714	15	2.1%	583	14	2.4%
Construction Services	3,875	67	1.7%	3,835	65	1.7%
Support Services	554	34	6.1%	463	30	6.5%
Earnings-based businesses	4,429	101	2.3%	4,298	95	2.2%
Infrastructure Investments	248	(7)		229	2	
Corporate activities		(17)		–	(17)	
Total	4,677	77		4,527	80	

Notes:

¹ Including share of joint ventures and associates

² Before non-underlying items (Note 8)

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

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

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

Investor and analyst enquiries:

Jim Ryan

Tel. +44 (0)7858 368527

jim.ryan@balfourbeatty.com

Media enquiries:

Antonia Walton

Tel. +44 (0)203 810 2345

antonia.walton@balfourbeatty.com

Investor and analyst presentation:

A presentation to investors and analysts will be made at Deutsche Numis, 45 Gresham Street, London, EC2V 7BF at 09:00 (GMT) on 14 August 2024. There will be a live webcast of this on: www.balfourbeatty.com/webcast. The webcast will be recorded and subsequently available at [Results, reports and presentations - Investors - Balfour Beatty plc](#).

2024 HALF YEAR RESULTS ANNOUNCEMENT

- **GROUP CHIEF EXECUTIVE'S OVERVIEW**
- **RESULTS OVERVIEW**
- **DIVISIONAL FINANCIAL REVIEWS**
- **MEASURING OUR FINANCIAL PERFORMANCE**

GROUP CHIEF EXECUTIVE'S OVERVIEW

Executive summary

Balfour Beatty's strong operational performance in the first half of the year has further underpinned the Board's expectations of earnings growth in 2024, accelerating in 2025. The profit from operations achieved by the Group's earnings-based businesses has grown by 6% following improved delivery at UK Construction and increased volumes at Support Services and Gammon. Good progress has been made in securing the work required to deliver the Board's medium term growth ambitions and the Directors' valuation of the Investments portfolio has increased to £1.3 billion.

The Group's outlook for each of its four chosen growth markets of UK energy transition and security, UK transport, UK defence and US buildings has improved year to date, driven by a combination of bidding success and improved economic and political stability, particularly in the UK. The new Labour Government has committed to grow the UK economy, and has highlighted proposed investment in energy and transport infrastructure, the leveraging of private investment, planning reform and upskilling the UK's workforce as key components of their plan to achieve this. They have also pledged to increase defence spending over time. This direction of travel is positive for Balfour Beatty in the medium term.

Also in the UK, lower inflation is positive for all contractors, and Balfour Beatty has strengthened its position in its key markets by securing work with Scottish and Southern Electricity Networks (SSEN), National Grid, BP, Rolls-Royce and other key customers. In the US, the buildings business has grown both its revenue and order book in the first half, despite the inflationary and interest rate backdrop, demonstrating the importance of the Group's geographic and client diversification. As a result of this diversification, the outcome of the upcoming US election is not expected to have a material impact on the business.

The Group's £16.6 billion order book, which grew slightly in the first half, remains significant across Balfour Beatty's diverse geographic footprint of UK, US and Hong Kong and continues to give clear visibility in the short and medium term. Given the Group's focus on robust governance and disciplined bidding, the order book comprises a portfolio of projects that the Group believes has the appropriate contractual terms and conditions for the risk undertaken. In addition, the level of work that has been awarded to the Group but not yet contracted (and therefore not yet in the Group's order book) has increased sharply in the period, including a number of the major schemes which the Group won in the first half, that are being contracted on a phased basis.

In June, Balfour Beatty launched its evolved Sustainability Strategy, extending its focus to six areas which encompass climate change, nature positive, resource efficiency, supply chain integrity, community engagement and employee diversity, equity, and inclusion. As part of the evolved strategy, the Company has brought forward its UK based target to create £3 billion of social value by 2025 (previously 2030) as well as initiating new net zero targets as its understanding of the scale of the challenge has evolved. The Group has revised its net zero target for Scope 1 and 2 emissions to 2045, and Scope 3 to 2050, both originally set for 2040. The targets have been validated by the Science Based Targets initiative and underpinned by an industry-leading, fully transparent UK carbon reduction plan.

Financial summary

In the first half of 2024, the Group reported underlying profit from operations from its earnings-based businesses of £101 million (2023: £95 million), with improved profitability from UK Construction and higher volumes at Support Services and Gammon, partially offset by a lower US Construction contribution. Underlying profit from operations for the Group reduced to £77 million (2023: £80 million), with the increase from the earnings-based businesses offset by a loss in Infrastructure Investments, due to a write off of capitalised bidding costs and higher military housing costs in relation to the independent compliance monitor's ongoing work. At a PFO level, and prior to disposals, Infrastructure Investments remains profitable when excluding the costs associated with the monitor's work. As expected, no Infrastructure Investment disposals were completed in the first half of the year (2023: nil).

Balfour Beatty's financial strength remains a competitive differentiator. The Group's average net cash increased to £735 million in the first half (FY 2023: £700 million), while the Directors' valuation of the Investments portfolio increased to £1.3 billion (FY 2023: £1.2 billion), and refinancing in the first half of the year has further extended the Group's debt maturity profile.

Given the Group's strong order book, the opportunities in the energy, transport and defence sectors in the UK and the Group's chosen buildings sectors in the US, and its competitive strengths, the Board has confidence in its capacity to deliver significant and attractive future shareholder returns. The current tranche of Balfour Beatty's multi-year share buyback programme, £100 million for 2024, is progressing well and is on track to complete by the end of the year. In addition, the Board has declared an interim dividend of 3.8 pence per share (2023: 3.5 pence).

Momentum in the Group's growth markets

In Balfour Beatty's 2023 full year results announcement, the Group highlighted UK energy, transport and defence and US buildings as its four key growth markets. The increased volume of attractive opportunities in these markets, combined with the Group's end-to-end capabilities and complex infrastructure project experience, has given the Board confidence in Balfour Beatty's earnings growth accelerating in 2025. In the first half of 2024, progress has been made in the Group's pursuits in each of the four areas, with particular momentum in the UK energy market, where both UK Construction and Support Services businesses are well positioned to participate. This includes the strengthening and upgrading of the power transmission network, for which the demand for engineering and construction expertise continues to outweigh supply and funding is secured.

UK energy transition and security: In the year to date the Group has progressed opportunities across a variety of technologies and major clients, including:

- Commenced work on ten Early Contractor Involvement contracts for SSEN as part of their onshore ASTI Pathway to 2030 programme;
- Secured and begun work on a £192 million contract to construct three new substations in Argyll, Scotland for SSEN on the RIIO T2 framework;
- Commenced the detailed design and development phase of SSEN's £690 million Skye 132kV reinforcement project, with the full construction contract award expected in 2025, subject to planning approval;
- Selected in partnership with Technip Energies and GE Vernova for the next phase of BP and Equinor's Net Zero Teesside Power project to construct a highly efficient combined-cycle plant, integrated with a state-of-the-art carbon capture plant. Final contract award will be subject to receipt of regulatory clearances and final investment decisions being taken later this year;
- Signed a contract as part of the Civil Works Alliance at Sizewell C to deliver early stage enabling works at the nuclear new-build site in Suffolk.

UK transport: Balfour Beatty was awarded a £185 million contract on the A9 road in Scotland, which will see the Group upgrade six miles of single carriageway to dual carriageway. The A57 road project, awarded to Balfour Beatty in 2020, is the latest in a number of National Highway schemes to overcome development consent order challenges. These legal successes, alongside the Government's pledge to reform the country's planning system, indicate that the barriers associated with delivering major infrastructure in the UK should begin to ease over time. The Government has also committed to increasing investment in road maintenance, improving connectivity across cities in the north of England and giving more power to devolved regions to deliver their own transport solutions, all of which align to Balfour Beatty's road and rail expertise. Furthermore, the proposed restructuring of the UK Rail industry should see greater opportunities for efficiency as the management of track and trains are brought closer together.

UK defence: Balfour Beatty has been selected by Rolls-Royce as a construction partner for the expansion work in Raynesway, Derby, needed to meet the growth in demand from the Ministry of Defence and as a result of the AUKUS agreement. As part of the package of works, which will be executed in stages over the next eight years, Balfour Beatty will deliver infrastructure enabling works, build new manufacturing and office facilities, and redevelop existing industrial buildings on site. This will increase Rolls-Royce's capacity to manufacture reactor components for nuclear submarines. The UK Government has committed to increasing public investment in defence overtime.

US buildings: The diversification of the US Buildings business is key to its ongoing success and ability to grow revenue and orderbook despite high interest rates. This was reflected by the work won in the first half in areas including education, transportation and government buildings. While the economic backdrop means that the volume of commercial office work in the order book remains lower than in the past, the business continues to grow, and an easing of interest rates should increase the opportunities in the commercial office and other markets in the future. The US Buildings growth strategy of targeting additional cities in states with existing Balfour Beatty offices, and broader end-markets in some regions where the business is already active, continues to deliver successes. In the first half, the Group was awarded the renovation of a civic building in Georgia, airport and theme park projects were won in North Carolina, an autonomous vehicle project begun in Florida, and data centre work was delivered in Washington State.

Construction Services: Strong operational performance

UK Construction: The Group's market-leading position in the UK infrastructure market is built on its scale and vertically integrated capability for delivering major projects. In the year to date, the division has continued to deliver some of the country's most significant infrastructure schemes, including: HS2 Area North, where the Balfour Beatty VINCI joint venture has completed the four huge piers of the Curzon 2 bridge, marking a significant construction milestone on the sequence of viaducts that will take high-speed trains in and out of Birmingham; Old Oak Common, where after three years, the Balfour Beatty VINCI SYTRA joint venture completed the excavation of the stations underground box, a vast structure big enough to accommodate the equivalent of 300 Olympic sized swimming pools; Hinkley Point C, where good progress continues to be made on the underground marine works for the new nuclear power station; M25 junction 10, where Balfour Beatty conducted three full weekend closures as part of the improvement scheme at Wisley, the first in the M25's 38 year history, with works completed ahead of schedule on all occasions.

The division achieved a 2.3% PFO margin during the period (2023: 2.0%), demonstrating further progress in the Group's medium term ambition to achieve a 3% PFO margin in UK Construction.

US Construction: In the first half, operational highlights across the US Buildings business included: transformation of an old Coca-Cola bottling facility in Atlanta, Georgia, into an elevated mixed-use property; the completion of a new health sciences building at Santa Ana College in California; and breaking ground on the new concourse at Jacksonville Airport in Florida. In US Civils, the business completed construction of the Sterling Natural Resource Center, a water reclamation facility in California, and as part of the LINXS Constructors joint venture at Los Angeles International Airport, the Group have moved into the testing and commissioning phase of the project.

Balfour Beatty has continued its strategy to increase its presence in US buildings compared to US civils, with the Buildings business contributing 79% of the order book at half year, up from 76% at December 2023. With most of the projects undertaken by US Construction contracted on fixed-price terms, Buildings remains the lower risk business within the division, as the early issuing of subcontracts for works packages and insurance of the supply chain protects the Group's US margin. With US Civils, the Group remains cautious and selective in its approach, as the combination of fixed-price contractual terms and the self-perform nature of the work means the mitigation of inflation and schedule risk is more challenging. As a result, the Group's civils bidding is focused on those projects which closely align to its core capabilities.

Gammon: Balfour Beatty's Hong Kong based 50:50 joint venture with Jardine Matheson continues to perform consistently, with a strong share of both the buildings and civils markets. The outlook for the Hong Kong construction sector remains positive, with Government commitments to grow the railway network and build new major roads, in addition to the long term Northern Metropolis project to develop more than 3,000 hectares by phases over the next 20 years. In the first half of 2024, the majority of Gammon's new orders came in the buildings market, despite the high interest rate environment causing a slowdown in Hong Kong's private residential sector. Additions to the order book included a residential development in the Kai Tak area for the Hong Kong Housing Society, various residential developments for private developers in Hong Kong and a data centre in Singapore.

Operationally, work continues at Hong Kong Airport, where Gammon is delivering the Automatic People Mover (APM) and Baggage Handling System (BHS) from Terminal 2 to Terminal 2C in addition to working on the Terminal 2 expansion. At Terminal 2, all modules of the steel roof structures are now in place, and installation of the roof covering, building service systems and supporting columns are complete, while the fit-out and building services works progress at full steam within the completed building structure. The majority of the tunnel construction for the APM and BHS has been substantially completed and the electrical and mechanical installation works

inside the completed tunnel sections continue. Gammon's buildings team at the One Causeway Bay project, which when complete will have 500,000 sq. ft. of office space across 24 floors and five floors for retail, marked a major milestone with a topping-out ceremony. The project, which occupies the former site of the historic Excelsior Hotel on the waterfront of Hong Kong's Victoria Harbour, will open in 2025.

Support Services: Growth in road maintenance, power primed to expand

Support Services is focused on power, plant, road and rail maintenance and is characterised by profitable recurring revenues underpinned by long term contracts. For full year 2024, Support Services is expected to deliver towards the top of its targeted PFO margin range of 6-8%.

The power business continues to grow and perform well in what is a very buoyant market. In Scotland, Balfour Beatty has now commenced work on ten Early Contractor Involvement contracts for SSEN as part of their ASTI Pathway to 2030 programme. These projects span overhead lines, underground cabling and substations and reflect the Group's multi-disciplinary capability. Also, with SSEN, the Group has signed an Initial Works Contract for the £690 million Skye Reinforcement project and started the construction phase on the £192 million Argyll Substations project. For National Grid, the business finished wiring all 116 T-Pylons on the Hinkley Point C Connection project, a major step towards completion of this vital piece of UK infrastructure. The Viking Link interconnector, the longest interconnector in the world for which Balfour Beatty constructed the 65km UK onshore underground cable route, is now live and transmitting power between the UK and Denmark. The Group also completed 62km of overhead line refurbishment between Bramford and Norwich, began to transition 3.5km of overhead lines in the North Wessex Downs to underground cables and energised the final circuit at the 400kV Littlebrook Substation. Balfour Beatty's portfolio of power transmission and distribution projects continues to reflect the major role which the Group is playing in upgrading the grid to meet the UK's net zero ambitions.

The road and rail maintenance businesses have continued to perform well in the first half of 2024. The road maintenance business has substantially increased the volume of work delivered, driven by new contracts and increased demand, and continues to pursue new Local Authority contracts which come to market. The rail business has had a strong first half and has invested in its manufacturing and plant divisions to further strengthen the Group's capabilities.

Infrastructure Investments: pursuing opportunities in attractive markets

Balfour Beatty continues to invest in attractive new opportunities. The Group has maintained its disciplined approach to investments and disposals to ensure the delivery of investment hurdle rates. The Group's current focus is on investment opportunities in:

- Residential: Balfour Beatty continues to see attractive US multifamily housing come to market, providing opportunity to invest profitably in the regeneration of these properties.
- Student accommodation: Across the UK and US, demand for student accommodation remains strong as universities continue to improve their facilities to attract students.
- US P3: Balfour Beatty continues to pursue investment and construction opportunities in public-private partnerships, and, to date, 41 states (plus DC) have passed legislation allowing P3 projects.
- Energy transition: As the UK's energy mix transitions to more renewable sources, and the UK adopts more sustainable transport such as electric vehicles, there are opportunities for private sector investment.

In the first half, Balfour Beatty invested £12 million in new and existing projects with one new US multifamily housing project in Mount Laurel, New Jersey, added to the portfolio. In student accommodation, the Group was awarded a developer contract to build a 1,000-bed undergraduate student housing complex at the University of Texas in Austin, and in the UK, begun the construction of the West Slope student accommodation development at Sussex University.

In US military housing, the Group continues to support the military's energy resilience and climate goals and in the first half completed a rooftop solar project across five Navy bases in Florida, totalling 10.55 megawatts, and a \$31 million energy savings performance contract bringing energy and water efficiency improvements to the housing communities at 11 Navy installations in the Southeast. The Group continues to work with the independent compliance monitor, appointed by the Department of Justice in 2021 and commencing work in 2022.

Outlook

Following the strong financial performance from the earnings-based businesses in the first six months, the Board continues to expect an increase in PFO from its earnings-based businesses for the full year. Infrastructure Investments financial performance is expected to improve in the second half, resulting in a small loss from operations for the full year, prior to disposals. Gains on investment disposals in the second half are expected in the range of £20 - £30 million. The Board expects net finance income of around £30 million for 2024 and for the effective tax rates in each of the three geographies to remain close to statutory rates.

In summary, the Board continues to expect growth in underlying Group earnings in 2024, with growth accelerating in 2025. The Group's average cash in 2024 is expected to be broadly in line with the £700 million recorded in 2023, allowing for a working capital outflow and for full year capital expenditure to return closer to pre-2023 levels of around £35 million.

The Group's longer-term outlook remains positive, with the growth forecast in 2025 and beyond driven by the increasing opportunities in the four key growth markets it has positioned itself for – energy, transport and defence sectors in the UK and the US buildings market. This gives the Board confidence in Balfour Beatty's continued ability to deliver profitable managed growth and sustainable cash generation, and in turn, significant and attractive ongoing shareholder returns.

RESULTS OVERVIEW

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

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

Group financial summary

Revenue increased by 3% (5% at CER) to £4,677 million (2023: 4,527 million) driven largely by increases at Support Services and Gammon. Statutory revenue, which excludes joint ventures and associates, was £3,885 million (2023: £3,811 million).

Construction Services revenue was up 1% (3% at CER) to £3,875 million (2023: £3,835 million), with increased activity at the major airport projects in Hong Kong partially offset by reduced volumes in the UK and in US Civils. Support Services revenue increased by 20% to £554 million (2023: £463 million) driven largely by a higher volume of road maintenance work, with major contracts at Buckinghamshire and East Sussex having only started late in to the first half of 2023.

Underlying profit / (loss) from operations²	HY 2024	HY 2023
	£m	£m
UK Construction	34	30
US Construction	18	21
Gammon	15	14
Construction Services	67	65
Support Services	34	30
Earnings-based businesses	101	95
Infrastructure Investments pre-disposals operating (loss) / profit	(7)	2
Infrastructure Investments gain on disposals	–	–
Corporate activities	(17)	(17)
Total underlying profit from operations	77	80

² Before non-underlying items (Note 8)

Underlying profit from operations decreased by 4% to £77 million (2023: £80 million), with a £9 million reduction in Infrastructure Investments due to the write off of capitalised bidding costs and higher military housing costs in relation to the independent compliance monitor's ongoing work, partially offset by an increased workload in both Construction Services and Support Services. Statutory profit from operations was £91 million (2023: £65 million).

Including net finance income of £21 million (2023: £17 million), underlying pre-tax profit was £98 million (2023: £97 million). The taxation charge on underlying profits was £17 million (2023: £23 million) and results in an underlying profit after tax of £81 million (2023: £74 million). Total statutory profit after tax for the period was £96 million (2023: £63 million), as a result of the net effect of non-underlying items.

Underlying basic earnings per share was 15.3 pence (2023: 13.0 pence), which, along with non-underlying earnings per share of 2.8 pence (2023: loss of 1.9 pence), gave a total basic earnings per share of 18.1 pence (2023: 11.1 pence). This included the benefit from the basic weighted average number of ordinary shares reducing to 528 million (2023: 567 million) as a result of the Group's share buyback programme.

Non-underlying items

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

Non-underlying items after taxation were a net credit of £15 million for the period (2023: net charge of £11 million). Items included a net credit of £16 million in the Group's Rail Germany operations. One of the two remaining contracts held within Rail Germany reached the end of its warranty period resulting in the release of warranty provisions held in respect of this contract. This release has been credited to the Group's income statement within non-underlying, net of provision increases relating to certain legacy liabilities remaining within the business. There was also a £1 million post-tax charge relating to the amortisation of acquired intangible assets. Further detail is provided in Note 8.

Cash flow performance

The total cash movement in the first half resulted in a £57 million decrease (2023: £105 million) in the Group's period end net cash position to £785 million (FY 2023: £842 million), excluding non-recourse net borrowings. Operating cash flows were ahead of profit from operations. As expected, there was a working capital unwind in the first half and there was also a £72 million outflow for the current tranche of the multi-year share buyback programme.

Cash flow performance	HY 2024	HY 2023
	£m	£m
Operating cash flows	128	112
Working capital outflow	(76)	(42)
Pension deficit payments*	(14)	(13)
Cash from operations	38	57
Lease payments (including interest paid)	(33)	(31)
Dividends from joint ventures and associates	32	27
Capital expenditure	(12)	(30)
Share buybacks	(72)	(87)
Infrastructure Investments		
- disposal proceeds	–	–
- new investments	(12)	(24)
Other	2	(17)
Net cash movement	(57)	(105)
Opening net cash*	842	815
Closing net cash*	785	710

* Excluding infrastructure investments (non-recourse) net borrowings

+ Including £1 million (2023: £1 million) of regular funding

Working capital

As expected, the Group had a net working capital outflow of £76 million (2023: £42 million) as a result of the unwind of the spike in negative working capital position reported at year end.

Working capital flows^	HY 2024	HY 2023
	£m	£m
Inventories	(38)	(27)
Net contract assets	(66)	(158)
Trade and other receivables	(106)	(51)
Trade and other payables	151	169
Provisions	(17)	25
Working capital outflow^	(76)	(42)

^ Excluding impact of foreign exchange and disposals

Including the impact of foreign exchange and non-operating items, negative (i.e. favourable) current working capital decreased to £1,210 million (FY 2023: £1,232 million). In the medium term, the Group expects negative working capital as a percentage of revenue to be around the top of its historical long term average of 11-13% (HY 2024: 15.6%; FY 2023: 15.4%) with the range continuing to be dependent on contract mix and the timing of project starts and completions.

Net cash/borrowings

The Group's average net cash increased in the first half to £735 million (FY 2023: £700 million, HY 2023: £695 million). The Group's net cash position at the half year, excluding non-recourse net borrowings, was £785 million (FY 2023: £842 million; HY 2023 £710 million).

Non-recourse net borrowings, held in Infrastructure Investments entities consolidated by the Group, were £279 million (FY 2023: £264 million; HY 2023: £259 million). The balance sheet also included £151 million for lease liabilities (FY 2023: £143 million; HY 2023: £135 million). Statutory net cash at half year was £355 million (FY 2023: £435 million; HY 2023: £316 million).

Share buyback

On 2 January 2024, Balfour Beatty commenced an initial £50 million tranche of its 2024 share buyback programme, which was subsequently increased, following the release of its 2023 full year results, to £100 million on 13 March 2024. In the first half, the Group purchased 20 million shares for a total consideration of £73 million. These shares are currently held in treasury with no voting rights. This tranche of the multi-year share buyback programme is on track to complete by the end of 2024.

Banking facilities

In the period the Group extended its core Revolving Credit Facility (RCF) by one year, to June 2028, with the support of the lending bank group. The facility was reduced to £450 million (FY 2023: £475 million) in the extension process. The RCF remains a Sustainability Linked Loan (SSL) and subsequent to the extension, in July 2024 new SLL metrics and targets were agreed with the lending bank group. The Group continues to be incentivised to deliver annual measurable performance improvement in three key areas: Carbon Emissions, Social Value generation and an independent Environment, Social and Governance (ESG) rating score. The RCF remained undrawn at 28 June 2024.

The Group retains an additional £30 million bilateral committed facility on similar terms to the core RCF. This facility has a maturity of December 2024. The Group holds an option to extend the expiry of the facility to December 2027. As at 28 June 2024, the Group had not triggered the facility's extension option. At 28 June 2024 the bilateral committed facility remained undrawn.

Debt Refinancing

In the first half, the Group completed the early refinancing of US\$50 million of US Private Placement (USPP) notes that were set to mature in March 2025. The Group raised US\$50 million of new USPP notes, on terms and conditions that mirror existing debt facilities, and used this new funding to complete the early repayment of the US\$50 million 2025 USPP notes. The new debt is comprised of US\$25 million of 7-year notes, maturing in June 2031 at a fixed coupon of 6.71%, and US\$25 million of 12-year notes, maturing in June 2036 at a fixed coupon of 6.96%. The refinancing exercise has extended the debt maturity profile of the Group until 2036, with the next debt maturity now in June 2027 (US\$35 million USPP notes).

Going concern

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

Pensions

Balfour Beatty and the trustees of the Balfour Beatty Pension Fund (BBPF) have agreed to a journey plan approach to managing the BBPF whereby the BBPF is aiming to reach self-sufficiency by 2027. The Company and the trustees agreed the 31 March 2022 formal valuation in 2023 and, as a result, Balfour Beatty will pay deficit contributions to the BBPF of £24 million in 2024 and £6 million in 2025 together with additional contributions of £2 million per month from March 2025 if BBPF's performance is different from that expected. The next formal triennial funding valuation of the BBPF is due with effect from 31 March 2025.

The Company and trustees of the Railways Pension Scheme (RPS) agreed the 31 December 2022 formal valuation in the first half of 2024 and, as a result, Balfour Beatty agreed to continue making deficit contributions of £6 million per annum until February 2025. The next formal triennial funding valuation of the RPS is due with effect from 31 December 2025.

The Group's balance sheet includes net retirement benefit assets of £90 million (FY 2023: £69 million) as measured on an IAS 19 basis, with the surpluses on the BBPF (£113 million) and RPS (£12 million) partially offset by deficits on other schemes (£35 million).

Dividend

The Board is committed to a sustainable ordinary dividend which is expected to grow over time, targeted at a pay-out ratio of 40% of underlying profit after tax excluding gain on disposal of Investments assets. As announced at the time of the 2022 full year results, going forward, the Board expects the interim dividend to be roughly one third of the prior year's full year dividend. Aligned to this, and following a 2023 full year dividend of 11.5 pence, the Board has declared an interim dividend of 3.8 pence for 2024 (2023: 3.5 pence).

DIVISIONAL FINANCIAL REVIEWS

CONSTRUCTION SERVICES

Underlying revenue at £3,875 million was up 1% (2023: £3,835 million), a 3% increase at CER, with higher volumes in Gammon offset by lower volumes in UK Construction and US Construction. Underlying profit from operations increased to £67 million (2023: £65 million) due to improved profitability in UK Construction and higher volumes at Gammon, partially offset by lower profitability in US Construction. The order book remained flat (down 1% at CER) in the period at £13.7 billion (FY 2023: £13.7 billion).

Construction Services	HY 2024			HY 2023			FY 2023
	Revenue ¹	PFO	Order book ¹	Revenue ¹	PFO	Order book ¹	Order book ¹
	£m	£m	£bn	£m	£m	£bn	£bn
UK Construction	1,458	34	6.1	1,516	30	5.9	6.1
US Construction	1,703	18	5.6	1,736	21	5.3	5.6
Gammon	714	15	2.0	583	14	2.6	2.0
Underlying ²	3,875	67	13.7	3,835	65	13.8	13.7
Non-underlying	–	15	–	–	(13)	–	–
Total	3,875	82	13.7	3,835	52	13.8	13.7

¹ Including share of joint ventures and associates

² Before non-underlying items (Note 8)

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

UK Construction: Revenue in UK Construction reduced by 4% to £1,458 million (2023: £1,516 million) due to lower volumes from the nuclear new build project at Hinkley Point C.

UK Construction profitability continued to increase, with improved project delivery contributing to £34 million of underlying profit from operations (2023: £30 million). This represents a 2.3% PFO margin (2023: 2.0%), with the full year PFO margin for UK Construction expected to be above the 2.3% delivered in the 2023 full year.

The UK Construction order book remained flat at £6.1 billion (FY 2023: £6.1 billion), with new additions including HMP Highland in Inverness, Scotland, on behalf of the Scottish Prison Service and enabling works at HMNB Devonport. 91% of the UK Construction order book is from public sector and regulated industry clients and 83% of orders are now on either target cost or cost plus contractual terms

US Construction: Revenue in US Construction decreased by 2% (increased 1% at CER) to £1,703 million (2023: £1,736 million), with an increase of 3% (5% at CER) in buildings offset by a reduction in civils.

Underlying profit from operations for US Construction reduced to £18 million (2023: £21 million). As disclosed in the 2023 full year results, there are a small number of civils projects which are taking longer than initially scheduled. As expected, the cost of these delays has impacted profitability in the first half of 2024; however full year PFO for 2024 is expected to be flat with the prior year. PFO margin reduced to 1.1% (2023: 1.2%).

The US Construction order book remained flat (down 2% at CER) at £5.6 billion (FY 2023: £5.6 billion) as growth in buildings was offset by a reduction in civils. Key buildings additions in the first half were Terminal B at the Jacksonville International Airport in Florida, a new education campus in Raleigh, North Carolina, a new middle school in San Bernardino, California and further federal work in Washington DC.

Gammon: The Group's share of Gammon's revenue increased by 22% (25% at CER) to £714 million (2023: £583 million) driven by increased activity at Hong Kong airport, where Gammon are delivering the APM and BHS from Terminal 2 to Terminal 2C and the Terminal 2 expansion.

Underlying profit increased to £15 million (2023: £14 million) representing a 2.1% profit margin (2023: 2.4%).

The Group's share of Gammon's order book remained flat (flat at CER) at £2.0 billion (FY 2023: £2.0 billion), with additions including a residential development in the Kai Tak area for the Hong Kong Housing Society, various residential developments for private developers in Hong Kong and a data centre in Singapore.

SUPPORT SERVICES

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

Support Services revenue increased by 20% to £554 million (2023: £463 million), mainly due to higher volumes in the road maintenance business, as the two major contracts at Buckinghamshire and East Sussex did not start until late in to the first half of 2023. Underlying profit from operations increased 13% to £34 million (2023: £30 million) driven by higher volumes. PFO margin has reduced to 6.1% in the period (2023: 6.5%) due to the mix of work, however the power, road and rail maintenance businesses all continue to perform well, and Support Services is expected to deliver towards the top end of its targeted 6-8% margin range for the 2024 full year.

The Support Services order book increased by 4% to £2.9 billion (FY 2023: £2.8 billion). During the first half, the power business won a £192 million contract to construct three new substations in Argyll, Scotland for SSEN and the rail business won £83 million of work for the Central Rail Systems Alliance.

Support Services	HY 2024	HY 2023
Order book ¹ (£bn)	2.9	2.6
Revenue ¹ (£m)	554	463
Profit from operations ² (£m)	34	30
Non-underlying items (£m)	–	–
Statutory profit from operations (£m)	34	30

¹ Including share of joint ventures and associates

² Before non-underlying items (Note 8)

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

INFRASTRUCTURE INVESTMENTS

Infrastructure Investments made a £7 million underlying loss from operations in the period (2023: £2 million profit) largely due to two main factors. In the UK, Balfour Beatty wrote off capitalised bidding costs following the cancellation of a student accommodation project, for which the Group had been awarded preferred bidder status. In the US, there was an increase in the costs relating to the independent compliance monitor's work across the US military housing portfolio.

Infrastructure Investments financial performance is expected to improve in the second half, resulting in a small loss from operations for the full year, prior to disposals. The Group is anticipating a gain on disposals in the second half of 2024 in the range of £20 - £30 million.

Net investment income in the first half was £11 million (2023: £12 million) and included an impairment write back of subordinated debt following the recovery of costs relating to a faulty OFTO cable, which had been provided for in prior periods. This was offset by lower interest received on subordinated debt and higher interest on non-recourse borrowings.

Balfour Beatty continues to invest in attractive new opportunities, each expected to meet its investment hurdle rates. In the first half, the Group invested £12 million in new and existing projects, with one new US multifamily housing project in Mount Laurel, New Jersey, added to the portfolio.

Infrastructure Investments	HY 2024 £m	HY 2023 £m
Pre-disposals operating (loss) / profit ²	(7)	2
Gain on disposals ²	–	–
(Loss) / profit from operations ²	(7)	2
Net investment income [~]	11	12
Profit before tax ²	4	14
Non-underlying items	(1)	(2)
Statutory profit before tax	3	12

² Before non-underlying items (Note 8)

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

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

Directors' valuation

The Directors' valuation increased by 5% to £1,270 million (FY 2023: £1,212 million). The portfolio is now 59% weighted towards the US (FY 2023: 58%). The number of projects in the portfolio was stable at 59 (FY 2023: 59).

Movement in value FY 2023 to HY 2024

£m	FY 2023	Equity invested	Distributions received	Unwind of discount	Operational performance	FX	HY 2024
UK	509	1	(9)	17	6	-	524
US	703	11	(7)	23	10	6	746
Total	1,212	12	(16)	40	16	6	1,270

Balfour Beatty invested £12 million (2023: £24 million) in new and existing projects, including the addition of a multifamily housing project in New Jersey.

Cash yield from distributions amounted to £16 million (2023: £33 million). There were no disposals in the period, but a preferred bidder student accommodation project in the UK was cancelled and has been removed from the portfolio. There are currently no other preferred bidder projects in the portfolio.

Unwind of discount at £40 million (2023: £42 million) is a function of moving the valuation date forward by six months with the result that future cash flows are discounted by six months less.

Operational performance movements resulted in a £16 million increase (2023: £16 million decrease). The operational performance movements in the UK were primarily due to the recovery of previously recognised costs relating to a faulty OFTO cable, offset by higher forecast costs on roads projects. In the US, there was a gain in the US military portfolio due to lower insurance costs, offset by higher independent compliance monitor costs.

The foreign exchange movement was a £6 million increase, as sterling weakened against the US dollar (2023: £39 million decrease).

Methodology and assumption changes

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

The valuation methodology used at the previous Directors' valuation is unchanged. The discount rates applied to the UK portfolio range from 7.25% to 9.25% (FY 2023: 7.25% to 9.25%) depending on the maturity and risk of each project. The implied weighted average discount rate for the UK portfolio is 8.4% (FY 2023: 8.3%). A 1% change in the discount rate would change the value of the UK portfolio by approximately £46 million.

The discount rates applied to the US portfolio range from 6.25% to 10.5% (FY 2023: 6.25% to 10.5%). The implied weighted average discount rate for the US portfolio is 8.1% (FY 2023: 8.1%). A 1% change in the discount rate would change the value of the US portfolio by approximately £81 million.

The portfolio remains positively correlated to inflation. A 1% change in the long-term inflation rate in the UK portfolio would change the valuation by approximately £26 million and a 1% change in the long term rental growth rate in the US portfolio would change the valuation by approximately £81 million.

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

Portfolio valuation June 2024

Value by sector

Sector	HY 2024	FY 2023	HY 2024	FY 2023
	No. projects	No. projects	£m	£m
Roads	12	12	164	168
Healthcare	2	2	132	129
Student accommodation	5	6	139	137
Energy transition	4	4	58	44
Other	2	2	31	31
UK total	25	26	524	509
US military housing	21	21	597	562
Student accommodation and other PPP	4	4	82	83
Residential housing	9	8	67	58
US total	34	33	746	703
Total	59	59	1,270	1,212

Value by phase

Phase	HY 2024	FY 2023	HY 2024	FY 2023
	No. projects	No. projects	£m	£m
Operations	56	55	1,225	1,164
Construction	3	3	45	46
Preferred bidder	-	1	-	2
Total	59	59	1,270	1,212

Value by income type

Income type	HY 2024	FY 2023	HY 2024	FY 2023
	No. projects	No. projects	£m	£m
Availability based	17	17	365	353
Demand – operationally proven (2+ years)	38	37	855	807
Demand – early stage (less than 2 years)	4	5	50	52
Total	59	59	1,270	1,212

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

We confirm that to the best of our knowledge:

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

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

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



Leo Quinn
Group Chief Executive
13 August 2024



Philip Harrison
Chief Financial Officer

Forward-looking statements

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

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

A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in UK and US Government policies, spending and procurement methodologies, failure in Balfour Beatty's health, safety or environmental policies and those factors set out under Principal Risks on pages 96 to 104 of the Annual Report and Accounts 2023.

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

MEASURING OUR FINANCIAL PERFORMANCE

Providing clarity on the Group's alternative performance measures

The Group has included this section in this report with the aim of providing transparency and clarity on the measures adopted internally to assess performance.

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

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

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

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

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

Readers are encouraged to review this report in its entirety.

Performance measures used to assess the Group's operations

Underlying profit from operations (PFO)

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

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

Underlying profit before tax (PBT)

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

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

Operating cash flow (OCF)

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

Measuring the Group's performance

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

Statutory measures

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

Where a standard allows certain interpretations to be adopted, the Group has applied its accounting policies consistently. These accounting policies can be found on pages 189 to 195 of the Annual Report and Accounts 2023.

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

Performance measures

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

a) Order book

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

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

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

In accordance with IFRS 15 Revenue from Contracts with Customers, the Group is required to disclose the remaining transaction price allocated to performance obligations not yet delivered. This can be found in Note 4.3 in the Annual Report and Accounts 2023. This is similar to the Group's order book disclosure, however it differs for the following reasons:

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

The Group's order book does not include revenue to be earned in its Infrastructure Investments segment as the value of this part of the business is driven by the Directors' valuation of the Investments portfolio. Refer to section (i).

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

	2024 first half £m	2023 first half £m	2023 year £m
Order book (performance measure)	16,623	16,442	16,532
Less: Share of orders included within the Group's joint ventures and associates	(2,360)	(2,938)	(2,344)
Less: Estimated orders under framework agreements included in the order book disclosure	(65)	–	–
Add: Transaction price allocated to remaining performance obligations in Infrastructure Investments	2,035	1,903	1,917
Transaction price allocated to remaining performance obligations for the Group (statutory measure)	16,233	15,407	16,105

b) Underlying performance

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

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

These are non-underlying costs as they do not relate to the underlying performance of the Group.

From time to time, it may be appropriate to disclose further items as non-underlying items in order to reflect the underlying performance of the Group.

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

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

Reconciliation of the half-year ended 28 June 2024 statutory results to performance measures

	2024 first half statutory results £m	Non-underlying items		2024 first half performance measures £m
		Intangible amortisation £m	Rail Germany £m	
Revenue including share of joint ventures and associates (performance)	4,677	–	–	4,677
Share of revenue of joint ventures and associates	(792)	–	–	(792)
Group revenue (statutory)	3,885	–	–	3,885
Cost of sales	(3,677)	–	(21)	(3,698)
Gross profit	208	–	(21)	187
Amortisation of acquired intangible assets	(2)	2	–	–
Other net operating expenses	(145)	–	5	(140)
Group operating profit	61	2	(16)	47
Share of results of joint ventures and associates	30	–	–	30
Profit from operations	91	2	(16)	77
Investment income	40	–	–	40
Finance costs	(19)	–	–	(19)
Profit before taxation	112	2	(16)	98
Taxation	(16)	(1)	–	(17)
Profit for the period	96	1	(16)	81

Reconciliation of the half-year ended 28 June 2024 statutory results to performance measures by segment

	2024 first half statutory results £m	Non-underlying items		2024 first half performance measures £m
		Intangible amortisation £m	Rail Germany £m	
Profit/(loss) from operations				
Segment				
Construction Services	82	1	(16)	67
Support Services	34	–	–	34
Infrastructure Investments	(8)	1	–	(7)
Corporate activities	(17)	–	–	(17)
Total	91	2	(16)	77

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

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

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

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

Reconciliation of the year ended 31 December 2023 statutory results to performance measures

	2023 statutory results £m	Non-underlying items		2023 performance measures £m
		Intangible amortisation £m	Provision in relation to rectification works in London £m	
Revenue including share of joint ventures and associates (performance)	9,595	–	–	9,595
Share of revenue of joint ventures and associates	(1,602)	–	–	(1,602)
Group revenue (statutory)	7,993	–	–	7,993
Cost of sales	(7,593)	–	12	(7,581)
Gross profit	400	–	12	412
Gain on disposals of interests in investments	24	–	–	24
Amortisation of acquired intangible assets	(5)	5	–	–
Other net operating expenses	(261)	–	–	(261)
Group operating profit	158	5	12	175
Share of results of joint ventures and associates	53	–	–	53
Profit from operations	211	5	12	228
Investment income	82	–	–	82
Finance costs	(49)	–	–	(49)
Profit before taxation	244	5	12	261
Taxation	(50)	(3)	(3)	(56)
Profit for the year	194	2	9	205

Reconciliation of the year ended 31 December 2023 statutory results to performance measures by segment

	2023 statutory results £m	Non-underlying items		2023 performance measures £m
		Intangible amortisation £m	Provision in relation to rectification works in London £m	
Profit/(loss) from operations				
Segment				
Construction Services	143	1	12	156
Support Services	80	–	–	80
Infrastructure Investments	27	4	–	31
Corporate activities	(39)	–	–	(39)
Total	211	5	12	228

c) Underlying profit before tax

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

	2024 first half £m	2023 first half £m	2023 year £m
Underlying profit from operations (section (b) and Note 3)	(7)	2	31
Add: Subordinated debt interest receivable [^]	5	16	34
Add: Interest receivable on PPP financial assets [^]	1	1	2
Add: Fair value (loss)/gain on investment asset [^]	–	(1)	(1)
Less: Non-recourse borrowings finance cost [^]	(6)	(4)	(11)
Add/(less): Net impairment reversal/(impairment) of subordinated debt and accrued interest receivable [^]	11	–	(8)
Underlying profit before tax (performance)	4	14	47
Non-underlying items (section (b) and Note 3)	(1)	(2)	(4)
Statutory profit before tax	3	12	43

[^] Refer to Note 6 and Note 7.

d) Underlying earnings per share

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

	2024 first half pence	2023 first half pence	2023 year pence
Statutory basic earnings per ordinary share	18.1	11.1	35.3
Amortisation of acquired intangible assets after tax	0.2	0.3	0.4
Other non-underlying items after tax	(3.0)	1.6	1.6
Underlying basic earnings per ordinary share (performance)	15.3	13.0	37.3

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

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

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

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

f) Operating cash flow (OCF)

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

Reconciliation from statutory cash generated from operations to OCF

	2024 first half £m	2023 first half £m	2023 year £m
Cash generated from operating activities (statutory)	35	48	285
Add back: Pension payments including deficit funding (Note 18)	14	13	28
Less: Repayment of lease liabilities (including lease interest payments)	(33)	(31)	(63)
Add: Operational dividends received from joint ventures and associates	32	27	59
Add back: Cash flow movements relating to non-operating items	4	8	9
Less: Operating cash flows relating to non-recourse activities	(16)	(5)	(8)
Operating cash flow (OCF) (performance)	36	60	310

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

Pension payments including deficit funding (£14m): the Group has excluded pension payments which are included in the Group's statutory measure of cash flows from operating activities from its internal OCF measure as these primarily relate to deficit funding of the Group's main pension fund, Balfour Beatty Pension Fund (BBPF). The payments made for deficit funding are in accordance with an agreed journey plan with the trustees of the BBPF and are not directly linked to the operational performance of the Group.

Repayment of lease liabilities (including lease interest payments) (£33m outflow): the payments made for the Group's leasing arrangements are included in the Group's OCF measure as these payments are made to third-party suppliers for the lease of assets that are used to deliver services to the Group's customers, and hence to generate revenue. Under IFRS, these payments are excluded from the Group's statutory measure of cash flows from operating activities as these are considered debt in nature under accounting standards.

Operational dividends received from joint ventures and associates (£32m inflow): dividends received from joint ventures and associates which are generated from non-disposal activities are included in the Group's OCF measure as these represent cash returns to the Group from cash flows generated from operating activities within joint ventures and associates. Under IFRS, these returns are classified as investing activities.

Cash flow movements relating to non-operating items (£4m): the Group's OCF measure excludes certain working capital movements that are not directly attributable to the Group's operating activities.

f) Operating cash flow (OCF) continued

Operating cash flows relating to non-recourse activities (£16m): the Group's OCF measure is specifically targeted to drive performance improvement in the Group's earnings-based businesses and therefore any operating cash flows relating to non-recourse activities are removed from this measure. Under IFRS, there is no distinction between recourse and non-recourse cash flows.

g) Recourse net cash/borrowings

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

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

Net cash/borrowings reconciliation

	2024 first half (statutory) £m	Adjustment £m	2024 first half (performance) £m	2023 first half (statutory) £m	Adjustment £m	2023 first half (performance) £m	2023 year (statutory) £m	Adjustment £m	2023 year (performance) £m
Total cash within the Group	1,284	(292)	992	927	(27)	900	1,414	(306)	1,108
Cash and cash equivalents									
– infrastructure concessions	292	(292)	–	27	(27)	–	306	(306)	–
– other	992	–	992	900	–	900	1,108	–	1,108
Total debt within the Group	(929)	722	(207)	(611)	421	(190)	(979)	713	(266)
Borrowings – non-recourse loans	(571)	571	–	(286)	286	–	(570)	570	–
– other	(207)	–	(207)	(190)	–	(190)	(266)	–	(266)
Lease liabilities	(151)	151	–	(135)	135	–	(143)	143	–
Net cash	355	430	785	316	394	710	435	407	842

h) Average net cash/borrowings

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

The average net cash/borrowings measure excludes non-recourse cash and debt and lease liabilities, and this performance measure shows average net cash of £735m (2023: first half £695m; full-year £700m).

Using a statutory measure (inclusive of non-recourse elements and lease liabilities) gives average net cash of £395m (2023: first half £379m; full-year £438m).

i) Directors' valuation of the Investments portfolio

The Group uses a different methodology to assess the value of its Investments portfolio. As described in the Directors' valuation section, the Directors' valuation for most of the investments in the portfolio has been undertaken using forecast cash flows for each project on an asset by asset basis, based on progress to date and market expectations of future performance. These cash flows have been discounted using different discount rates depending on project risk and maturity, reflecting secondary market transaction experience. As such, the Board believes that this measure better reflects the potential returns to the Group from those investments. The Directors have valued the Investments portfolio at £1.27bn at the half-year (2023: first half £1.27bn; full-year £1.21bn).

The Directors' valuation will differ from the statutory carrying value of these investments, which are accounted for using the relevant standards in accordance with IFRS rather than a discounted cash flow approach.

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

	2024	2023	2023
	first half	first half	year
	£m	£m	£m
Net assets of the Infrastructure Investments segment (refer to Note 3.2)	613	619	596
Less: Net assets not included within the Directors' valuation – Housing division	(67)	(40)	(53)
Comparable statutory measure of the Investments portfolio under IFRS	546	579	543

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

	2024	2023	2023
	first half	first half	year
	£m	£m	£m
Statutory measure of the Investments portfolio (as above)	546	579	543
Difference arising from the Directors' valuation being measured on a discounted cash flow basis compared to the statutory measure primarily derived using a combination of the following IFRS bases:			
<ul style="list-style-type: none"> ▪ historical cost; ▪ amortised cost; and ▪ fair value 	724	690	669
Directors' valuation (performance measure)	1,270	1,269	1,212

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

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

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

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

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

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

j) Constant exchange rates (CER)

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

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

2024 statutory growth compared to performance growth

	Construction Services				Support Services	Infrastructure Investments	Total
	UK	US	Gammon	Total			
Revenue (£m)							
2024 first half statutory	1,458	1,692	–	3,150	554	181	3,885
2023 first half statutory	1,516	1,718	–	3,234	463	114	3,811
Statutory growth	(4)%	(2)%	–	(3)%	20%	59%	2%
Performance CER growth							
2024 first half performance [^]	1,458	1,703	714	3,875	554	248	4,677
2023 first half performance retranslated [^]	1,516	1,692	568	3,776	463	225	4,464
Performance CER growth	(4)%	1%	26%	3%	20%	10%	5%
Order book (£bn)							
2024 first half	6.1	5.6	2.0	13.7	2.9	–	16.6
2023 year	6.1	5.6	2.0	13.7	2.8	–	16.5
Growth	–	–	–	–	4%	–	1%
CER growth							
2024 first half	6.1	5.6	2.0	13.7	2.9	–	16.6
2023 year retranslated	6.1	5.7	2.0	13.8	2.8	–	16.6
CER growth	–	(2)%	–	(1)%	4%	–	–

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

INDEPENDENT REVIEW REPORT TO BALFOUR BEATTY PLC

Conclusion

We have been engaged by Balfour Beatty plc (“the Company”) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 June 2024 which comprises the Condensed Group Income Statement, Condensed Group Statement of Comprehensive Income, Condensed Group Statement of Changes in Equity, Condensed Group Balance Sheet, Condensed Group Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 June 2024 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Basis for conclusion

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

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

Conclusions relating to going concern

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

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

Directors’ responsibilities

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

The annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

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

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

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

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

13 August 2024

Condensed Group Income Statement

For the half-year ended 28 June 2024

	2024 first half unaudited			2023 first half unaudited			2023 year audited			
	Notes	Underlying items ¹ £m	Non-underlying items (Note 8) £m	Total £m	Underlying items ¹ £m	Non-underlying items (Note 8) £m	Total £m	Underlying items ¹ £m	Non-underlying items (Note 8) £m	Total £m
Revenue including share of joint ventures and associates		4,677	–	4,677	4,527	–	4,527	9,595	–	9,595
Share of revenue of joint ventures and associates	5.1	(792)	–	(792)	(716)	–	(716)	(1,602)	–	(1,602)
Group revenue		3,885	–	3,885	3,811	–	3,811	7,993	–	7,993
Cost of sales		(3,698)	21	(3,677)	(3,619)	(12)	(3,631)	(7,581)	(12)	(7,593)
Gross profit/(loss)		187	21	208	192	(12)	180	412	(12)	400
Gain on disposals of interests in investments		–	–	–	–	–	–	24	–	24
Amortisation of acquired intangible assets		–	(2)	(2)	–	(3)	(3)	–	(5)	(5)
Other net operating expenses		(140)	(5)	(145)	(134)	–	(134)	(261)	–	(261)
Group operating profit/(loss)		47	14	61	58	(15)	43	175	(17)	158
Share of results of joint ventures and associates excluding gain on disposals of interests in investments		30	–	30	22	–	22	51	–	51
Gain on disposals of interests in investments		–	–	–	–	–	–	2	–	2
Share of results of joint ventures and associates	5.1	30	–	30	22	–	22	53	–	53
Profit/(loss) from operations		77	14	91	80	(15)	65	228	(17)	211
Investment income	6	40	–	40	38	–	38	82	–	82
Finance costs	7	(19)	–	(19)	(21)	–	(21)	(49)	–	(49)
Profit/(loss) before taxation		98	14	112	97	(15)	82	261	(17)	244
Taxation	9	(17)	1	(16)	(23)	4	(19)	(56)	6	(50)
Profit/(loss) for the period		81	15	96	74	(11)	63	205	(11)	194
Attributable to										
Equity holders		81	15	96	74	(11)	63	208	(11)	197
Non-controlling interests		–	–	–	–	–	–	(3)	–	(3)
Profit/(loss) for the period		81	15	96	74	(11)	63	205	(11)	194

¹ Before non-underlying items (Note 8).

	Notes	2024 first half unaudited pence	2023 first half unaudited pence	2023 year audited pence
Earnings per share				
- basic	10	18.1	11.1	35.3
- diluted	10	18.0	11.0	34.8
Dividends per share proposed for the period	11	3.8	3.5	11.5

Condensed Group Statement of Comprehensive Income

For the half-year ended 28 June 2024

	2024 first half unaudited			2023 first half unaudited			2023 year audited		
	Group £m	Share of joint ventures and associates £m	Total £m	Group £m	Share of joint ventures and associates £m	Total £m	Group £m	Share of joint ventures and associates £m	Total £m
Profit for the period	66	30	96	41	22	63	141	53	194
Other comprehensive income/(loss) for the period									
<i>Items which will not subsequently be reclassified to the income statement</i>									
Actuarial gains/(losses) on retirement benefit assets/liabilities	5	–	5	(71)	–	(71)	(197)	(1)	(198)
Fair value revaluations of investments in mutual funds measured at fair value through OCI ⁺	2	–	2	–	–	–	1	–	1
Tax on above	(1)	–	(1)	18	–	18	49	–	49
	6	–	6	(53)	–	(53)	(147)	(1)	(148)
<i>Items which will subsequently be reclassified to the income statement</i>									
Currency translation differences	2	1	3	(16)	(12)	(28)	(17)	(13)	(30)
Fair value revaluations – PPP financial assets	(1)	(38)	(39)	(1)	(10)	(11)	–	20	20
– cash flow hedges	–	5	5	1	2	3	–	2	2
– investments in mutual funds measured at fair value through OCI ⁺	–	–	–	1	–	1	–	–	–
Recycling of revaluation reserves to the income statement on disposal [^]	–	–	–	–	–	–	–	(3)	(3)
Tax on above	–	8	8	–	2	2	(1)	(5)	(6)
	1	(24)	(23)	(15)	(18)	(33)	(18)	1	(17)
Total other comprehensive income/(loss) for the period	7	(24)	(17)	(68)	(18)	(86)	(165)	–	(165)
Total comprehensive income/(loss) for the period	73	6	79	(27)	4	(23)	(24)	53	29
Attributable to									
Equity holders			79			(23)			32
Non-controlling interests			–			–			(3)
Total comprehensive income/(loss) for the period			79			(23)			29

[^] Recycling of revaluation reserves to the income statement on disposal has no associated tax effect.

⁺ Fair value revaluations of investments in mutual funds are measured at fair value through OCI and are not reclassified to the income statement on disposal. Prior half-year comparative has not been re-presented.

Condensed Group Statement of Changes in Equity

For the half-year ended 28 June 2024

	Called-up share capital £m	Share premium account £m	Capital Redemption Reserve £m	Share of joint ventures' and associates' reserves £m	Hedging reserves £m	PPP financial assets £m	Currency translation reserve £m	Other reserves			Total £m
								Other ¹ £m	Retained profits £m	Non-controlling interests £m	
At 31 December 2022 audited	294	176	52	(20)	(4)	1	132	41	706	5	1,383
Total comprehensive income/(loss) for the period	–	–	–	4	1	(1)	(16)	1	(12)	–	(23)
Ordinary dividends	–	–	–	–	–	–	–	–	(39)	–	(39)
Joint ventures' and associates' dividends	–	–	–	(27)	–	–	–	–	27	–	–
Reserves transfers relating to joint ventures and associates	–	–	–	4	–	–	–	–	(4)	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–	(88)	–	(88)
Movements relating to share-based payments*	–	–	–	–	–	–	–	(2)	7	–	5
At 1 July 2023 unaudited	294	176	52	(39)	(3)	–	116	40	597	5	1,238
Total comprehensive income/(loss) for the period	–	–	–	49	(2)	1	(1)	–	8	(3)	52
Ordinary dividends	–	–	–	–	–	–	–	–	(19)	–	(19)
Joint ventures' and associates' dividends	–	–	–	(33)	–	–	–	–	33	–	–
Reserves transfers relating to joint ventures and associates	–	–	–	(4)	–	–	–	–	4	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–	(63)	–	(63)
Cancellation of ordinary shares	(22)	–	22	–	–	–	–	–	–	–	–
Movements relating to share-based payments*	–	–	–	–	–	–	–	6	(14)	–	(8)
Capital contribution	–	–	–	–	–	–	–	–	–	8	8
At 31 December 2023 audited	272	176	74	(27)	(5)	1	115	46	546	10	1,208
Total comprehensive income/(loss) for the period	–	–	–	6	–	(1)	2	1	71	–	79
Ordinary dividends	–	–	–	–	–	–	–	–	(42)	–	(42)
Joint ventures' and associates' dividends	–	–	–	(32)	–	–	–	–	32	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–	(73)	–	(73)
Movements relating to share-based payments*	–	–	–	–	–	–	–	(4)	8	–	4
At 28 June 2024 unaudited	272	176	74	(53)	(5)	–	117	43	542	10	1,176

¹ Other reserves include £22m of special reserve (2023: first half £22m; full-year: £22m).

* Movements relating to share-based payments include £nil tax credit (2023: first half £nil; full-year: £nil) recognised directly within retained profits.

Condensed Group Balance Sheet

At 28 June 2024

	Notes	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Non-current assets				
Intangible assets – goodwill	12	850	847	845
– other		273	282	288
Property, plant and equipment		136	118	141
Right-of-use assets		143	127	135
Service concession contract asset*		35	–	–
Investment properties		66	67	66
Investments in joint ventures and associates	5.2	384	406	389
Investments		28	31	28
PPP financial assets		23	25	24
Trade and other receivables	14	296	287	308
Retirement benefit assets	18	125	210	104
Deferred tax assets		176	181	188
		2,535	2,581	2,516
Current assets				
Inventories		163	140	124
Contract assets	13.1	379	471	300
Trade and other receivables	14	1,007	890	894
Cash and cash equivalents – infrastructure investments	17.2	292	27	306
– other	17.2	992	900	1,108
Current tax receivable		12	10	16
Derivative financial instruments	21	–	1	1
		2,845	2,439	2,749
Total assets		5,380	5,020	5,265
Current liabilities				
Contract liabilities	13.2	(614)	(662)	(600)
Trade and other payables	15	(1,942)	(1,770)	(1,734)
Provisions	16	(203)	(213)	(216)
Borrowings – non-recourse loans	17.3	(10)	(8)	(9)
– other	17.3	(44)	–	(104)
Lease liabilities		(52)	(50)	(50)
Current tax payable		(3)	(8)	(6)
		(2,868)	(2,711)	(2,719)
Non-current liabilities				
Contract liabilities	13.2	(2)	(2)	(2)
Trade and other payables	15	(115)	(121)	(122)
Provisions	16	(197)	(212)	(201)
Borrowings – non-recourse loans	17.3	(561)	(278)	(561)
– other	17.3	(163)	(190)	(162)
Lease liabilities		(99)	(85)	(93)
Retirement benefit liabilities	18	(35)	(36)	(35)
Deferred tax liabilities		(162)	(146)	(160)
Derivative financial instruments	21	(2)	(1)	(2)
		(1,336)	(1,071)	(1,338)
Total liabilities		(4,204)	(3,782)	(4,057)
Net assets		1,176	1,238	1,208
Equity				
Called-up share capital		272	294	272
Share premium account		176	176	176
Capital redemption reserve		74	52	74
Share of joint ventures' and associates' reserves		(53)	(39)	(27)
Other reserves		155	153	157
Retained profits		542	597	546
Equity attributable to equity holders		1,166	1,233	1,198
Non-controlling interests		10	5	10
Total equity		1,176	1,238	1,208

* Service concession contract asset of £35m relates to a student accommodation project which features demand risk under IFRIC 12 Service Concession Arrangements. Construction of the asset commenced in December 2023 and is anticipated to complete in 2028. This asset was previously presented within Intangible assets – Other in 2023 and has not been re-presented as the Directors do not consider this to be material.

Condensed Group Statement of Cash Flows

For the half-year ended 28 June 2024

	Notes	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Cash flows from operating activities				
Cash from operations	17.1	38	57	293
Income taxes paid		(3)	(9)	(8)
Net cash from operating activities		35	48	285
Cash flows from/(used in) investing activities				
Dividends received from:				
- joint ventures and associates – infrastructure investments		16	13	24
- joint ventures and associates – other		16	14	36
- other investments		3	4	3
Interest received – joint ventures – infrastructure investments		3	5	7
Interest received subsidiaries				
- infrastructure investments		6	16	4
- other		20	–	33
Purchases of:				
- intangible assets – infrastructure investments		–	–	(30)
- property, plant and equipment		(12)	(30)	(66)
- investment properties		–	(42)	(42)
- service concession contract asset		(25)	–	–
- other investments		–	–	(2)
Investments in and long-term loans to joint ventures and associates		(12)	(7)	(14)
Return of equity from joint ventures and associates		–	–	4
PPP financial assets cash expenditure		(1)	(1)	(2)
PPP financial assets cash receipts		3	3	6
Disposals of:				
- investments in joint ventures – infrastructure investments		–	–	56
- property, plant and equipment – other		2	1	4
- other investments		–	5	12
Net cash from/(used in) investing activities		19	(19)	33
Cash flows used in financing activities				
Purchase of ordinary shares	19	(2)	(2)	(18)
Purchase of treasury shares	19	(72)	(87)	(151)
Proceeds from new loans relating to:				
- infrastructure investments assets	17.4	3	30	336
- other	17.4	39	29	28
Repayments of loans relating to:				
- infrastructure investments assets	17.4	(4)	(4)	(8)
- other	17.4	(40)	(169)	(197)
Repayment of lease liabilities		(30)	(28)	(57)
Ordinary dividends paid	11	–	–	(58)
Capital contribution – non-controlling interests		–	–	8
Interest paid – infrastructure investments		(6)	(5)	(11)
Interest paid – other		(15)	(17)	(30)
Net cash used in financing activities		(127)	(253)	(158)
Net (decrease)/increase in cash and cash equivalents		(73)	(224)	160
Effects of exchange rate changes		3	(28)	(29)
Cash and cash equivalents at beginning of period		1,310	1,179	1,179
Cash and cash equivalents at end of period	17.2	1,240	927	1,310

Notes to the financial statements

1.1 Basis of accounting

The condensed Group financial statements for the half-year ended 28 June 2024 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting as adopted for use in the UK. The condensed Group financial statements should be read in conjunction with the financial statements for the year ended 31 December 2023, which were prepared in accordance with UK-adopted international accounting standards (IFRS) and in conformity with the requirements of the Companies Act 2006 (the Act).

The condensed Group financial statements, which are not audited, have been reviewed and were approved for issue by the Board on 13 August 2024. The financial information included in this report does not constitute statutory accounts for the purposes of Section 434 of the Companies Act 2006. A copy of the Group's audited statutory accounts for the year ended 31 December 2023 has been delivered to the Registrar of Companies. The independent auditor's report on those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The condensed Group financial statements have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts 2023 except as described in Note 1.4 below.

1.2 Judgements and key sources of estimation uncertainty

The Group's principal judgements and key sources of estimation uncertainty remain unchanged since the year-end and are set out in Note 2.27 on pages 194 to 195 of the Annual Report and Accounts 2023.

1.3 Going concern

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

The key financial risk factors for the Group remain largely unchanged. The Group's principal risks and the consequent impact these might have on the Group as well as mitigations that are in place are detailed on pages 96 to 103 of the Annual Report and Accounts 2023.

The Group's US private placement and committed bank facilities contain certain financial covenants, such as the ratio of the Group's EBITDA to its net debt which needs to be less than 3.0 and the ratio of its EBITA to net borrowing costs which needs to be in excess of 3.0. These covenants are tested on a rolling 12-month basis as at the June and December reporting dates. At 28 June 2024, both these covenants were passed as the Group had net cash and net interest income from a covenant test perspective.

The Directors have carried out an assessment of the Group's ability to continue as a going concern for the period of at least 12 months from the date of approval of the condensed financial statements. This assessment has involved the review of medium-term cash forecasts of each of the Group's operations. The Directors have also considered the strength of the Group's order book which amounted to £16.6bn at 28 June 2024 and will provide a pipeline of secured work over the going concern assessment period. These base case projections indicate that the headroom provided by the Group's strong cash position and the debt facilities currently in place is adequate to support the Group over the going concern assessment period.

At 28 June 2024, the Group's only debt, other than non-recourse borrowings ring-fenced within certain concession companies, comprised \$208m US private placement (USPP) notes.

1.3 Going concern continued

The Group's £450m committed sustainability linked bank facility remained undrawn at 28 June 2024 and is fully available to the Group until June 2028. The Group's £30m bilateral committed facility, which was entered into in December 2022, also remained undrawn at 28 June 2024 and remains fully available to the Group until December 2024. The Group continues to hold an extension option to extend maturity on this bilateral facility to December 2027.

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

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

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

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

1.4 Adoption of new and revised standards

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

- Amendments to the following standards:
 - IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
 - IAS 1 Presentation of Financial Statements:
 - Classification of Liabilities as Current or Non-current
 - Non-current Liabilities with Covenants
 - IFRS 16 Leases: Lease Liability in a Sale and Leaseback

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

1.5 Accounting standards not yet adopted by the Group

The following accounting standards, interpretations and amendments have been issued by the IASB but had either not been adopted by the UK or were not yet effective in the UK at 28 June 2024:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures
- Amendments to the following standards:
 - IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability
 - IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments

2 Exchange rates

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

Average rates

£1 buys	2024 first half unaudited	2023 first half unaudited	2023 year audited	1 July 2023 – 28 June 2024 % change	31 Dec 2023 – 28 June 2024 % change
US\$	1.27	1.23	1.24	3.3%	2.4%
HK\$	9.90	9.66	9.73	2.5%	1.7%

Closing rates

£1 buys	2024 first half unaudited	2023 first half unaudited	2023 year audited	1 July 2023 – 28 June 2024 % change	31 Dec 2023 – 28 June 2024 % change
US\$	1.26	1.27	1.27	(0.8)%	(0.8)%
HK\$	9.87	9.96	9.95	(0.9)%	(0.8)%

3 Segment analysis

Reportable segments of the Group:

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

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

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

3.1 Income statement – performance by activity

	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
For the half-year ended 28 June 2024 unaudited					
Revenue including share of joint ventures and associates	3,875	554	248	–	4,677
Share of revenue of joint ventures and associates	(725)	–	(67)	–	(792)
Group revenue	3,150	554	181	–	3,885
Group operating profit/(loss) ¹	49	34	(19)	(17)	47
Share of results of joint ventures and associates	18	–	12	–	30
Profit/(loss) from operations ¹	67	34	(7)	(17)	77
Non-underlying items:					
- amortisation of acquired intangible assets	(1)	–	(1)	–	(2)
- net release of provisions relating to Rail Germany	16	–	–	–	16
	15	–	(1)	–	14
Profit/(loss) from operations	82	34	(8)	(17)	91
Investment income					40
Finance costs					(19)
Profit before taxation					112

¹ Before non-underlying items (Note 8).

3 Segment analysis continued

3.1 Income statement – performance by activity continued

	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
For the half-year ended 30 June 2023 unaudited					
Revenue including share of joint ventures and associates	3,835	463	229	–	4,527
Share of revenue of joint ventures and associates	(601)	–	(115)	–	(716)
Group revenue	3,234	463	114	–	3,811
Group operating profit/(loss) ¹	50	30	(5)	(17)	58
Share of results of joint ventures and associates	15	–	7	–	22
Profit/(loss) from operations ¹	65	30	2	(17)	80
Non-underlying items:					
- amortisation of acquired intangible assets	(1)	–	(2)	–	(3)
- provision recognised for rectification works to be carried out on a development in London	(12)	–	–	–	(12)
	(13)	–	(2)	–	(15)
Profit/(loss) from operations	52	30	–	(17)	65
Investment income					38
Finance costs					(21)
Profit before taxation					82

¹ Before non-underlying items (Note 8).

	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
For the year ended 31 December 2023 audited					
Revenue including share of joint ventures and associates	8,081	1,006	508	–	9,595
Share of revenue of joint ventures and associates	(1,386)	–	(216)	–	(1,602)
Group revenue	6,695	1,006	292	–	7,993
Group operating profit/(loss) ¹	120	80	14	(39)	175
Share of results of joint ventures and associates	36	–	17	–	53
Profit/(loss) from operations ¹	156	80	31	(39)	228
Non-underlying items:					
- amortisation of acquired intangible assets	(1)	–	(4)	–	(5)
- provision recognised for rectification works to be carried out on a development in London	(12)	–	–	–	(12)
	(13)	–	(4)	–	(17)
Profit/(loss) from operations	143	80	27	(39)	211
Investment income					82
Finance costs					(49)
Profit before taxation					244

¹ Before non-underlying items (Note 8).

3 Segment analysis continued

3.2 Assets and liabilities by activity

As at 28 June 2024 unaudited	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Contract assets – current	269	72	38	–	379
Contract liabilities – current	(512)	(99)	(3)	–	(614)
Inventories	72	25	66	–	163
Trade and other receivables – current	863	87	29	28	1,007
Trade and other payables – current	(1,578)	(243)	(54)	(67)	(1,942)
Provisions – current	(182)	(3)	(4)	(14)	(203)
Working capital*	(1,068)	(161)	72	(53)	(1,210)

* Includes non-operating items and current working capital.

Total assets	2,362	490	1,277	1,251	5,380
Total liabilities	(2,559)	(473)	(664)	(508)	(4,204)
Net (liabilities)/assets	(197)	17	613	743	1,176

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

* Includes non-operating items and current working capital.

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

As at 31 December 2023 audited	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Contract assets	203	69	28	–	300
Contract liabilities – current	(506)	(90)	(4)	–	(600)
Inventories	45	25	54	–	124
Trade and other receivables – current	768	73	33	20	894
Trade and other payables – current	(1,491)	(176)	(48)	(19)	(1,734)
Provisions – current	(187)	(4)	(7)	(18)	(216)
Working capital*	(1,168)	(103)	56	(17)	(1,232)

* Includes non-operating items and current working capital.

Total assets	2,168	459	1,260	1,378	5,265
Total liabilities	(2,484)	(385)	(664)	(524)	(4,057)
Net (liabilities)/assets	(316)	74	596	854	1,208

3 Segment analysis continued

3.3 Other information

	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
For the half-year ended 28 June 2024 unaudited					
Capital expenditure on property, plant and equipment	4	7	–	1	12
Capital expenditure on service concession contract asset	–	–	25	–	25
Depreciation	12	29	1	4	46
For the half-year ended 30 June 2023 unaudited					
Capital expenditure on property, plant and equipment	4	22	–	4	30
Depreciation	14	25	1	5	45
For the year ended 31 December 2023 audited					
Capital expenditure on property, plant and equipment	8	47	–	11	66
Capital expenditure on intangible assets	–	–	30	–	30
Depreciation	28	48	2	9	87
Gain on disposals of interests in investments	–	–	24	–	24
Gain on disposals of interests in investments within joint ventures and associates	–	–	2	–	2

3.4 Infrastructure Investments

Underlying profit/(loss) from operations ¹	Group 2024	Share of joint ventures and associates 2024	Total 2024	Group 2023	Share of joint ventures and associates 2023	Total 2023	Group 2023	Share of joint ventures and associates 2023	Total 2023
	first half unaudited £m	first half unaudited* £m	first half unaudited £m	first half unaudited £m	first half unaudited* £m	first half unaudited £m	year audited £m	year audited* £m	year audited £m
UK [^]	–	7	7	–	–	–	(1)	3	2
North America	(2)	5	3	4	7	11	7	12	19
Gain on disposals of interests in investments	–	–	–	–	–	–	24	2	26
	(2)	12	10	4	7	11	30	17	47
Bidding costs and overheads	(17)	–	(17)	(9)	–	(9)	(16)	–	(16)
	(19)	12	(7)	(5)	7	2	14	17	31

* The Group's share of the results of joint ventures and associates is disclosed net of investment income, finance costs and taxation.

[^] Including Ireland.

¹ Before non-underlying items (Note 8).

4 Revenue

4.1 Nature of services provided

4.1.1 Construction Services

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

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

4 Revenue continued

4.1 Nature of services provided continued

4.1.2 Support Services

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

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

4 Revenue continued

4.1 Nature of services provided continued

4.1.3 Infrastructure Investments

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

Types of services	Nature, timing of satisfaction of performance obligations and significant payment terms
-------------------	---

Service concessions	The Group operates a UK and US portfolio of service concession assets comprising assets in the roads, healthcare, student accommodation, biomass and waste and offshore transmission sectors. The Group accounts for these assets under IFRIC 12 Service Concession Arrangements.
---------------------	---

Where the Group constructs and maintains these assets, the two services are deemed to be separate performance obligations and accounted for separately. If the maintenance phase includes a lifecycle element, this is considered to be a separate PO.

Contract terms can be up to 40 years. The Group recognises revenue over time using the input method. Consideration is paid through a fixed unitary payment charge spread over the life of the contract.

Revenue from this service is presented across Buildings, Infrastructure or Utilities in Note 4.2.

Management services	The Group provides real estate management services such as property development and asset management services. Contract terms can be up to 50 years. The Group recognises revenue over time as and when service is delivered to the customer.
---------------------	---

Revenue from this service is presented within Buildings in Note 4.2.

Housing development	The Group also develops housing units on land that is owned by the Group. Revenue is recognised on the sale of individual units at the point in time when control of the asset is transferred to the purchaser. This is deemed to be when an unconditional sale is achieved.
---------------------	--

Revenue from this service is presented within Buildings in Note 4.2.

4 Revenue continued

4.2 Disaggregation of revenue

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

For the half-year ended 28 June 2024 unaudited

Segment	Primary geographical markets	United Kingdom £m	United States £m	Rest of world £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	1,458	1,703	714	3,875
	Group revenue	1,458	1,692	–	3,150
Support Services	Revenue including share of joint ventures and associates	554	–	–	554
	Group revenue	554	–	–	554
Infrastructure Investments	Revenue including share of joint ventures and associates	90	156	2	248
	Group revenue	44	137	–	181
Total revenue	Revenue including share of joint ventures and associates	2,102	1,859	716	4,677
	Group revenue	2,056	1,829	–	3,885

Segment	Revenue by types of assets serviced	Buildings £m	Infrastructure £m	Utilities £m	Other £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	1,906	1,680	218	71	3,875
	Group revenue	1,584	1,279	216	71	3,150
Support Services	Revenue including share of joint ventures and associates	6	363	171	14	554
	Group revenue	6	363	171	14	554
Infrastructure Investments	Revenue including share of joint ventures and associates	208 ⁺	37	3	–	248
	Group revenue	179 ⁺	2	–	–	181
Total revenue	Revenue including share of joint ventures and associates	2,120	2,080	392	85	4,677
	Group revenue	1,769	1,644	387	85	3,885

Timing of revenue recognition	Construction Services £m	Support Services £m	Infrastructure Investments £m	Total £m
Over time	3,872	553	242	4,667
At a point in time	3	1	6	10
Revenue including share of joint venture and associates	3,875	554	248	4,677
Over time	3,147	553	175	3,875
At a point in time	3	1	6	10
Group revenue	3,150	554	181	3,885

⁺ Includes rental income of £30m including share of joint ventures and associates or £17m excluding share of joint ventures and associates.

4 Revenue continued

4.2 Disaggregation of revenue continued

For the half-year ended 30 June 2023 unaudited

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

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

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

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

4 Revenue continued

4.2 Disaggregation of revenue continued

For the year ended 31 December 2023 audited

Revenue by primary geographical markets		United Kingdom £m	United States £m	Rest of world £m	Total £m
Construction	Revenue including share of joint ventures and associates	3,025	3,697	1,359	8,081
Services	Group revenue	3,025	3,669	1	6,695
Support	Revenue including share of joint ventures and associates	1,003	–	3	1,006
Services	Group revenue	1,003	–	3	1,006
Infrastructure	Revenue including share of joint ventures and associates	164	338	6	508
Investments	Group revenue	63	228	1	292
Total revenue	Revenue including share of joint ventures and associates	4,192	4,035	1,368	9,595
	Group revenue	4,091	3,897	5	7,993

Revenue by types of assets serviced		Buildings £m	Infrastructure £m	Utilities £m	Other £m	Total £m
Construction	Revenue including share of joint ventures and associates	3,954	3,440	595	92	8,081
Services	Group revenue	3,284	2,738	581	92	6,695
Support	Revenue including share of joint ventures and associates	9	661	326	10	1,006
Services	Group revenue	9	661	326	10	1,006
Infrastructure	Revenue including share of joint ventures and associates	346 ⁺	146	16	–	508
Investments	Group revenue	289 ⁺	3	–	–	292
Total revenue	Revenue including share of joint ventures and associates	4,309	4,247	937	102	9,595
	Group revenue	3,582	3,402	907	102	7,993

Timing of revenue recognition		Construction Services £m	Support Services £m	Infrastructure Investments £m	Total £m
Over time		8,076	1,002	496	9,574
At a point in time		5	4	12	21
Revenue including share of joint ventures and associates		8,081	1,006	508	9,595
Over time		6,690	1,002	280	7,972
At a point in time		5	4	12	21
Group revenue		6,695	1,006	292	7,993

+ Includes rental income of £53m including share of joint ventures and associates or £21m excluding share of joint ventures and associates.

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

5.1 Income statement

	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Revenue	792	716	1,602
Operating profit	46	28	58
Investment income	47	49	100
Finance costs	(54)	(52)	(99)
Profit before taxation	39	25	59
Taxation	(9)	(3)	(6)
Profit after taxation	30	22	53

5.2 Balance sheet

	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Intangible assets			
– Infrastructure Investments intangible	13	39	14
– other	11	12	12
Property, plant and equipment	22	23	21
Investment properties	269	246	232
Investments in joint ventures and associates	9	6	7
Money market funds	52	37	44
PPP financial assets	1,097	1,195	1,149
Military housing projects	115	113	113
Net borrowings	(793)	(898)	(852)
Other net liabilities	(533)	(514)	(465)
Share of net assets of joint ventures and associates	262	259	275
Goodwill	31	31	31
Reclassify negative investment to provisions	8	10	10
Loans to joint ventures and associates	83	106	73
Total investment in joint ventures and associates	384	406	389

6 Investment income

	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Subordinated debt interest receivable	5	16	34
Interest receivable on PPP financial assets	1	1	2
Interest received on bank deposits	20	14	33
Other interest receivable and similar income	1	1	–
Impairment reversal of joint ventures and associates – loans	11	–	–
– accrued interest	–	–	1
Net finance income on pension scheme assets and obligations (Note 18)	2	6	12
	40	38	82

7 Finance costs

	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Non-recourse borrowings – bank loans and overdrafts	6	4	11
US private placement – finance cost	5	6	12
Interest on lease liabilities	3	3	6
Fair value loss on investment asset	–	1	1
Other interest payable – committed facilities	1	2	3
– letter of credit fees	1	1	2
– other finance charges	3	4	5
Impairment of loans to joint ventures and associates – loans	–	–	9
	19	21	49

8 Non-underlying items

	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Items credited to/(charged against) profit			
8.1 Amortisation of acquired intangible assets	(2)	(3)	(5)
8.2 Other non-underlying items:			
– net release of provisions relating to Rail Germany	16	–	–
– provision recognised for rectification works to be carried out on a development in London	–	(12)	(12)
Total other non-underlying items	16	(12)	(12)
Credited to/(charged against) profit before taxation	14	(15)	(17)
8.3 Tax credits:			
– tax on amortisation of acquired intangible assets	1	1	3
– tax on provision recognised for rectification works to be carried out on a development in London	–	3	3
Total tax credit	1	4	6
Non-underlying items credited to/(charged against) profit for the period	15	(11)	(11)

8.1 The amortisation of acquired intangible assets comprises: customer contracts £1m (2023: first half £2m; full-year £4m); and customer relationships £1m (2023: first half £1m; full-year £1m).

The charge was recognised in the following segments: Construction Services £1m (2023: first half £1m; full-year £1m) and Infrastructure Investments £1m (2023: first half £2m; full-year £4m).

8.2 In 2014, Rail Germany was reclassified from discontinued operations and has since been presented as part of the Group's non-underlying items within continuing operations in line with the Group's continued commitment to exit this part of the business.

At half-year 2024, one of the two remaining contracts held within Rail Germany reached the end of its warranty period resulting in the release of warranty provisions held in respect of this contract. This release has been credited to the Group's income statement within non-underlying, net of provision increases relating to certain legacy liabilities remaining within the business.

This net credit of £16m was recognised in the Construction Services segment.

8.3.1 The remaining non-underlying items recognised in the Group's operating profit gave rise to a tax credit of £1m relating to the amortisation of acquired intangible assets (2023: first half £1m; full-year £3m).

9 Taxation

	Underlying items 2024 first half unaudited ¹ £m	Non- underlying items (Note 8) 2024 first half unaudited £m	Total 2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Total UK tax	15	–	15	12	35
Total non-UK tax	2	(1)	1	7	15
Total tax charge/(credit)^x	17	(1)	16	19	50
UK current tax	4	–	4	(2)	4
Non-UK current tax	–	(1)	(1)	5	(2)
Total current tax	4	(1)	3	3	2
UK deferred tax	11	–	11	14	31
Non-UK deferred tax	2	–	2	2	17
Total deferred tax	13	–	13	16	48
Total tax charge/(credit)^x	17	(1)	16	19	50

^x Excluding joint ventures and associates.

¹ Before non-underlying items (Note 8).

The Group has recognised a £1m tax credit (2023: first half £4m; full year: £6m) within non-underlying items in the period. Refer to Note 8.3.

The Group tax charge excludes amounts for joint ventures and associates, except where tax is levied at the Group level.

In addition to the Group tax charge/(credit) above, tax of £7m has been credited (2023: first half £20m; full-year £43m) directly to other comprehensive income, comprising: a deferred tax charge of £1m for subsidiaries (2023: first half £18m credit; full-year £48m credit) and a deferred tax credit in respect of joint ventures and associates of £8m (2023: first half £2m credit; full-year £5m charge). A tax credit of £nil (2023: first half £nil; full-year £nil) has been recognised directly in equity relating to share-based payments.

10 Earnings per share

	2024 first half unaudited		2023 first half unaudited		2023 year audited	
	Basic £m	Diluted £m	Basic £m	Diluted £m	Basic £m	Diluted £m
Earnings						
Earnings	96	96	63	63	197	197
Amortisation of acquired intangible assets after tax	1	1	2	2	2	2
Other non-underlying items after tax	(16)	(16)	9	9	9	9
Underlying earnings	81	81	74	74	208	208
	Basic m	Diluted m	Basic m	Diluted m	Basic m	Diluted m
Weighted average number of ordinary shares	528	532	567	571	558	566

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

The diluted earnings per ordinary share uses an adjusted weighted average number of shares and includes shares that are potentially outstanding in relation to equity-settled share-based payment arrangements.

Potential dilutive effect of ordinary shares issuable under equity-settled share-based payment arrangements is 4m (2023: first half 4m; full-year 8m).

10 Earnings per share continued

	2024 first half unaudited		2023 first half unaudited		2023 year audited	
	Basic Pence	Diluted Pence	Basic pence	Diluted pence	Basic pence	Diluted pence
Earnings per share						
Earnings per ordinary share	18.1	18.0	11.1	11.0	35.3	34.8
Amortisation of acquired intangible assets after tax	0.2	0.2	0.3	0.3	0.4	0.4
Other non-underlying items after tax	(3.0)	(3.0)	1.6	1.6	1.6	1.6
Underlying earnings per ordinary share	15.3	15.2	13.0	12.9	37.3	36.8

11 Dividends on shares

	2024 first half unaudited		2023 first half unaudited		2023 year audited	
	Per share pence	Amount £m	Per share pence	Amount £m	Per share pence	Amount £m
Proposed dividends for the period						
Interim 2023	–	–	3.5	19	3.5	19
Final 2023	–	–	–	–	8.0	43 [^]
Interim 2024	3.8	20 ^{&}	–	–	–	–
			3.5	19	11.5	62
Recognised dividends for the period						
Final 2022		–		39		39
Interim 2023		–		–		19
Final 2023		42		–		–
		42		39		58

[^]The Group declared a final dividend of 8.0p for 2023 which was estimated to amount to £43m based on the number of shares that would be on the register on 17 May 2023. Based on the actual number of shares, a payment of £42m was made on 3 July 2024.

[&] Amount dependent on number of shares on the register on 1 November 2024.

The final 2023 dividend of 8.0 pence per share was paid on 3 July 2024 to holders on the register on 17 May 2024. The ordinary shares were quoted ex-dividend on 16 May 2024.

The Board is declaring an interim dividend of 3.8 pence per share, which will be payable on 6 December 2024 to holders on the register on 1 November 2024. The last date for DRIP (Dividend Reinvestment Plan) elections is 15 November 2024.

12 Intangible assets – goodwill

	Cost £m	Accumulated impairment losses £m	Carrying amount £m
At 31 December 2022 audited	1,106	(230)	876
Currency translation differences	(36)	7	(29)
At 1 July 2023 unaudited	1,070	(223)	847
Currency translation differences	(1)	(1)	(2)
At 31 December 2023 audited	1,069	(224)	845
Currency translation differences	3	2	5
At 28 June 2024 unaudited	1,072	(222)	850

As at 28 June 2024, the Group performed an assessment to identify indicators of impairment relating to goodwill allocated to cash-generating units (CGUs). This included a review of internal and external indicators of impairment and consideration of the year-to-date performance of the relevant CGUs and any changes in key assumptions. The outcome of this assessment was that there were no indications of impairment which could reasonably be expected to eliminate the headroom computed as at 31 December 2023. As a result of this assessment, no impairment charges were recorded in the first half of 2024 (2023: first half £nil; full-year £nil).

A full detailed impairment review will be conducted on all CGUs as at 31 December 2024.

13 Contract balances

13.1 Contract assets

	£m
At 31 December 2022 audited	300
Currency translation differences	(4)
Transfers from contract assets recognised at the beginning of the year to receivables	(241)
Increase related to services provided in the period	265
Reclassified from contract liabilities (Note 13.2)	(11)
Impairments on contract assets recognised at the beginning of the year	(9)
At 31 December 2023 audited	300
Currency translation differences	1
Transfers from contract assets recognised at the beginning of the year to receivables	(202)
Increase related to services provided in the period	282
Impairments on contract assets recognised at the beginning of the year	(1)
Reclassified from contract liabilities (Note 13.2)	(1)
At 28 June 2024 unaudited	379

13.2 Contract liabilities

	£m
At 31 December 2022 audited	(665)
Currency translation differences	19
Revenue recognised against contract liabilities at the beginning of the year	561
Increase due to cash received, excluding amounts recognised as revenue during the year	(528)
Reclassified to contract assets (Note 13.1)	11
At 31 December 2023 audited	(602)
Currency translation differences	(3)
Revenue recognised against contract liabilities at the beginning of the year	523
Increase due to cash received, excluding amounts recognised as revenue during the period	(535)
Reclassified to contract assets (Note 13.1)	1
At 28 June 2024 unaudited	(616)

14 Trade and other receivables

	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Current			
Trade receivables	543	512	484
Less: provision for impairment of trade receivables	(1)	(3)	(8)
	542	509	476
Due from joint ventures and associates	22	17	16
Due from joint operation partners	7	6	4
Contract fulfilment assets	18	19	19
Contract retentions receivable	228	215	227
Accrued income	10	14	13
Prepayments	69	56	57
Other receivables	111	54	82
	1,007	890	894
Non-current			
Due from joint ventures and associates	113	98	111
Contract fulfilment assets	42	35	40
Contract retentions receivable	135	149	150
Other receivables	6	5	7
	296	287	308
Total trade and other receivables	1,303	1,177	1,202

15 Trade and other payables

	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Current			
Trade and other payables	692	638	602
Accruals	865	802	788
Contract retentions payable	214	191	213
Due to joint ventures and associates	1	–	–
VAT, payroll taxes and social security	128	100	131
Dividends on ordinary shares	42	39	–
	1,942	1,770	1,734
Non-current			
Accruals	6	8	9
Contract retentions payable	105	103	104
Due to joint ventures and associates	4	10	9
	115	121	122
Total trade and other payables	2,057	1,891	1,856

16 Provisions

	Contract provisions £m	Employee provisions £m	Other provisions £m	Total £m
At 31 December 2022 audited	335	33	33	401
Currency translation differences	(3)	–	(1)	(4)
Charged/(credited) to the income statement:				
– additional provisions	69	5	2	76
– unused amounts reversed	(16)	–	–	(16)
Utilised during the period	(28)	(3)	(1)	(32)
At 1 July 2023 unaudited	357	35	33	425
Charged/(credited) to the income statement:				
– additional provisions	101	4	2	107
– unused amounts reversed	(43)	(2)	–	(45)
Utilised during the period	(63)	(4)	(3)	(70)
At 31 December 2023 audited	352	33	32	417
Currency translation differences	(1)	–	–	(1)
Reclassified to accruals	(11)	–	–	(11)
Charged/(credited) to the income statement:				
– additional provisions	73	4	2	79
– unused amounts reversed	(34)	–	–	(34)
Utilised during the period	(43)	(4)	(3)	(50)
At 28 June 2024 unaudited	336	33	31	400

17 Notes to the statement of cash flows

	Underlying items 2024 first half unaudited ¹ £m	Non-underlying items 2024 first half unaudited £m	Total 2024 first half unaudited £m	Total 2023 first half unaudited £m	Total 2023 year audited £m
17.1 Cash from operations					
Profit from operations	77	14	91	65	211
Share of results of joint ventures and associates	(30)	–	(30)	(22)	(53)
Depreciation of property, plant and equipment	16	–	16	16	28
Depreciation of right-of-use assets	29	–	29	28	57
Depreciation of investment properties	1	–	1	1	2
Amortisation of other intangible assets	3	2	5	6	12
Amortisation of contract fulfilment assets	11	–	11	11	15
Pension payments including deficit funding	(14)	–	(14)	(13)	(28)
Movements relating to equity-settled share-based payments	6	–	6	7	15
Gain on disposal of interests in investments	–	–	–	–	(24)
Profit on disposal of property, plant and equipment	(1)	–	(1)	–	(2)
Other non-cash items	–	–	–	–	(3)
Operating cash flows before movements in working capital	98	16	114	99	230
(Increase)/decrease in operating working capital			(76)	(42)	63
Inventories			(38)	(27)	(11)
Contract assets			(77)	(175)	(4)
Trade and other receivables			(106)	(51)	(73)
Contract liabilities			11	17	(44)
Trade and other payables			151	169	177
Provisions			(17)	25	18
Cash from operations			38	57	293

¹ Before non-underlying items (Note 8).

17 Notes to the statement of cash flows continued

	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
17.2 Cash and cash equivalents			
Cash and deposits	883	738	890
Term deposits	109	162	218
Cash balances within infrastructure investments	292	27	306
Bank overdrafts	(44)	–	(104)
	1,240	927	1,310

	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
17.3 Analysis of net cash/(borrowings)			
Cash and cash equivalents (excluding infrastructure investments)	992	900	1,108
Bank overdrafts	(44)	–	(104)
US private placement	(163)	(162)	(162)
Bilateral committed facility	–	(28)	–
Net cash excluding infrastructure investments	785	710	842
Non-recourse infrastructure investments project finance loans at amortised cost with final maturity between 2024 and 2072	(571)	(286)	(570)
Infrastructure investments cash and cash equivalents	292	27	306
	(279)	(259)	(264)
Net cash	506	451	578

Balfour Beatty plc, together with certain of its UK subsidiaries, operates a notional pooling facility with a main relationship UK clearing bank where overdraft balances are offset with cash balances and interest is calculated on a net basis. At the half-year, the Group maintained a net cash position on this pooling facility, so there was no interest payable to the bank in respect of these bank overdrafts (2023: half-year net cash; full-year net cash). Overdraft balances and cash held at this bank have been reported gross in the Group balance sheet at 28 June 2024 and 31 December 2023 as there was no intention to settle the bank overdrafts at that date.

The loans relating to project finance arise under non-recourse facilities taken out by project-specific subsidiary companies. The loans of each company are secured by a combination of fixed and floating charges over that company's interests in its project's assets and revenues and the shares in the company held by its immediate parent company.

Included in cash and cash equivalents is restricted cash of £12m (2023: first half £4m; full-year £12m) held by the Group's self-insurance company, Delphian Insurance Company Ltd, which is subject to Isle of Man insurance solvency regulation.

Cash and cash equivalents also include: £116m (2023: first half £86m; full-year £77m) within construction project bank accounts which is used for project specific expenditure; £359m (2023: first-half £355m; full-year £369m) in relation to the Group's share of cash held by joint operations which is used for expenditure within the joint operation projects; and £292m (2023: first half £18m; full-year £306m) relating to maintenance and other reserve accounts in Infrastructure Investments subsidiaries, of which £264m (2023: £277m) is reserved for the construction of University of Sussex's West Slope student accommodation project.

17 Notes to the statement of cash flows continued

	Infrastructure investments non-recourse project finance £m	US private placement £m	Bilateral committed facility £m	Bank overdraft £m	Total £m
17.4 Analysis of movements in borrowings					
At 31 December 2022 audited	(261)	(345)	–	–	(606)
Currency translation differences	1	14	1	–	16
Proceeds of loans	(30)	–	(29)	–	(59)
Repayments of loans	4	169	–	–	173
At 1 July 2023 unaudited	(286)	(162)	(28)	–	(476)
Currency translation differences	(1)	–	(1)	–	(2)
Proceeds of loans	(306)	–	1	(104)	(409)
Repayments of loans	4	–	28	–	32
Fair value adjustment to loan	19	–	–	–	19
At 31 December 2023 audited	(570)	(162)	–	(104)	(836)
Currency translation differences	–	(2)	–	–	(2)
Unwind of fair value adjustment	(2)	–	–	–	(2)
Proceeds of loans	(3)	(39)	–	(44)	(86)
Repayments of loans	4	40	–	104	148
At 28 June 2024 unaudited	(571)	(163)	–	(44)	(778)

In June 2024, the Group extended its core Revolving Credit Facility (RCF) by one year, to June 2028, with the support of the lending bank group. The facility was reduced from £475m to £450m in the extension process. The RCF remains a Sustainability Linked Loan (SSL) and subsequent to the extension in July 2024, new SLL metrics and targets were agreed with the lending bank group. The Group continues to be incentivised to deliver annual measurable performance improvement in three key areas: Carbon Emissions, Social Value generation and an independent Environment, Social and Governance (ESG) rating score. The RCF remained undrawn at 28 June 2024.

The Group retains an additional £30m bilateral committed facility on similar terms to the core RCF. This facility has a maturity of December 2024. The Group holds an option to extend the expiry of the facility to December 2027. As at 28 June 2024, the Group had not triggered the facility's extension option. At 28 June 2024 the bilateral committed facility remained undrawn.

In May 2024, the Group completed the early refinancing of US\$50m of US Private Placement (USPP) notes that were set to mature in March 2025. The Group raised US\$50m of new USPP notes, on terms and conditions that mirror existing debt facilities, and used this new funding to complete the early repayment of its existing US\$50m USPP notes which were due to expire in March 2025. The new debt is comprised of US\$25m of 7-year notes, maturing in June 2031 at a fixed coupon of 6.71%, and US\$25m of 12-year notes, maturing in June 2036 at a fixed coupon of 6.96%. The refinancing exercise has extended the debt maturity profile of the Group until 2036, with the next debt maturity now in June 2027 for US\$35m.

18 Retirement benefit assets and liabilities

Principal actuarial assumptions for the IAS 19 accounting valuations of the Group's principal schemes	2024 first half unaudited %	2023 first half unaudited %	2023 year audited %
Discount rate on obligations	5.25	5.40	4.65
Inflation rate – RPI	3.25	3.40	3.15
– CPI [*]	2.70	2.80	2.60
Future increases in pensionable salary [#]	2.70	2.80	2.60
Rate of increases in pensions in payment (or such other rate as is guaranteed) [^]	3.05	3.10	2.95

^{*} Actuarial assumption applied to the Railways Pension Scheme was 2.85% (2023: first half 3.00%; full-year 2.75%).

[#] Actuarial assumption applied to the Railways Pension Scheme was 2.85% (2023: first half 2.95%; full-year 2.75%).

[^] Actuarial assumption applied to the Railways Pension Scheme was 2.90% (2023: first half 3.10%; full-year 2.85%).

Amounts recognised in the balance sheet	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Present value of obligations	(2,674)	(2,683)	(2,856)
Fair value of plan assets	2,764	2,857	2,925
Net assets in the balance sheet ⁺	90	174	69

⁺ This amount represents the aggregate of the retirement benefit schemes in a net surplus position of £125m (2023: first half £210m; full-year £104m), and those in deficit of £35m at 28 June 2024 (2023: first half £36m; full-year £35m). These asset amounts are shown separately on the balance sheet as the Balfour Beatty Pension Fund and the Railway Pension Scheme are in a net surplus position.

Analysis of net assets in the balance sheet	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Balfour Beatty Pension Fund	113	176	101
Railways Pension Scheme	12	34	3
Other schemes [*]	(35)	(36)	(35)
	90	174	69

^{*} Other schemes include the Group's deferred compensation obligations for which investments in mutual funds of £19m (2023: first half £19m; full-year £19m) are held by the Group to satisfy these obligations.

Movements in the retirement benefit net assets for the period	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
At beginning of period	69	223	223
Currency translation differences	–	3	2
Current service cost	(2)	(2)	(4)
Net finance income	2	6	12
Actuarial movements			
– on obligations from reassessing the difference between RPI and CPI	–	–	(4)
– on obligations from changes in demographic assumptions	–	(7)	16
– on obligations from changes to other financial assumptions	160	107	(101)
– on obligations from experience gains	(4)	–	(2)
– on assets	(151)	(171)	(106)
Contributions from employer			
– regular funding	1	1	3
– ongoing deficit funding	13	12	25
Benefits paid	2	2	5
At end of period	90	174	69

18 Retirement benefit assets and liabilities continued

The investment strategy of the BBPF and the sensitivity of the Group's retirement benefit obligations and assets to different actuarial assumptions are set out in Note 30 on pages 224 and 229, respectively, of the Annual Report and Accounts 2023.

The Group's balance sheet includes net retirement benefit assets of £90m (2023: first half £174m; full-year £69m) as measured on an IAS 19 basis, with surpluses on the BBPF and RPS partially offset by deficits on the other schemes.

In the first half of 2024, the Group recorded net actuarial gains on its relevant benefit schemes of £5m (2023: first half £71m net losses, full-year £197m net losses). An increase in corporate bond yields, which led to a corresponding increase in the IAS19 discount rate, offset a small increase in inflationary expectations and led to an overall reduction in the present value of obligations during the first half of 2024. Similarly, the assets fell in value over first half of 2024, with this reduction primarily driven by the liability hedging that is in place. These two factors have acted to offset each other, with the groups net assets increasing overall from £69m to £90m during the half-year ended 28 June 2024.

Balfour Beatty and the trustees of the Balfour Beatty Pension Fund (BBPF) have agreed to a journey plan approach to managing the BBPF whereby the BBPF is aiming to reach self-sufficiency by 2027. The Company and the trustees agreed the 31 March 2022 formal valuation in 2023 and, as a result, Balfour Beatty will pay deficit contributions to the BBPF of £24m in 2024 and £6m in 2025 together with additional contributions of £2m per month from March 2025 if BBPF's performance is different from that expected. The next formal triennial funding valuation of the BBPF is due with effect from 31 March 2025.

The Company and trustees of the Railways Pension Scheme (RPS) agreed the 31 December 2022 formal valuation in the first half of 2024 and, as a result, Balfour Beatty agreed to continue making deficit contributions of £6m per annum until February 2025. The next formal triennial funding valuation of the RPS is due with effect from 31 December 2025.

19 Share capital

During the half-year ended 28 June 2024, 0.6m (2023: first half 0.6m; full-year 5.1m) shares were purchased for £2m (2023: first half £2.4m; full-year £18m) by the Group's employee discretionary trust to satisfy awards under the Performance Share Plan, the Deferred Bonus Plan and the Restricted Share Plan.

The Company commenced the fourth phase of its share buyback programme in 2024. As at 28 June 2024, the Company had purchased 20.4m (2023: first half 24.0m; full-year 43.3m) shares. These 20.4m shares are currently held in treasury with no voting rights. The purchase of these shares, together with associated fees and stamp duty, has utilised £73m (2023: first half £88m; full-year £151m) of the Company's distributable profits and the cash paid in settlement during the period was £72m (2023: first half £87m; full-year £151m).

20 Acquisitions and disposals

There were no material acquisitions or disposals made in the first half of 2024.

21 Financial instruments

Fair value estimation

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

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

	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Financial instruments at fair value			
Financial assets			
Level 1			
Investments in mutual fund financial assets	19	19	19
Level 3			
PPP financial assets	23	25	24
Other investment assets	6	7	7
Financial assets – fuel hedges	–	1	1
Total assets measured at fair value	48	52	51
Financial liabilities			
Level 2			
Financial liabilities – foreign currency contracts	(1)	(1)	(2)
Financial liabilities – infrastructure concessions interest rate swaps	(1)	–	–
Total liabilities measured at fair value	(2)	(1)	(2)

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

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

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

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

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

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

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

21 Financial instruments continued

Fair value estimation continued

A change in the discount rate would have a significant effect on the value of the asset and a 50 basis point increase/decrease, which represents management's assessment of a reasonably possible change in the risk-adjusted discount rate, would lead to a £1m decrease (2023: first half £1m; full-year £1m) / £1m increase (2023: first half £1m; full-year £1m) in the fair value of the assets taken through equity.

For PPP financial assets held in joint ventures and associates, a change in the discount rate by a 50 basis point increase/decrease, which represents management's assessment of a reasonably possible change in the risk-adjusted discount rate, would lead to a £22m decrease (2023: first half £26m; full-year £25m)/£23m increase (2022: first half £27m; full-year £26m) in the fair value of the assets taken through equity within the share of joint ventures' and associates' reserves.

22 Related party transactions

The Group has contracted with, provided services to, and received management fees from, certain joint ventures and associates amounting to £212m (2023: first half £215m, full-year £445m). These transactions occurred in the normal course of business at market rates and terms. In addition, the Group procured equipment and labour on behalf of certain joint ventures and associates which were recharged at cost with no mark-up. The amounts due from or to joint ventures and associates at the reporting date are disclosed in Notes 14 and 15 respectively.

Transactions with non-Group members

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

	2024 first half unaudited £m	2023 first half unaudited £m	2023 year audited £m
Site Assist Software Limited			
Purchase of services	1	1	1

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

During the first half of 2024, a member of the Group's staff continued to be seconded on a full-time basis to The 5% Club, a charity which is a dynamic movement of employer-members working to create a shared prosperity across the UK by driving 'earn and learn' skills training. The expense for the salary cost was borne by the Group and no consideration was received in return.

23 Principal risks and uncertainties

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

The Directors do not consider that the nature of the principal risks and uncertainties facing the Group has fundamentally changed since the publication of the Group's Annual Report and Accounts 2023.

24 Contingent liabilities

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

Provision has been made for the Directors' best estimate of known legal claims, investigations and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or that the Group cannot make a sufficiently reliable estimate of the potential obligation. However, in certain cases where assessments are ongoing and the Group cannot yet conclude whether it is probable the claim is valid, a possible obligation may exist at 28 June 2024. In respect of these cases, it is not practicable to estimate the financial effect based on the current status of the assessments.

25 Events after the reporting date

In the period from 29 June 2024 to 12 August 2024 (the latest practicable date prior to the date of this report), the Company purchased 3.5m shares, which are currently held in treasury with no voting rights, for a total consideration of £14m (including associated fees and stamp duty).

On 29 July 2024, the Group received confirmation of coverage from its insurers in relation to the stone façade rectification works currently being carried out on a development in London. The Group has previously provided £54m in respect of the estimated cost of rectification within its non-underlying items. The works are due to complete in 2025. The Group will consider the extent of recoverability, which is subject to the loss adjuster's assessment, and accordingly will recognise any credit in relation to this within non-underlying.

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