

BALFOUR BEATTY PLC RESULTS FOR THE HALF YEAR ENDED 1 JULY 2022

17 August 2022

Strong financial performance including increase in underlying PFO. Board expectations upgraded for the full year

Highlights

- 42% increase in underlying profit from operations (PFO) at £85 million (2021: £60 million)
- 10% increase in order book at £17.7 billion (FY 2021: £16.1 billion); provides clear short- and medium-term visibility
- Increase in Directors' valuation of the Investments portfolio at £1.3 billion (FY 2021: £1.1 billion)
- Increase in half year average net cash at £811 million (FY 2021: £671 million)
- 68% increase in underlying basic EPS at 12.9 pence per share (2021: 7.7 pence per share)
- 17% increase in recommended half year dividend at 3.5 pence per share (2021: 3.0p)
- Support Services upgraded to the top end of its 6-8% industry standard margin target range for full year

(£ million unless otherwise specified)	HY 2022		HY 2021	
	Underlying ²	Total	Underlying ²	Total
Revenue ¹	4,147	4,147	4,154	4,154
Profit from operations	85	82	60	40
Pre-tax profit	86	83	55	35
Profit for the period	80	98	51	52
Basic earnings per share	12.9p	15.7p	7.7p	7.8p
Dividends per share		3.5p		3.0p

	HY 2022	FY 2021	HY 2021
Order book ^{1,2}	£17.7bn	£16.1bn	£16.1bn
Directors' valuation of Investments portfolio	£1.3bn	£1.1bn	£1.1bn
Net cash – recourse	742	790	625
Net cash – non-recourse ³	(242)	(243)	(318)
Average net cash – recourse	811	671	611

Leo Quinn, Balfour Beatty Group Chief Executive, said: "With the Group well-positioned to capitalise on the growing infrastructure market, underpinned by its unique capability and balance sheet strength, the upgrade to the full year performance gives the Board further confidence in future capital returns."

Notes:

¹ Including share of joint ventures and associates

² Before non-underlying items (Note 8)

³ Non-recourse net borrowings are cash and debt that are ringfenced within certain infrastructure investments project companies

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

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Investor and analyst presentation:

A presentation to investors and analysts will be made at Numis, 45 Gresham Street, London, EC2V 7BF at 09:00 (GMT) on 17 August 2022. 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](#)

2022 HALF YEAR RESULTS ANNOUNCEMENT

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GROUP CHIEF EXECUTIVE'S OVERVIEW

Executive Summary

Balfour Beatty's transformation into a sustainable, well-balanced Group is demonstrated by its strong financial performance in the first six months of 2022. The Group's diversified portfolio - both geographically in the UK, US and Hong Kong; and operationally across Construction Services, Support Services and Infrastructure Investments – and balance sheet strength, have provided the resilience to maintain its expert capabilities and market positions through the challenges of the last two years. Balfour Beatty emerges with a larger order book, including a higher proportion of long term and lower risk contracts, and all business units delivering expectations. In both the short and medium term, this provides clear visibility to deliver significant returns from profitable managed growth and cash generation.

The need to drive post-pandemic economic recovery has led governments in the Group's three chosen markets to boost spending on infrastructure and sustainability. This significant expansion of state-backed infrastructure provides a positive operating landscape for the Group. Given its proven track record of delivering world-class projects, Balfour Beatty is particularly well-placed to benefit from the growing focus on infrastructure which can mitigate climate change. Net zero targets dictate a redesign of energy infrastructure from renewable electricity generation and storage, smart grids and carbon capture to hydrogen and nuclear.

At the same time, new global challenges have arisen, in the form of higher energy and raw materials prices, inflation and knock-on wage pressures and supply chain issues. Against this backdrop, the Group's financial and operational strengths and its mix and nature of order book provide stability, while its leadership and disciplined processes ensure proactive management of performance.

Financial Summary

In the first half of 2022, the Group reported underlying profit from operations of £85 million which represents a 42% increase on the prior year (2021: £60 million). UK Construction has returned to profitability and Support Services showed improved performance on the prior year after adjusting for one-off items in the first half of 2021. US Construction, Gammon and Infrastructure Investments all performed in line with expectations, with profit from operations slightly above the first half of 2021.

Balfour Beatty's profitable managed growth is being underpinned by sustainable cash generation. In the first half of the year, the Group's average net cash continued to increase, after the share buyback programme, to £811 million (FY 2021: £671 million). In addition, the Directors' valuation of the Investments portfolio increased to £1.3 billion (FY 2021: £1.1 billion) due to an exchange rate benefit, higher inflation indexation leading to an increase in value on some projects and the upward revaluation of the Purdue University asset.

Looking ahead, the Group's £17.7 billion order book (FY 2021: £16.1 billion) increased 10% in the period, or 4% at constant exchange rate (CER), and provides clear short- and medium-term visibility. Balfour Beatty's focus on selectively bidding for contracts where it holds expert capability and can achieve improved contract terms has resulted in a higher quality order book with enhanced risk protection.

Given the positive momentum in the business, the transformed portfolio and a favourable market outlook, the Board has confidence in its capacity to deliver significant future shareholder returns. The latest tranche in Balfour Beatty's multi-year share buyback programme, of £150 million for 2022, is progressing well and is expected to complete during the year. In addition, the Board is today recommending an interim dividend of 3.5 pence per share, a 17% increase on prior year (2021: 3.0 pence per share).

Operational update

Construction Services: Balfour Beatty's market-leading position in the UK infrastructure market is built on its unmatched scale and vertically integrated capability for delivering major projects, and increasingly this is its principal focus. At HS2 Area North, in July, a 2,000 tonne tunnel boring machine completed its one mile journey underneath an ancient Warwickshire wood. The machine which started boring under Long Itchington wood in December last year is the first tunnel breakthrough on the London to Birmingham route. At Old Oak Common, good progress is being made on the main box construction with D-wall and piling works now well advanced. All three track and overhead catenary system bids have been submitted to HS2 as part of the BBVT joint venture (Balfour Beatty Rail, VINCI ETF and TSO) with award expected in January 2023. At Hinkley Point C, the first of the intake heads capping the cooling water system tunnels at the new nuclear power station was recently lowered beneath the waves during a tandem lifting operation and at Thames Tideway good progress has been made on the secondary lining to both the main tunnel and the connection tunnel.

US Construction continues to perform well. Significant milestones have been achieved on three material ongoing projects: in March, as part of the Green Line Extension Constructors joint venture, Balfour Beatty successfully completed one of two lines along the new 4.7-mile light-rail on Massachusetts Bay Transportation Authority (MBTA)'s Green Line Extension; in April, Balfour Beatty, as part of the LINXS Constructors joint venture, successfully completed the Los Angeles International Airport's 2.25-mile Automated People Mover train guideway superstructure for Los Angeles World Airports; and in June, Balfour Beatty, as part of Colorado River Constructors joint venture team, successfully set the first bridge beams that support widening activities east of US 290 and SH 71 "Y" interchange in Austin on the Texas Department of Transportation's Oak Hill Parkway project.

At Gammon, Balfour Beatty's 50:50 joint venture with Jardine Matheson based in Hong Kong, project execution and work winning remain strong despite the impact of the pandemic in Hong Kong during the first six months of 2022. Gammon continues to make good progress at Hong Kong Airport where it is delivering the structures for the Automatic People Mover and Baggage Handling System in addition to working on the Terminal 2 expansion. The Central Kowloon Route project where Gammon is constructing buildings and carrying out mechanical and electrical works is also progressing well.

Support Services: Following the strategic repositioning of Support Services (power, plant, road and rail maintenance), the business is now characterised by profitable recurring revenues underpinned by long-term contracts. The power and rail maintenance businesses continue to perform strongly and together have now completed the Eleclink project, providing a 1GW electricity interconnector between France and England through the Channel Tunnel. At Hinkley Point C, Balfour Beatty continues erecting 116 new T-pylons along a 57-kilometer route in Somerset to connect six million homes and businesses in the surrounding area with low-carbon electricity that will be generated from the new nuclear power station. As part of the same project, Balfour Beatty is also currently jointing and testing 400kV cables under the Mendip Hills Area of Outstanding Natural Beauty with energisation expected in the second half of 2022.

Infrastructure Investments: The Group continues to invest in attractive new opportunities, each expected to meet its investment hurdle rates. In the period, Balfour Beatty invested £17 million in new and existing projects with one new multifamily housing project added to the portfolio. Balfour Beatty also continues to sell assets, timed to maximise benefit to shareholders. In the period, one multifamily housing project was sold and in August the Purdue University sale was completed. Since Balfour Beatty Communities' (Communities) settlement with the US Department of Justice (DoJ) in December 2021, an independent compliance monitor, which formed part of the agreed resolution, has now been confirmed and appointed by the DoJ.

Inflation: Balfour Beatty continues to see inflationary pressures across the Group's construction and infrastructure markets both in relation to labour and materials. Whilst the Group is not immune to these pressures, Balfour Beatty is currently mitigating these risks through contractual protection and early buyout using the Group's scale and supply chain management and does not expect a material impact on the full year results

In investments, many infrastructure assets, including Balfour Beatty's PFI schemes, have an explicit revenue link to inflation in the concession contracts. Others, such as student accommodation and multi-family housing projects, have indirect inflation-linked income through a rental pricing mechanism, providing inflation protection.

Infrastructure markets

Despite the current global economic uncertainty, Balfour Beatty's chosen markets all have a favourable outlook. As a key lever of economic growth, the construction and infrastructure sectors remain central to government planning in the Group's core markets. At the same time, new infrastructure - HS2, low carbon wind power, energy efficient buildings, carbon capture, new nuclear, highways, airports, and rail electrification - will all play a leading role in stimulating investment growth from which Balfour Beatty is well placed to benefit.

The UK Government's National Infrastructure Strategy (NIS) sets out its plans to transform infrastructure to drive economic recovery, levelling up and meeting the UK's net zero emissions target by 2050. The £650 billion of funding over ten years for developments in roads, railways, power networks, schools, hospitals and telecommunications represents an increase of around £110 billion compared to the status quo. Included within the NIS are budgets for some of the Group's key customers such as National Highways and Network Rail. The award and delivery of this work will be underpinned by UK Government's Construction Playbook, which sets out a shared ambition between government and industry for the sector to deliver public works in a more modern and efficient way.

In the US, the US\$1.2 trillion bipartisan Infrastructure Investment and Jobs Act (IIJA) includes around US\$634 billion of funding to upgrade roads, bridges, public transport and energy projects over the next five years. This represents an 108% increase compared to the FAST Act that was in effect from 2016 to 2020. There have also been positive announcements at state level, such as Texas's decade-long US\$85bn Unified Transport Plan, which includes federal and state funding for highway, bridge, transit, airport, ferry, bicycle and pedestrian projects.

Gammon has a material share of the Hong Kong market and is well positioned to benefit from the social and economic infrastructure outlook in the region following the Government's announced ambition in its February 2021 budget to increase spending materially to around HK\$1 trillion over the next decade. Major expansions of Hong Kong Airport and the MTR subway system have commenced, whilst social infrastructure programmes to develop hospitals and housing are also well underway.

In Support Services, the markets for power, plant, road and rail maintenance are all positive. In power, the proposed RIIO-T2 spend period (2021-2026) includes £30 billion for investment in energy networks and potential for a further £10 billion on green energy projects. The highways maintenance market is forecast to see significant investment with the announcement of an additional £2.7 billion in funding for road patching, increasing local council budgets by around 50% over the four years. The rail maintenance market also has a positive trajectory with an additional £10 billion of funding for maintenance and renewals as part of Network Rail's current CP6 control period (2019-2024).

Balfour Beatty's competitive expertise to finance, develop, build and maintain infrastructure puts the Group in a strong position to capitalise on new investment opportunities; notably in US P3 projects and student accommodation. The IIJA brings forth several factors that stimulate P3 activity in the US, such as the Transportation Infrastructure Finance and Innovation Act (TIFIA) and an increase in the limit of Private Activity Bonds, positively impacting the pipeline of P3 projects. Infrastructure Investments is well positioned in the student accommodation market where future cash flows are supported by a growing number of students and partnerships with universities in both the UK and the US. The strong demand in the secondary market continues to exceed supply and Balfour Beatty will selectively sell assets to maximise value from its portfolio.

Outlook

In the first six months of 2022, Balfour Beatty has delivered a strong financial performance. UK Construction remains on track to deliver industry standard margins of 2-3% for the 2022 full year and US Construction is anticipated to continue to deliver in the 1-2% margin target range.

At Support Services, the business is already performing towards the upper end of its 6-8% industry standard margin target range and is now expected to be at the top of this range for the full year. Furthermore, full year profit from investment disposals is now expected to be in the range of £55 to £65 million. Driven by this performance and also the strength of the order book, the Board expects underlying profit from operations to be ahead of its previous expectations.

Full year average net cash is now expected to be in the range of £740 to £780 million, which includes the share buyback and further working capital outflows in the second half of the year.

In the medium term, the need to drive post-pandemic economic recovery has led governments in the Group's three chosen markets to boost spending on infrastructure and sustainability. This has resulted in a Group order book of £17.7 billion which provides clear visibility to deliver profitable managed growth and sustainable cash generation. With Balfour Beatty's businesses well-positioned in markets with excellent opportunities, underpinned by the strength of its balance sheet and Investments portfolio, the Board expects to drive further profitable managed growth and significant shareholder returns in 2023.

RESULTS OVERVIEW

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

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

Group financial summary

The Group's results in the first half of the year show a strong performance as Balfour Beatty demonstrated its resilience in the face of macro uncertainties. Underlying revenue was flat (4% down at CER) at £4,147 million (2021: £4,154 million) as an increase at Construction Services was offset by the expected decrease at Support Services. Statutory revenue, which excludes joint ventures and associates, was £3,602 million (2021: £3,611 million).

Construction Services underlying revenue was up 2% (2% down at CER) at £3,414 million (2021: £3,336 million). Support Services revenue decreased by 10% to £499 million (2021: £555 million) as higher volumes at power were more than offset by a reduction in gas and water following the Group's decision to withdraw from this sector.

Underlying profit / (loss) from operations²	HY 2022	HY 2021
	£m	£m
UK Construction	18	(23)
US Construction	21	20
Gammon	10	9
Construction Services	49	6
Support Services	36	54
Earnings-based businesses	85	60
Infrastructure Investments pre-disposals operating profit	10	8
Infrastructure Investments gain on disposals	7	7
Corporate activities	(17)	(15)
Total	85	60

² Before non-underlying items (Note 8)

In the first half of the year, underlying profit from operations increased 42% to £85 million. Significantly, UK Construction returned to profit following write-downs on private sector property projects in central London in the first half of 2021. Support Services also improved period on period after adjusting for approximately £20 million on one-off items in the first half of 2021. US Construction, Gammon and Infrastructure Investments all performed in line with expectations, with profit from operations slightly above the first half of 2021. Statutory profit from operations was £82 million (2021: £40 million).

Net finance income at £1 million (2021: £5 million cost) improved as a result of higher cash balances. Underlying pre-tax profit was £86 million (2021: £55 million). The taxation charge on underlying profits at £6 million (2021: £4 million), led to an underlying profit after tax of £80 million (2021: £51 million). Total statutory profit after tax for the period was £98 million (2021: £52 million), as a result of the net effect of non-underlying items.

The underlying basic earnings per share was 12.9 pence (2021: 7.7 pence), which, along with a non-underlying gain per share of 2.8 pence per share (2021: 0.1 pence), gave a total basic earnings per share of 15.7 pence (2021: 7.8 pence).

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 £18 million for the period (2021: £1 million). Items included a £20 million tax credit for recognition of additional UK deferred tax assets resulting from pension actuarial gains and a £2 million net of tax charge relating to the amortisation of acquired intangible assets.

Cash flow performance

The total cash movement in the half year resulted in a £48 million decrease (2021: £44 million increase) in the Group's period end net cash position to £742 million (FY 2021: £790 million), excluding non-recourse net borrowings. Operating cash flows were ahead of profit from operations. As expected, working capital started to unwind in the first half of the year and there was also a £47 million outflow for the 2022 share buyback programme.

Cash flow performance	HY 2022	HY 2021
	£m	£m
Operating cash flows	100	64
Working capital (outflow)/inflow	(45)	123
Pension deficit payments ⁺	(29)	(29)
Cash from operations	26	158
Lease payments (including interest paid)	(29)	(32)
Dividends from joint ventures and associates [∞]	33	12
Capital expenditure	(13)	(16)
Share buybacks	(47)	(97)
Infrastructure Investments		
- disposal proceeds	12	20
- new investments	(17)	(8)
Other	(13)	7
Net cash movement	(48)	44
Opening net cash [*]	790	581
Closing net cash [*]	742	625

^{*} Excluding infrastructure investments (non-recourse) net borrowings

[∞] Excludes £5 million dividends received in 2022 in relation to Investments asset disposals within joint ventures and associates

⁺ Including £1 million (2021: £1 million) of regular funding

Working capital

As expected, in the first half of 2022, the Group had a net working capital outflow of £45 million (2021: £123 million inflow), with the outflow in trade and other payables partially offset by the inflow in trade and other receivables.

Working capital flows[^]	HY 2022	HY 2021
	£m	£m
Inventories	(5)	11
Net contract assets	(4)	113
Trade and other receivables	32	6
Trade and other payables	(73)	(5)
Provisions	5	(2)
Working capital inflow [^]	(45)	123

[^] Excluding impact of foreign exchange and disposals

Including the impact of foreign exchange and non-operating items, negative (i.e. favourable) current working capital increased to £1,136 million (FY 2021: £1,118 million). In the medium term, the Group expects negative working capital as a percentage of revenue to be in line with its historical long-term average of 11-13% (HY 2022: 15.8%; FY 2021: 15.6%) with the range continuing to be dependent on contract mix and the timing of project starts and completions.

Net cash/borrowings

The Group's average net cash in the first half of 2022 improved substantially to £811 million (FY 2021: £671 million; HY 2021: £611 million). The Group's net cash position at the half year, excluding non-recourse net borrowings, was £742 million (FY 2021: £790 million; HY 2021: £625 million).

Non-recourse net borrowings, held in Infrastructure Investments entities consolidated by the Group, were £242 million (FY 2021: £243 million; HY 2021: £318 million). The balance sheet also included £137 million for lease liabilities (FY 2021: £129 million; HY 2021: £126 million). Statutory net cash at half year was £363 million (FY 2021: £418 million; HY 2021: £181 million).

Share buyback

In 2021, Balfour Beatty commenced and completed a £150 million share buyback programme. All 50,334,350 shares purchased in the 2021 buy back were cancelled in June 2022. On 11 March 2022, Balfour Beatty commenced a subsequent £150 million share buyback programme. In the period, the Group purchased around 19 million shares for a total consideration of £48 million. These shares are currently held in treasury with no voting rights. The current share buyback programme is expected to complete by the end of 2022.

Banking facilities

The Group's £375 million sustainability linked loan (SLL) facility extends to October 2024. Under the terms of the loan, the Group is incentivised to deliver annual measurable performance improvement in three key areas: carbon emissions, social value generation, and an independent Environmental, Social and Governance (ESG) rating score as determined by Sustainalytics, an ESG research, ratings and data provider for institutional investors and companies. Performance in these three areas will be monitored during the lifetime of the facility and depending on the outcomes achieved, a credit margin reduction or increase will be applicable. The purpose of the facility is to provide liquidity from a set of core relationship banks to support Balfour Beatty in its activities. In the first half of the year this facility remained undrawn.

Refinancing

In the first half, the Group raised US\$158 million of debt in the form of new US Private Placement (USPP) notes on terms and conditions materially the same as the existing USPP notes. The new debt is comprised of US\$35 million of notes maturing in 2027 at a fixed coupon of 6.31%, US\$80 million of notes maturing in 2029 at a fixed coupon of 6.39% and US\$43 million of notes maturing in 2032 at a fixed coupon of 6.45%. This new funding will be used towards the repayment of the USPP notes that mature in March 2023. The refinancing exercise has extended the debt maturity profile of the Group.

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 foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the half year condensed Group financial statements. Further detail is provided in Note 1.3 Going Concern.

Pensions

Balfour Beatty and the trustees of the Balfour Beatty Pension Fund (BBPF) have committed to a journey plan approach to managing the BBPF whereby the BBPF is aiming to reach self-sufficiency by 2027. The next formal triennial funding valuation is due with effect from 31 March 2022 with discussions between the Group and the Trustees to agree this triennial valuation underway.

As a result of an acceleration mechanism agreed previously between the Group and the trustees in addition to discussions in light of Balfour Beatty's share buyback programme, the Group is expected to make deficit contributions to the BBPF of £38 million in 2022 and £18 million in 2023.

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

The Group's balance sheet includes net retirement benefit assets of £361 million (FY 2021: £231 million) as measured on an IAS 19 basis, with the surpluses on the BBPF (£393 million) and RPS (£14 million) partially offset by deficits on other schemes (£46 million). The increase in the period is primarily due to an increase in the yields on corporate bonds.

Dividend

The Board is committed to a sustainable ordinary dividend which is expected to grow over time. Following uncertainty caused by the pandemic, the dividend was re-introduced in March 2021 at a targeted pay-out ratio of 40% of underlying profit after tax excluding gain on disposal of Infrastructure Investments assets.

The Board has announced an interim dividend of 3.5 pence for 2022, 17% higher than the prior year (2021: 3.0 pence) and 67% higher than the corresponding pre-pandemic dividend for 2019 (2020: Nil; 2019: 2.1 pence).

DIVISIONAL FINANCIAL REVIEWS

CONSTRUCTION SERVICES

Underlying revenue at £3,414 million was up 2% (2021: £3,336 million), a 2% decrease at CER, as revenue in the US and Hong Kong benefited from exchange rate movements. Underlying profit from operations increased to £49 million (2021: £6 million) as UK Construction returned to profitability, whilst US Construction and Gammon were both slightly ahead of the prior period. The order book increased 12% in the period to £15.3 billion (FY 2021: £13.6 billion), a 5% increase at CER as both the US and Gammon won significant contracts in the period.

Construction Services	HY 2022			HY 2021			FY 2021
	Revenue ¹	PFO	Order book ¹	Revenue ¹	PFO	Order book ¹	Order book ¹
	£m	£m	£bn	£m	£m	£bn	£bn
UK Construction	1,237	18	5.8	1,262	(23)	6.2	5.6
US Construction	1,766	21	6.3	1,697	20	5.0	5.4
Gammon	411	10	3.2	377	9	2.3	2.6
Underlying ²	3,414	49	15.3	3,336	6	13.5	13.6
Non-underlying	–	(1)	–	–	(14)	–	–
Total	3,414	48	15.3	3,336	(8)	13.5	13.6

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 the UK decreased by 2% to £1,237 million (2021: £1,262 million) with higher volumes at HS2 more than offset by lower volumes from buildings and the deferral of a number of highway projects.

Significantly UK Construction returned to profit in the period with £18 million of underlying profit from operations (2021: £23 million loss). The result in the first half of 2022 is slightly ahead of the first half of 2019 (last clean comparison given the impact of COVID-19 resulted in UK Construction recording a loss in the first half of 2020) and represents a 1.5% profit from operations margin. It is expected that for the full year UK Construction will return to its 2-3% industry standard margin target.

The UK Construction order book increased 4% to £5.8 billion (FY 2021: £5.6 billion). Over 90% of the UK Construction order book is from public sector and regulated industry clients.

US Construction: Revenue in the US increased by 4% (3% decrease at CER) to £1,766 million (2021: £1,697 million). US Construction recorded a £21 million underlying profit from operations in the period (2021: £20 million) slightly ahead of the prior year, which represents a 1.2% profit from operations margin. US Construction is anticipated to deliver a 1-2% margin for the 2022 full year.

The US Construction order book increased 17% (5% at CER) to £6.3 billion (FY 2021: £5.4 billion) as tendering activity returned to pre-pandemic levels. In May, Balfour Beatty was awarded a US\$698 million design and construct contract at Fort Meade, Maryland, by the US Army Corps of Engineers. In July, the Group won multiple contracts totalling around US\$200 million to construct essential K-12 school, justice and federal projects across California. Although nationwide forecasts show a relatively flat overall construction market, Balfour Beatty is positioned in regions that are expected to outperform the national forecast as demographic trends continue to favour the Group's chosen states in the medium term.

Gammon: The Group's share of revenue increased by 9% (3% at CER) to £411 million (2021: £377 million). Underlying profit was slightly ahead of the prior period at £10 million (2021: £9 million) despite the impact of the pandemic in Hong Kong during the first half of 2022 being higher than in other geographies in which the Group operates. The Gammon order book increased by 23% (9% at CER) to £3.2 billion (FY 2021: £2.6 billion) following the award of two significant construction contracts in the period: two new government buildings for the Architectural Services Department and five residential towers, located in Kowloon, Hong Kong.

SUPPORT SERVICES

Following the strategic repositioning of Support Services (power, plant, road and rail maintenance), the business is now characterised by profitable recurring revenues underpinned by long-term frameworks targeting an industry standard margin of 6-8% (HY 2022: 7.2%).

Support Services revenue decreased by 10% to £499 million (2021: £555 million) as higher volumes at power were more than offset by a reduction in gas and water following the Group's decision to withdraw from this sector. Underlying profit from operations at £36 million (2021: £54 million) was higher than the prior period when adjusted for approximately £20 million on one-off items in the first half of 2021. Continued strong performance in power, road and rail maintenance has contributed to a 7.2% margin in the period.

The order book decreased 2% in the period to £2.4 billion (FY 2021: £2.5 billion). In the first half the rail maintenance business agreed the year four work programme with Network Rail at around £120 million as part of the 10-year Central Rail Systems Alliance track renewals programme and won a £50 million contract to deliver essential upgrade works to London Underground's Piccadilly line. In July, the road maintenance business won a £176 million eight-year contract to deliver highways services for Buckinghamshire County Council.

Support Services	HY 2022	HY 2021
Order book ¹ (£bn)	2.4	2.6
Revenue ¹ (£m)	499	555
Profit from operations ² (£m)	36	54
Non-underlying items (£m)	–	(5)
Statutory profit from operations (£m)	36	49

¹ Including share of joint ventures and associates

² Before non-underlying items (Note 8)

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INFRASTRUCTURE INVESTMENTS

Underlying pre-disposals operating profit in the period increased to £10 million (2021: £8 million) as a result of increasing returns on projects as income increases with inflation. In June, the Group sold a 319-unit multifamily housing project in Houston, Texas for £12 million, realising a gain on disposal of £7 million (2021: £7 million). Underlying profit from operations was £17 million (2021: £15 million).

Subsequent to the half year, Balfour Beatty sold its share of the Purdue University student accommodation project, for net proceeds of US\$62 million, generating a profit on disposal of US\$47 million. The demand for infrastructure assets from the secondary market continues to exceed supply and Balfour Beatty will maximise shareholder value through selective disposal of assets from its portfolio.

When including net interest income of £7 million (2021: £5 million), the underlying profit before tax increased to £24 million (2021: £20 million).

Following Balfour Beatty Communities' (Communities) settlement with the U.S. Department of Justice (DoJ) in December 2021, the Group has continued to focus on improving operations to support the safety, health and wellbeing of its service member residents and their families. An independent compliance monitor, which formed part of the resolution with the DoJ, has now been confirmed and appointed by the DoJ. Following the U.S. Permanent Subcommittee on Investigations (PSI) hearing in April 2022 and the Subcommittee's formal report, the U.S. Army is carrying out an investigation of the findings of the Subcommittee regarding the

management of its operations at Fort Gordon, Georgia. Communities has provided a formal rebuttal to the PSI in relation to its report, which it has shared with the Army.

Communities is continuing to pursue opportunities for further infrastructure investment in its military housing portfolio in conjunction with its service branch partners. In July, the U.S. Army and Communities announced the start of demolition at Fort Carson as part of a proposed multi-phased project that would see the construction of new townhomes at the base. Elsewhere, other infrastructure initiatives include an energy modernization project which resulted in 1,000 homes receiving efficiency upgrades to reduce consumption and carbon emissions, and a rooftop solar program bringing more than 10 MW of photovoltaic systems to five U.S. Navy housing communities.

Infrastructure Investments	HY 2022 £m	HY 2021 £m
Pre-disposals operating profit ²	10	8
Gain on disposals ²	7	7
Profit from operations ²	17	15
Net investment income [~]	7	5
Profit before tax ²	24	20
Non-underlying items	(2)	(1)
Statutory profit before tax	22	19

² Before non-underlying items (Note 8)

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

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 to £1,296 million (FY 2021: £1,106 million) in the first half of the year, due to an exchange rate benefit as the pound weakened, higher inflation than forecast which led to an increase in value on some projects and the revaluation of the student accommodation project at Purdue University. The number of projects in the portfolio remained at 64 (FY 2021: 64).

Movement in value: December 2021 to June 2022

£m	FY 2021	Equity invested	Distributions received	Sales proceeds	Unwind of discount	Operational performance	Foreign exchange	HY 2022
UK	474	1	(14)	–	17	41	–	519
US	632	16	(22)	(12)	25	52	86	777
Total	1,106	17	(36)	(12)	42	93	86	1,296

The Group invested £17 million (2021: £8 million) in new and existing projects. One new project was added: a multifamily housing project in San Antonio, Texas. One project was sold: a multifamily housing project in Houston, Texas. The Group sold its stake in the Purdue University student accommodation project in August, after the half year period and as such the asset is included in the Directors' valuation at its sales price.

Cash yield from distributions amounted to £36 million (2021: £32 million). Unwind of discount at £42 million (2021: £41 million) is a function of moving the valuation date forward by six months with the result that future cash flows are discounted by six fewer months. Operational performance was positive £93 million (2021: £2 million decrease) and includes £52m higher inflation indexation which led to an increase in value on some projects and the revaluation of the Purdue University project. The exchange rate movement was £86 million as the dollar appreciated against sterling in the period.

The methodology used for the Directors' valuation is unchanged, producing a valuation that reflects market value and which therefore changes with movements in the market. Cash flows for each project are forecast based on historical and present performance, future

risks and macroeconomic forecasts and which also factor in current market assumptions. These cash flows are then discounted using different discount rates based on the risk and maturity of individual projects and reflecting secondary market transaction experience. 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 2022

Value by sector

Sector	HY 2022	FY 2021	HY 2022	FY 2021
	No. projects	No. projects	£m	£m
Roads	12	12	170	158
Healthcare	2	2	119	108
Student accommodation	5	5	117	95
OFTOs	3	3	47	44
Waste and biomass	2	2	48	46
Other	3	3	18	23
UK total	27	27	519	474
US military housing	21	21	561	491
Student accommodation and PPP	4	4	116	72
Residential housing	12	12	100	69
US total	37	37	777	632
Total	64	64	1,296	1,106

Value by phase

Phase	HY 2022	FY 2021	HY 2022	FY 2021
	No. projects	No. projects	£m	£m
Operations	60	60	1,262	1,070
Construction	3	3	30	34
Preferred bidder	1	1	4	2
Total	64	64	1,296	1,106

Value by income type

Income type	HY 2022	FY 2021	HY 2022	FY 2021
	No. projects	No. projects	£m	£m
Availability based	17	17	341	311
Demand – operationally proven (2 years or more)	41	39	736	580
Demand – early stage (less than 2 years)	6	8	219	215
Total	64	64	1,296	1,106

Discount rates applied to the UK portfolio range between 7% and 9.5% depending on project risk and maturity. The implied weighted average discount rate for the UK portfolio is 8.1% (FY 2021 8.1%). Discount rates applied to the US portfolio range between 7.5%

and 10.6%. The implied weighted average discount rate is 8.2% (FY 2021: 8.3%). Consistent with other infrastructure funds, Balfour Beatty's experience is that there is limited correlation between the discount rates used to value PPP, and similar infrastructure investments, and long-term interest rates. In the event that interest rates increase in response to rising inflation, the impact of any increase in discount rates would be mitigated by the positive correlation between the value of the UK portfolio and changes in inflation. A 1% change in the discount rate would change the value of the UK portfolio by approximately £55 million. A 1% change in the discount rate would change the value of the US portfolio by approximately £79 million.

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 entity 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
16 August 2022

Philip Harrison
Chief Financial Officer

Forward-looking statements

This report may include certain forward-looking statements, beliefs or opinions, including statements with respect to Balfour Beatty's business, financial condition and results of operations.

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 105 to 112 of the Annual Report and Accounts 2021.

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

MEASURING OUR FINANCIAL PERFORMANCE

Providing clarity on the Group's alternative performance measures

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

Throughout this report, the Group has presented financial performance measures which are considered most relevant to Balfour Beatty and are used to manage the Group's performance.

These 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 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 International Accounting Standards and in accordance with UK-adopted International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006.

Where a standard allows certain interpretations to be adopted, the Group has applied its accounting policies consistently. These accounting policies can be found on pages 187 to 192 of the Annual Report and Accounts 2021.

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 2021. 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

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Order book (performance measure)	17,672	16,095	16,057
Less: Share of orders included within the Group's joint ventures and associates	(3,572)	(2,636)	(2,974)
Less: Estimated orders under framework agreements included in the order book disclosure	(106)	(130)	(60)
Add: Transaction price allocated to remaining performance obligations in Infrastructure Investments	1,791	1,681	1,664
Transaction price allocated to remaining performance obligations for the Group (statutory measure)	15,785	15,010	14,687

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 1 July 2022 statutory results to performance measures

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

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

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

Reconciliation of the half-year ended 2 July 2021 statutory results to performance measures

	2021 first half unaudited statutory results £m	Non-underlying items				2021 first half unaudited performance measures £m
		Repayment of grant income in relation to UK Job Retention Scheme £m	Intangible amortisation £m	Release of PB accrual £m	UK deferred tax asset £m	
Revenue including share of joint ventures and associates (performance)	4,154	–	–	–	–	4,154
Share of revenue of joint ventures and associates	(543)	–	–	–	–	(543)
Group revenue (statutory)	3,611	–	–	–	–	3,611
Cost of sales	(3,471)	–	–	–	–	(3,471)
Gross profit	140	–	–	–	–	140
Gain on disposals of interests in investments	7	–	–	–	–	7
Amortisation of acquired intangible assets	(2)	–	2	–	–	–
Other net operating expenses	(123)	19	–	(1)	–	(105)
Group operating profit	22	19	2	(1)	–	42
Share of results of joint ventures and associates	18	–	–	–	–	18
Profit from operations	40	19	2	(1)	–	60
Investment income	22	–	–	–	–	22
Finance costs	(27)	–	–	–	–	(27)
Profit before taxation	35	19	2	(1)	–	55
Taxation	17	(4)	–	–	(17)	(4)
Profit for the period	52	15	2	(1)	(17)	51

Reconciliation of the half-year ended 2 July 2021 statutory results to performance measures by segment

	2021 first half unaudited statutory results £m	Non-underlying items				2021 first half unaudited performance measures £m
		Repayment of grant income in relation to UK Job Retention Scheme £m	Intangible amortisation £m	Release of PB accrual £m	UK deferred tax asset £m	
Profit/(loss) from operations						
Segment						
Construction Services	(8)	13	1	–	–	6
Support Services	49	5	–	–	–	54
Infrastructure Investments	14	–	1	–	–	15
Corporate activities	(15)	1	–	(1)	–	(15)
Total	40	19	2	(1)	–	60

Reconciliation of the year ended 31 December 2021 statutory results to performance measures

	2021 statutory results £m	Non-underlying items							2021 performance measures £m
		Intangible amortisation £m	Repayment of grant income in relation to UK Job Retention Scheme £m	Release of Heery provision £m	Provision in relation to rectification works in London £m	Release of PB accrual £m	Settlement charge following resolution with DoJ £m	UK deferred tax asset £m	
Revenue including share of joint ventures and associates (performance)	8,263	–	–	–	–	–	17	–	8,280
Share of revenue of joint ventures and associates	(1,078)	–	–	–	–	–	–	–	(1,078)
Group revenue (statutory)	7,185	–	–	–	–	–	17	–	7,202
Cost of sales	(6,904)	–	–	–	42	–	–	–	(6,862)
Gross profit	281	–	–	–	42	–	17	–	340
Gain on disposals of interests in investments	26	–	–	–	–	–	–	–	26
Amortisation of acquired intangible assets	(5)	5	–	–	–	–	–	–	–
Other net operating expenses	(262)	–	19	(6)	–	(1)	24	–	(226)
Group operating profit	40	5	19	(6)	42	(1)	41	–	140
Share of results of joint ventures and associates	57	–	–	–	–	–	–	–	57
Profit from operations	97	5	19	(6)	42	(1)	41	–	197
Investment income	39	–	–	–	–	–	–	–	39
Finance costs	(49)	–	–	–	–	–	–	–	(49)
Profit before taxation	87	5	19	(6)	42	(1)	41	–	187
Taxation	52	(1)	(4)	1	(8)	–	(4)	(29)	7
Profit for the year	139	4	15	(5)	34	(1)	37	(29)	194

Reconciliation of the year ended 31 December 2021 statutory results to performance measures

Profit/(loss) from operations	2021 statutory results £m	Non-underlying items							2021 performanc e measures £m
		Intangible amortisation £m	Repayment of grant income in relation to UK Job Retention Scheme £m	Release of Heery provision £m	Provision in relation to rectification works in London £m	Releas e of PB accrual £m	Settlement charge following resolution with DoJ £m	UK deferred tax asset £m	
Segment									
Construction									
Services	30	–	13	(6)	42	–	–	–	79
Support Services	97	–	5	–	–	–	–	–	102
Infrastructure									
Investments	3	5	–	–	–	–	41	–	49
Corporate activities	(33)	–	1	–	–	(1)	–	–	(33)
Total	97	5	19	(6)	42	(1)	41	–	197

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:

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Underlying profit from operations (section (b) and Note 3)	17	15	49
Add: Subordinated debt interest receivable [^]	12	12	23
Add: Interest receivable on PPP financial assets [^]	1	4	5
Add: Fair value gain on investment asset [^]	5	5	9
Less: Non-recourse borrowings finance cost [^]	(4)	(7)	(11)
Less: Impairment of subordinated debt receivable [^]	(3)	(9)	(4)
Less: Impairment of accrued interest [^]	(4)	–	(10)
Underlying profit before tax (performance)	24	20	61
Non-underlying items (section (b) and Note 3)	(2)	(1)	(46)
Statutory profit before tax	22	19	15

[^] 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.

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Statutory basic earnings per ordinary share	15.7	7.8	21.3
Amortisation of acquired intangible assets net of tax	0.3	0.3	0.6
Other non-underlying items net of tax	(3.1)	(0.4)	7.8
Underlying basic earnings per ordinary share (performance)	12.9	7.7	29.7

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

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Cash generated from operating activities (statutory)	19	157	353
Add back: Pension payments including deficit funding (Note 18)	29	29	42
Less: Repayment of lease liabilities (including lease interest payments)	(29)	(32)	(59)
Add: Operational dividends received from joint ventures and associates	33	12	60
Add back: Cash flow movements relating to non-operating items	5	12	1
Less: Operating cash flows relating to non-recourse activities	(6)	(1)	(5)
Operating cash flow (OCF) (performance)	51	177	392

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 (£29m): 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 the 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) (£29m 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 (£33m 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 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 (£5m): 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 (£6m): 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 year end. This is analysed using only elements that are recourse to the Group. Non-recourse elements are cash and debt that are ringfenced within certain infrastructure concession project companies. In addition, lease liabilities recognised on the Group's balance sheet are deemed to be debt in nature under statutory measures.

The Group has excluded these elements from its measure of net cash as they are excluded from the definition of net debt set out in the Group's borrowing facilities.

Net cash/borrowings reconciliation

	2022 first half unaudited (statutory) £m	Adjustment £m	2022 first half unaudited (performance) £m	2021 first half unaudited (statutory) £m	Adjustment £m	2021 first half unaudited (performance) £m	2021 year audited (statutory) £m	Adjustment £m	2021 year audited (performance) £m
Total cash within the Group	1,110	(20)	1,090	833	(21)	812	1,033	(17)	1,016
Cash and cash equivalents									
– infrastructure concessions	20	(20)	–	21	(21)	–	17	(17)	–
– other	1,090	–	1,090	812	–	812	1,016	–	1,016
Total debt within the Group	(747)	399	(348)	(652)	465	(187)	(615)	389	(226)
Borrowings – non-recourse loans	(262)	262	–	(339)	339	–	(260)	260	–
– other	(348)	–	(348)	(187)	–	(187)	(226)	–	(226)
Lease liabilities	(137)	137	–	(126)	126	–	(129)	129	–
Net cash	363	379	742	181	444	625	418	372	790

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 £811m (2021: first half £611m; full-year £671m).

Using a statutory measure (inclusive of non-recourse elements and lease liabilities) gives average net cash of £391m (2021: first half £160m net cash; full-year net £279m cash).

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 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 this portfolio.

i) Directors' valuation of the Investments portfolio continued

The Directors have valued the Investments portfolio at £1.3bn at the half-year (2021: first half £1.08bn; full-year £1.11bn). 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

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Net assets of the Infrastructure Investments segment (refer to Note 3.2)	654	686	599
Less: Net assets not included within the Directors' valuation – Housing division	(27)	(26)	(24)
Comparable statutory measure of the Investments portfolio under IFRS	627	660	575

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

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Statutory measure of the Investments portfolio (as above)	627	660	575
Difference arising from the Directors' valuation being measured on a discounted cash flow basis compared to the statutory measure primarily derived using a combination of the following IFRS bases:			
▪ historical cost;			
▪ amortised cost; and			
▪ fair value	669	419	531
Directors' valuation (performance measure)	1,296	1,079	1,106

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 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:

2022 statutory growth compared to performance growth

	Construction Services			Total	Support Services	Infrastructure Investments	Total
	UK	US	Gammon				
Revenue (£m)							
2022 first half statutory	1,237	1,758	–	2,995	498	109	3,602
2021 first half statutory	1,262	1,688	–	2,950	538	123	3,611
Statutory growth (%)	(2%)	4%	–	2%	(7%)	(11%)	–%
Performance CER growth (%)							
2022 first half performance [^]	1,237	1,766	411	3,414	499	234	4,147
2021 first half performance retranslated [^]	1,262	1,817	400	3,479	555	275	4,309
Performance CER growth (%)	(2%)	(3%)	3%	(2%)	(10%)	(15%)	(4%)
Order book (£bn)							
2022 first half	5.8	6.3	3.2	15.3	2.4	–	17.7
2021 year	5.6	5.4	2.6	13.6	2.5	–	16.1
Growth (%)	4%	17%	23%	12%	(2%)	–	10%
CER growth (%)							
2022 first half	5.8	6.3	3.2	15.3	2.4	–	17.7
2021 year retranslated	5.6	6.0	3.0	14.6	2.4	–	17.0
CER growth (%)	4%	5%	9%	5%	(2%)	–	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 the Company to review the condensed set of financial statements in the half-yearly financial report for the period ended 1 July 2022 which comprises the Condensed Group Income Statement, Condensed Group Statement of Comprehensive Income, Condensed Group Statement of Changes in Equity, Condensed Group Balance Sheet, Condensed Group Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the period ended 1 July 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

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

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

Conclusions relating to going concern

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

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

Directors' responsibilities

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

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

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

Our responsibility

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

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

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

Paul Sawdon
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL
16 August 2022

Condensed Group Income Statement

For the half-year ended 1 July 2022

	2022 first half unaudited			2021 first half unaudited			2021 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		4,147	–	4,147	4,154	–	4,154	8,280	(17)	8,263
Share of revenue of joint ventures and associates	5.1	(545)	–	(545)	(543)	–	(543)	(1,078)	–	(1,078)
Group revenue		3,602	–	3,602	3,611	–	3,611	7,202	(17)	7,185
Cost of sales		(3,429)	–	(3,429)	(3,471)	–	(3,471)	(6,862)	(42)	(6,904)
Gross profit/(loss)		173	–	173	140	–	140	340	(59)	281
Gain on disposals of interests in investments		–	–	–	7	–	7	26	–	26
Amortisation of acquired intangible assets		–	(3)	(3)	–	(2)	(2)	–	(5)	(5)
Other net operating (expenses)		(117)	–	(117)	(105)	(18)	(123)	(226)	(36)	(262)
Group operating profit/(loss)		56	(3)	53	42	(20)	22	140	(100)	40
Share of results of joint ventures and associates excluding gain on disposals of interests in investments		22	–	22	18	–	18	48	–	48
Gain on disposals of interests in investments		7	–	7	–	–	–	9	–	9
Share of results of joint ventures and associates	5.1	29	–	29	18	–	18	57	–	57
Profit/(loss) from operations		85	(3)	82	60	(20)	40	197	(100)	97
Investment income	6	25	–	25	22	–	22	39	–	39
Finance costs	7	(24)	–	(24)	(27)	–	(27)	(49)	–	(49)
Profit/(loss) before taxation		86	(3)	83	55	(20)	35	187	(100)	87
Taxation	9	(6)	21	15	(4)	21	17	7	45	52
Profit/(loss) for the period		80	18	98	51	1	52	194	(55)	139
Attributable to										
Equity holders		81	18	99	52	1	53	195	(55)	140
Non-controlling interests		(1)	–	(1)	(1)	–	(1)	(1)	–	(1)
Profit/(loss) for the period		80	18	98	51	1	52	194	(55)	139

¹ Before non-underlying items (Note 8).

	Notes	2022 first half unaudited pence	2021 first half unaudited pence	2021 year audited pence
Earnings per ordinary share				
- basic	10	15.7	7.8	21.3
- diluted	10	15.6	7.7	21.1
Dividends per ordinary share proposed for the period	11	3.5	3.0	9.0

Condensed Group Statement of Comprehensive Income

For the half-year ended 1 July 2022

	2022 first half unaudited			2021 first half unaudited			2021 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	69	29	98	34	18	52	82	57	139
Other comprehensive income/(loss) for the period									
<i>Items which will not subsequently be reclassified to the income statement</i>									
Actuarial gains on retirement benefit net assets	103	–	103	46	–	46	98	7	105
Tax on above	(20)	–	(20)	(12)	–	(12)	(22)	(1)	(23)
	83	–	83	34	–	34	76	6	82
<i>Items which will subsequently be reclassified to the income statement</i>									
Currency translation differences	20	29	49	(3)	(4)	(7)	2	(1)	1
Fair value revaluations									
– PPP financial assets	(1)	(74)	(75)	(3)	(1)	(4)	(3)	(6)	(9)
– cash flow hedges	1	15	16	8	7	15	8	(6)	2
– investments in mutual funds measured at fair value through OCI	(4)	–	(4)	3	–	3	3	–	3
Recycling of revaluation reserves to the income statement on disposal ^a	–	–	–	–	(4)	(4)	(3)	(7)	(10)
Tax on above	–	15	15	(1)	(6)	(7)	(2)	(2)	(4)
	16	(15)	1	4	(8)	(4)	5	(22)	(17)
Total other comprehensive income/(loss) for the period	99	(15)	84	38	(8)	30	81	(16)	65
Total comprehensive income for the period	168	14	182	72	10	82	163	41	204
Attributable to									
Equity holders			183			83			205
Non-controlling interests			(1)			(1)			(1)
Total comprehensive income for the period			182			82			204

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

Condensed Group Statement of Changes in Equity

For the half-year ended 1 July 2022

	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	Other Reserves			Retained profits £m	Non- controlling interests £m	Total £m
							Currency translation reserve £m	Other £m				
At 31 December 2020 audited	345	176	1	65	(32)	30	98	41	612	9	1,345	
Total comprehensive income/(loss) for the period	–	–	–	10	8	(4)	(3)	3	69	(1)	82	
Ordinary dividends	–	–	–	–	–	–	–	–	(10)	–	(10)	
Joint ventures' and associates' dividends	–	–	–	(13)	–	–	–	–	13	–	–	
Movements relating to share-based payments	–	–	–	–	–	–	–	(2)	5	–	3	
Reserve transfers relating to joint ventures and associates	–	–	–	33	–	–	–	–	(33)	–	–	
Purchase of treasury shares	–	–	–	–	–	–	–	–	(100)	–	(100)	
At 2 July 2021 unaudited	345	176	1	95	(24)	26	95	42	556	8	1,320	
Total comprehensive income/(loss) for the period	–	–	–	31	19	(22)	5	(1)	90	–	122	
Ordinary dividends	–	–	–	–	–	–	–	–	(19)	–	(19)	
Joint ventures' and associates' dividends	–	–	–	(55)	–	–	–	–	55	–	–	
Non-controlling interests' dividends	–	–	–	–	–	–	–	–	–	(1)	(1)	
Movements relating to share-based payments	–	–	–	–	–	–	–	4	1	–	5	
Reserve transfers relating to joint ventures and associates	–	–	–	1	–	–	–	–	(1)	–	–	
Purchase of treasury shares	–	–	–	–	–	–	–	–	(51)	–	(51)	
At 31 December 2021 audited	345	176	1	72	(5)	4	100	45	631	7	1,376	
Total comprehensive income/(loss) for the period	–	–	–	15	–	(1)	20	(3)	152	(1)	182	
Ordinary dividends	–	–	–	–	–	–	–	–	(37)	–	(37)	
Joint ventures' and associates' dividends	–	–	–	(38)	–	–	–	–	38	–	–	
Movements relating to share-based payments	–	–	–	–	–	–	–	(3)	(16)	–	(19)	
Purchase of treasury shares	–	–	–	–	–	–	–	–	(48)	–	(48)	
Cancellation of ordinary shares	(25)	–	25	–	–	–	–	–	–	–	–	
At 1 July 2022 unaudited	320	176	26	49	(5)	3	120	39	720	6	1,454	

Condensed Group Balance Sheet

At 1 July 2022

	Notes	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Non-current assets				
Intangible assets	12	877	806	817
– goodwill				
– other		298	303	296
Property, plant and equipment		102	92	98
Right-of-use assets		132	121	125
Investment properties		28	30	29
Investments in joint ventures and associates	5.2	493	541	503
Investments		38	30	35
PPP financial assets		28	149	30
Trade and other receivables	14	237	256	249
Retirement benefit assets	18	407	263	321
Deferred tax assets		122	90	120
		2,762	2,681	2,623
Current assets				
Inventories		112	102	104
Contract assets	13.1	215	264	214
Trade and other receivables	14	937	814	865
Cash and cash equivalents	17.2	20	21	17
– infrastructure investments				
– other	17.2	1,090	812	1,016
Current tax receivable		6	7	7
		2,380	2,020	2,223
		5,142	4,701	4,846
Total assets				
Current liabilities				
Contract liabilities	13.2	(695)	(611)	(669)
Trade and other payables	15	(1,519)	(1,403)	(1,458)
Provisions	16	(186)	(189)	(174)
Borrowings	17.3	(6)	(8)	(5)
– non-recourse loans				
– other	17.3	(175)	–	(34)
Lease liabilities		(48)	(45)	(44)
Current tax payable		(12)	(16)	(14)
Derivative financial instruments	21	(1)	(4)	(1)
		(2,642)	(2,276)	(2,399)
Non-current liabilities				
Contract liabilities	13.2	(15)	(2)	(9)
Trade and other payables	15	(125)	(122)	(117)
Provisions	16	(207)	(153)	(205)
Borrowings	17.3	(256)	(331)	(255)
– non-recourse loans				
– other	17.3	(173)	(187)	(192)
Lease liabilities		(89)	(81)	(85)
Retirement benefit liabilities	18	(46)	(97)	(90)
Deferred tax liabilities		(134)	(108)	(115)
Derivative financial instruments	21	(1)	(24)	(3)
		(1,046)	(1,105)	(1,071)
		(3,688)	(3,381)	(3,470)
Total liabilities				
Net assets				
Equity				
Called-up share capital		320	345	345
Share premium account		176	176	176
Capital Redemption Reserve		26	1	1
Share of joint ventures' and associates' reserves		49	95	72
Other reserves ^{&}		157	139	144
Retained profits		720	556	631
		1,448	1,312	1,369
Equity attributable to equity holders of the parent		1,448	1,312	1,369
Non-controlling interests		6	8	7
		1,454	1,320	1,376
Total equity				

[&] Other Reserves includes £22m of special reserves (2021: first half £22m; full-year £22m)

Condensed Group Statement of Cash Flows

For the half-year ended 1 July 2022

	Notes	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Cash flows from operating activities				
Cash from operations	17.1	26	158	354
Income taxes paid		(7)	(1)	(1)
Net cash from operating activities		19	157	353
Cash flows from/(used in) investing activities				
Dividends received from: - joint ventures and associates – infrastructure investments		26	11	30
- joint ventures and associates – other		12	1	38
Interest received – infrastructure investments – joint ventures		5	4	8
Interest received – infrastructure investments – subsidiaries		–	6	2
Acquisition of businesses, net of cash and cash equivalents acquired	20.1	(3)	(3)	(3)
Purchases of: - intangible assets – infrastructure investments		–	–	(1)
- intangible assets – other		–	–	(1)
- property, plant and equipment		(13)	(16)	(35)
Investments in and long-term loans to joint ventures and associates		(17)	(7)	(15)
Return of equity from joint ventures and associates		7	–	4
PPP financial assets cash expenditure		(2)	–	(3)
PPP financial assets cash receipts		3	7	10
Disposals of: - investments in joint ventures – infrastructure investments	20.2	–	21	50
- investments in joint ventures – other	20.2	1	1	1
- subsidiaries net of cash disposed, separation and transaction costs – infrastructure investments	20.2	–	–	16
- property, plant and equipment – other		3	8	10
- other investments		1	4	5
Net cash from investing activities		23	37	116
Cash flows used in financing activities				
Purchase of ordinary shares	19	(24)	–	–
Purchase of treasury shares	19	(47)	(97)	(151)
Proceeds from new loans - infrastructure investments	17.4	5	3	8
- other	17.4	132	–	–
Repayments of loans within infrastructure investments	17.4	(3)	(3)	(6)
Repayment of lease liabilities		(27)	(29)	(53)
Ordinary dividends paid	11	–	–	(29)
Other dividends paid – non-controlling interest		–	–	(1)
Interest paid – infrastructure investments		(4)	(7)	(11)
Interest paid – other		(10)	(10)	(23)
Net cash from/(used) in financing activities		22	(143)	(266)
Net increase in cash and cash equivalents		64	51	203
Effects of exchange rate changes		46	(10)	4
Cash and cash equivalents at beginning of period		999	792	792
Cash and cash equivalents at end of period	17.2	1,109	833	999

Notes to the financial statements

1.1 Basis of accounting

The condensed Group financial statements for the half-year ended 1 July 2022 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 2021, which were prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS) 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 16 August 2022. 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 2021 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 2021 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 191 to 192 of the Annual Report and Accounts 2021.

1.3 Going concern

The Directors have acknowledged the guidance Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009 published by the Financial Reporting Council in October 2009 and consider it reasonable to assume that the Group has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the condensed financial statements.

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 105 to 112 of the Annual Report and Accounts 2021.

The Group's US private placement and committed bank facility 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 1 July 2022, 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 on 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 financial statements. This assessment has involved the review of medium-term cash forecasts based on the Group's Three Year Plan. The Directors have also considered the strength of the Group's order book which amounted to £17.7bn at 1 July 2022 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.

In June 2022 the Group raised US\$158m of new US private placement (USPP) notes on terms and conditions materially the same as the existing USPP notes. US\$35m of the new notes mature in June 2027, US\$80m mature in June 2029 and the remainder will mature in June 2032. US\$259m of existing USPP notes remain outstanding, with US\$209m due for repayment in March 2023 and US\$50m being due in March 2025. The repayment of the existing USPP notes will be partially funded by the new notes raised in the period. This refinancing has extended the debt maturity profile of the Group with the new debt maturing in 5, 7 and 10 years. The Group does not have any other debt apart from these USPP notes and non-recourse borrowings ringfenced within certain infrastructure investment companies.

1.3 Going concern continued

The Group's £375m committed bank facility, which was undrawn throughout the period ended 1 July 2022, remains fully available to the Group until October 2024.

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 and 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 three 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.

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 foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the Group's 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:
 - IFRS 3 Business Combinations
 - IAS 16 Property, Plant and Equipment
 - IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Amendments to Annual Improvements 2018 - 2020

The above amended standards do 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 1 July 2022:

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

Assessment of the impact of IFRS 17 Insurance Contracts is currently ongoing. The Directors do not expect the other standards listed above to have a material quantitative effect on the Group and have chosen not to adopt any of the above standards and interpretations earlier than required.

2 Exchange rates

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

Average rates

£1 buys	2022 first half unaudited	2021 first half unaudited	2021 year audited	2 July 2021 – 1 July 2022 % change	31 Dec 2021 – 1 July 2022 % change
US\$	1.29	1.38	1.37	(6.5)%	(5.8)%
HK\$	10.12	10.75	10.69	(5.9)%	(5.3)%

Closing rates

£1 buys	2022 first half unaudited	2021 first half unaudited	2021 year audited	2 July 2021 – 1 July 2022 % change	31 Dec 2021 – 1 July 2022 % change
US\$	1.20	1.38	1.35	(13.0)%	(11.1)%
HK\$	9.41	10.73	10.52	(12.3)%	(10.6)%

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

¹ Before non-underlying items (Note 8).

	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
For the half-year ended 2 July 2021 unaudited					
Revenue including share of joint ventures and associates ¹	3,336	555	263	–	4,154
Share of revenue of joint ventures and associates ¹	(386)	(17)	(140)	–	(543)
Group revenue ¹	2,950	538	123	–	3,611
Group operating (loss)/profit ¹	(4)	54	7	(15)	42
Share of results of joint ventures and associates ¹	10	–	8	–	18
Profit/(loss) from operations ¹	6	54	15	(15)	60
Non-underlying items:					
- amortisation of acquired intangible assets	(1)	–	(1)	–	(2)
- other non-underlying items	(13)	(5)	–	–	(18)
	(14)	(5)	(1)	–	(20)
(Loss)/profit from operations	(8)	49	14	(15)	40
Investment income					22
Finance costs					(27)
Profit before taxation					35

¹ Before non-underlying items (Note 8).

3 Segment analysis continued

3.1 Income statement – performance by activity

For the year ended 31 December 2021 audited	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate Activities £m	Total £m
Revenue including share of joint ventures and associates ¹	6,746	1,066	468	–	8,280
Share of revenue of joint ventures and associates ¹	(826)	(20)	(232)	–	(1,078)
Group revenue ¹	5,920	1,046	236	–	7,202
Group operating profit/(loss) ¹	47	101	25	(33)	140
Share of results of joint ventures and associates ¹	32	1	24	–	57
Profit/(loss) from operations ¹	79	102	49	(33)	197
Non-underlying items:					
- amortisation of acquired intangible assets	–	–	(5)	–	(5)
- settlement charge following resolution with DoJ	–	–	(41)	–	(41)
- provision recognised for rectification works to be carried out on a development in London	(42)	–	–	–	(42)
- other net operating expenses	(7)	(5)	–	–	(12)
	(49)	(5)	(46)	–	(100)
Profit/(loss) from operations	30	97	3	(33)	97
Investment income					39
Finance costs					(49)
Profit before taxation					87

¹ Before non-underlying items (Note 8).

3.2 Assets and liabilities by activity

As at 1 July 2022 unaudited	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Contract assets – current	125	61	29	–	215
Contract liabilities – current	(571)	(123)	(1)	–	(695)
Inventories	44	38	30	–	112
Trade and other receivables – current	799	89	36	13	937
Trade and other payables – current	(1,249)	(176)	(41)	(53)	(1,519)
Provisions – current	(159)	(3)	(8)	(16)	(186)
Working capital*	(1,011)	(114)	45	(56)	(1,136)
Total assets	2,411	463	1,001	1,267	5,142
Total liabilities	(2,308)	(397)	(347)	(636)	(3,688)
Net assets	103	66	654	631	1,454

* Includes non-operating items and current working capital.

3 Segment analysis continued

3.2 Assets and liabilities by activity continued

As at 2 July 2021 unaudited	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Contract assets – current	150	90	24	–	264
Contract liabilities – current	(506)	(104)	(1)	–	(611)
Inventories	51	25	26	–	102
Trade and other receivables – current	683	82	31	18	814
Trade and other payables – current	(1,129)	(188)	(35)	(51)	(1,403)
Provisions – current	(159)	(3)	(17)	(10)	(189)
Working capital*	(910)	(98)	28	(43)	(1,023)

* Includes non-operating items and current working capital.

Total assets	2,110	482	1,141	968	4,701
Total liabilities	(2,091)	(385)	(455)	(450)	(3,381)
Net assets	19	97	686	518	1,320

As at 31 December 2021 audited	Construction Services £m	Support Services £m	Infrastructure Investments £m	Corporate activities £m	Total £m
Contract assets – current	132	60	22	–	214
Contract liabilities – current	(565)	(102)	(2)	–	(669)
Inventories	49	27	28	–	104
Trade and other receivables – current	706	109	31	19	865
Trade and other payables – current	(1,172)	(190)	(87)	(9)	(1,458)
Provisions – current	(149)	(4)	(7)	(14)	(174)
Working capital*	(999)	(100)	(15)	(4)	(1,118)

* Includes non-operating items and current working capital.

Total assets	2,158	497	997	1,194	4,846
Total liabilities	(2,237)	(390)	(399)	(444)	(3,470)
Net assets	(79)	107	598	750	1,376

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 1 July 2022 unaudited					
Capital expenditure on property, plant and equipment	6	6	–	1	13
Depreciation	14	21	1	5	41
Gain on disposals of interests in investments	–	–	7	–	7
For the half-year ended 2 July 2021 unaudited					
Capital expenditure on property, plant and equipment	11	4	–	1	16
Depreciation	16	18	–	6	40
Gain on disposals of interests in investments	–	–	7	–	7
For the year ended 31 December 2021 audited					
Capital expenditure on property, plant and equipment	10	8	–	1	19
Capital expenditure on intangible assets	–	–	1	1	2
Depreciation	14	19	2	4	39
Gain on disposals of interests in investments	–	–	26	–	26
Gain on disposals of interests in investments within joint ventures and associates	–	–	9	–	9

3.4 Infrastructure Investments

	Group 2022 first half unaudited £m	Share of joint ventures and associates 2022 first half unaudited ⁺ £m	Total 2022 first half unaudited £m	Group 2021 first half unaudited £m	Share of joint ventures and associates 2021 first half unaudited ⁺ £m	Total 2021 first half unaudited £m	Group 2021 year audited £m	Share of joint ventures and associates 2021 year audited ⁺ £m	Total 2021 year audited £m
Underlying profit from operations¹									
UK [^]	3	3	6	4	–	4	6	1	7
North America	8	8	16	5	8	13	15	14	29
Gain on disposals of interests in investments	–	7	7	7	–	7	26	9	35
	11	18	29	16	8	24	47	24	71
Bidding costs and overheads	(12)	–	(12)	(9)	–	(9)	(22)	–	(22)
	(1)	18	17	7	8	15	25	24	49

⁺ 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	1 to 3 months for small-scale infrastructure works 24 to 60 months for large-scale complex construction	<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> <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> <p>For contracts servicing utility assets in the Water network, the Group provides services including clean and waste water mains renewal and repair, metering and treatment facilities. Contracts are typically delivered through framework agreements which are normally granted on a regulatory cycle period of five years for water contracts. Individual instructions delivered under the framework agreements can vary in size and duration but usually last between one to six weeks for smaller projects or up to one to two years for major projects. Each instruction is accounted for as a separate PO. Payments are normally set according to a schedule of rates or are cost reimbursable and may include a pain/gain element.</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
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Service concessions	The Group operates a UK and North America portfolio of service concession assets comprising of 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.
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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.
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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.
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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 1 July 2022 unaudited

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

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

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

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

4 Revenue continued

4.2 Disaggregation of revenue continued

For the half-year ended 2 July 2021 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	1,257	1,695	384	3,336
	Group revenue	1,257	1,686	7	2,950
Support Services	Revenue including share of joint ventures and associates	535	–	20	555
	Group revenue	535	–	3	538
Infrastructure Investments	Revenue including share of joint ventures and associates	98	160	5	263
	Group revenue	31	92	–	123
Total revenue	Revenue including share of joint ventures and associates	1,890	1,855	409	4,154
	Group revenue	1,823	1,778	10	3,611

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	1,868	1,124	338	6	3,336
	Group revenue	1,705	911	328	6	2,950
Support Services	Revenue including share of joint ventures and associates	–	285	258	12	555
	Group revenue	–	285	241	12	538
Infrastructure Investments	Revenue including share of joint ventures and associates	170 ⁺	83	8	2	263
	Group revenue	121 ⁺	–	–	2	123
Total revenue	Revenue including share of joint ventures and associates	2,038	1,492	604	20	4,154
	Group revenue	1,826	1,196	569	20	3,611

* Includes rental income of £21m including share of joint ventures and associates or £10m excluding share of joint ventures and associates.

Timing of revenue recognition	Construction Services £m	Support Services £m	Infrastructure Investments £m	Total £m
Over time	3,335	554	244	4,133
At a point in time	1	1	19	21
Revenue including share of joint venture and associates	3,336	555	263	4,154
Over time	2,949	537	104	3,590
At a point in time	1	1	19	21
Group revenue	2,950	538	123	3,611

4 Revenue continued

4.2 Disaggregation of revenue continued

For the year ended 31 December 2021

		United Kingdom £m	United States £m	Rest of world £m	Total £m
Revenue by primary geographical markets					
Construction Services	Revenue including share of joint ventures and associates	2,589	3,341	816	6,746
	Group revenue	2,589	3,324	7	5,920
Support Services	Revenue including share of joint ventures and associates	1,039	–	27	1,066
	Group revenue	1,039	–	7	1,046
Infrastructure Investments	Revenue including share of joint ventures and associates	165	295	8	468
	Group revenue	55	181	–	236
Total revenue	Revenue including share of joint ventures and associates	3,793	3,636	851	8,280
	Group revenue	3,683	3,505	14	7,202

		Buildings £m	Infrastructure £m	Utilities £m	Other £m	Total £m
Revenue by types of assets serviced						
Construction Services	Revenue including share of joint ventures and associates	3,725	2,380	630	11	6,746
	Group revenue	3,391	1,907	611	11	5,920
Support Services	Revenue including share of joint ventures and associates	–	578	469	19	1,066
	Group revenue	–	578	449	19	1,046
Infrastructure Investments	Revenue including share of joint ventures and associates	319 ⁺	132	15	2	468
	Group revenue	232 ⁺	3	–	1	236
Total revenue	Revenue including share of joint ventures and associates	4,044	3,090	1,114	32	8,280
	Group revenue	3,623	2,488	1,060	31	7,202

+ Includes rental income of £38m including share of joint ventures and associates or £12m excluding share of joint ventures and associates.

		Construction Services £m	Support Services £m	Infrastructure Investments £m	Total £m
Timing of revenue recognition					
Over time		6,745	1,064	436	8,245
At a point in time		1	2	32	35
Revenue including share of joint ventures and associates		6,746	1,066	468	8,280
Over time		5,919	1,044	204	7,167
At a point in time		1	2	32	35
Group revenue		5,920	1,046	236	7,202

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

5.1 Income statement

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Revenue ¹	545	543	1,078
Operating profit ¹	24	22	66
Investment income	42	46	89
Finance costs	(35)	(48)	(91)
Profit before taxation ¹	31	20	64
Taxation	(2)	(2)	(7)
Profit after taxation	29	18	57

¹ Before non-underlying items (Note 8).

5.2 Balance sheet

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Intangible assets			
– goodwill	33	29	30
– Infrastructure Investments intangible	40	41	41
– other	13	14	13
Property, plant and equipment	33	46	31
Investment properties	333	235	265
Investments in joint ventures and associates	4	3	3
Money market funds	64	84	81
PPP financial assets	1,267	1,479	1,295
Military housing projects	119	103	106
Net borrowings	(990)	(1,100)	(971)
Other net liabilities	(527)	(520)	(498)
Share of net assets of joint ventures and associates	389	414	396
Loans to joint ventures and associates	104	127	107
Total investment in joint ventures and associates	493	541	503

6 Investment income

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Subordinated debt interest receivable	12	12	23
Interest receivable on PPP financial assets	1	4	5
Fair value gain on investment asset	5	5	9
Other interest receivable and similar income	5	–	1
Net finance income on pension scheme assets and obligations (Note 18)	2	1	1
	25	22	39

7 Finance costs

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Non-recourse borrowings – bank loans and overdrafts	4	7	11
US private placement – finance cost	6	5	10
Interest on lease liabilities	2	3	6
Other interest payable – committed facilities	1	1	2
– letter of credit fees	1	1	2
– other finance charges	3	1	4
Impairment of loans to joint ventures and associates – loans	3	9	4
– accrued interest	4	–	10
	24	27	49

8 Non-underlying items

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Items (charged against)/credited to profit			
8.1 Amortisation of acquired intangible assets	(3)	(2)	(5)
8.2 Other non-underlying items:			
– grant income repaid in relation to UK Job Retention Scheme	–	(19)	(19)
– settlement charge following resolution with DoJ in relation to handling of work orders within Balfour Beatty Communities	–	–	(41)
– provision recognised for rectification works to be carried out on a development in London	–	–	(42)
– release of indemnity provisions relating to sale of Heery International Inc.	–	–	6
– release of accrual relating to sale of Parsons Brinckerhoff	–	1	1
Total other non-underlying items	–	(18)	(95)
Charged against profit before taxation	(3)	(20)	(100)
8.3 Tax credits/(charges):			
– recognition of deferred tax assets in the UK	20	2	11
– tax on other items above	1	–	–
– impact of tax rate change on deferred tax assets previously recognised through non-underlying	–	15	18
– tax on grant income repaid in relation to UK Job Retention Scheme	–	4	4
– tax on DoJ settlement charge	–	–	4
– tax on rectification works provision	–	–	8
Total tax credit	21	21	45
Non-underlying items credited to/(charged against) profit for the period	18	1	(55)

8.1 The amortisation of acquired intangible assets comprises: customer contracts £2m (2021: first half £1m; full-year £4m); and customer relationships £1m (2021: first half £1m; full-year £1m).

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

8.3.1 In previous periods, significant actuarial gains in the Group's main pension scheme, Balfour Beatty Pension Fund (BBPF), led to the recognition of deferred tax liabilities. This in turn led to the recognition of additional UK deferred tax assets in respect of tax losses which the Group recognised as non-underlying due to the size and nature of the credit. In the first half of 2022, further actuarial gains in the BBPF and Railway Pension Scheme resulted in the recognition of additional UK deferred tax assets in respect of tax losses. The Group recognised the associated £20m tax credit (2021: first half £4m credit; full-year £13m credit) as a non-underlying item along with a £nil tax charge (2021: first half £2m charge; full-year £2m charge) arising from certain of the actuarial losses in the Railways Pension Scheme.

8.3.2 The remaining non-underlying items (charged against)/credited to the Group's operating profit gave rise to a tax credit of £1m mainly on amortisation of acquired intangible assets (2021: first half £nil; full-year £nil, mainly on amortisation of acquired intangible assets £1m credit and the release of indemnity provisions relating to the sale of Heery International Inc. £1m charge).

9 Taxation

	Underlying items 2022 first half unaudited ¹ £m	Non- underlying items (Note 8) 2022 first half unaudited £m	Total 2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Total UK tax	(3)	(20)	(23)	(26)	(67)
Total non-UK tax	9	(1)	8	9	15
Total tax charge/(credit) *	6	(21)	(15)	(17)	(52)
UK current tax	–	–	–	(3)	(5)
Non-UK current tax	6	–	6	4	5
Total current tax	6	–	6	1	–
UK deferred tax	(3)	(20)	(23)	(23)	(62)
Non-UK deferred tax	3	(1)	2	5	10
Total deferred tax	–	(21)	(21)	(18)	(52)
Total tax charge/(credit)*	6	(21)	(15)	(17)	(52)

¹ Before non-underlying items (Note 8).

* Excluding joint ventures and associates.

In addition to the Group tax charge above, tax of £6m is charged (2021: first half £19m charge; full-year £27m charge) directly to other comprehensive income, comprising: a deferred tax charge of £20m for subsidiaries (2021: first half £13m charge; full-year £24m charge) and a deferred tax credit in respect of joint ventures and associates of £15m (2021: first half £6m charge; full-year £3m charge).

10 Earnings per ordinary share

	2022 first half unaudited		2021 first half unaudited		2021 year audited	
	Basic £m	Diluted £m	Basic £m	Diluted £m	Basic £m	Diluted £m
Earnings						
Earnings	99	99	53	53	140	140
Amortisation of acquired intangible assets net of tax	2	2	2	2	4	4
Other non-underlying items net of tax	(20)	(20)	(3)	(3)	51	51
Underlying earnings	81	81	52	52	195	195
	Basic m	Diluted M	Basic m	Diluted m	Basic m	Diluted m
Weighted average number of ordinary shares	629	632	672	676	657	664
Earnings per share	Basic Pence	Diluted Pence	Basic pence	Diluted pence	Basic pence	Diluted pence
Earnings per ordinary share	15.7	15.6	7.8	7.7	21.3	21.1
Amortisation of acquired intangible assets net of tax	0.3	0.3	0.3	0.3	0.6	0.6
Other non-underlying items net of tax	(3.1)	(3.1)	(0.4)	(0.4)	7.8	7.7
Underlying earnings per ordinary share	12.9	12.8	7.7	7.6	29.7	29.4

11 Dividends on ordinary shares

	2022 first half unaudited		2021 first half unaudited		2021 year audited	
	Per share pence	Amount £m	Per share pence	Amount £m	Per share pence	Amount £m
Proposed dividends for the period						
Interim 2021	–	–	3.0	19	3.0	19
Final 2021	–	–	–	–	6.0	38
Interim 2022	3.5	20%	–	–	–	–
	3.5	20%	3.0	19	9.0	57
Recognised dividends for the period						
Final 2020		–		10		10
Interim 2021		–		–		19
Final 2021		37		–		–
		37		10		29

% Amount dependent on number of shares on the register on 28 October 2022.

The final 2021 dividend of 6.0 pence per share was paid on 6 July 2022 to holders on the register on 27 May 2022. The ordinary shares were quoted ex-dividend on 26 May 2022.

The Board is declaring an interim dividend of 3.5 pence per share, which will be payable on 5 December 2022 to holders on the register on 28 October 2022. The last date for DRIP (Dividend Reinvestment Plan) elections is 14 November 2022.

12 Intangible assets – goodwill

	Cost £m	Accumulated impairment losses £m	Carrying amount £m
At 31 December 2020 audited	1,036	(225)	811
Currency translation differences	(11)	6	(5)
At 2 July 2021 unaudited	1,025	(219)	806
Currency translation differences	10	1	11
At 31 December 2021 audited	1,035	(218)	817
Currency translation differences	70	(10)	60
At 1 July 2022 unaudited	1,105	(228)	877

As at 1 July 2022, 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 at 31 December 2021. As a result of this assessment no impairment charges were recorded in the first half of 2022 (2021: first half £nil; full-year £nil).

A full detailed impairment review will be conducted on all CGUs at 31 December 2022.

13 Contract balances

13.1 Contract assets

	£m
At 31 December 2020 audited	288
Transfers from contract assets recognised at the beginning of the year to receivables	(257)
Increase related to services provided in the year	200
Reclassified to contract provisions (Note 16)	(7)
Impairments on contract assets recognised at the beginning of the year	(10)
At 31 December 2021 audited	214
Currency translation differences	7
Transfers from contract assets recognised at the beginning of the year to receivables	(195)
Increase related to services provided in the year	189
At 1 July 2022 unaudited	215

13.2 Contract liabilities

	£m
At 31 December 2020 audited	(526)
Currency translation differences	(4)
Revenue recognised against contract liabilities at the beginning of the year	477
Increase due to cash received, excluding amounts recognised as revenue during the year	(625)
At 31 December 2021 audited	(678)
Currency translation differences	(41)
Revenue recognised against contract liabilities at the beginning of the period	642
Increase due to cash received, excluding amounts recognised as revenue during the period	(633)
At 1 July 2022 unaudited	(710)

14 Trade and other receivables

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Current			
Trade receivables	565	522	518
Less: provision for impairment of trade receivables	(3)	(12)	(3)
	562	510	515
Due from joint ventures and associates	15	12	15
Due from joint operation partners	9	11	12
Contract fulfilment assets	19	14	12
Contract retentions receivable	231	185	215
Accrued income	9	15	13
Prepayments	40	49	42
Due on disposals	–	1	1
Other receivables	52	17	40
	937	814	865
Non-current			
Due from joint ventures and associates	76	69	73
Contract fulfilment assets	19	24	32
Contract retentions receivable	138	161	142
Other receivables	4	2	2
	237	256	249
Total trade and other receivables	1,174	1,070	1,114

15 Trade and other payables

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Current			
Trade and other payables	788	675	748
Accruals	609	590	611
VAT, payroll taxes and social security	85	125	96
Dividends on ordinary shares	37	10	–
Due on acquisitions	–	3	3
	1,519	1,403	1,458
Non-current			
Trade and other payables	107	102	97
Accruals	8	10	10
Due to joint ventures and associates	10	10	10
	125	122	117
Total trade and other payables	1,644	1,525	1,575

16 Provisions

	Contract provisions £m	Employee provisions £m	Other provisions £m	Total £m
At 31 December 2020 audited	279	46	25	350
Currency translation differences	(2)	–	–	(2)
Reclassified from accruals	1	–	–	1
Charged/(credited) to the income statement:				
– additional provisions	71	6	1	78
– unused amounts reversed	(18)	(5)	(2)	(25)
Utilised during the period	(46)	(6)	(1)	(53)
Reclassified from contract assets	(7)	–	–	(7)
At 2 July 2021 unaudited	278	41	23	342
Currency translation differences	1	–	–	1
Reclassified to accruals	2	–	–	2
Charged/(credited) to the income statement:				
– additional provisions	87	5	3	95
– unused amounts reversed	(17)	(3)	(2)	(22)
Utilised during the period	(30)	(7)	(2)	(39)
At 31 December 2021 audited	321	36	22	379
Currency translation differences	8	–	1	9
Reclassified from accruals	5	–	–	5
Charged/(credited) to the income statement:				
– additional provisions	53	4	1	58
– unused amounts reversed	(13)	–	(1)	(14)
Utilised during the period	(39)	(3)	(2)	(44)
At 1 July 2022 unaudited	335	37	21	393

17 Notes to the statement of cash flows

	Underlying items 2022 first half unaudited ¹ £m	Non-underlying items 2022 first half unaudited £m	Total 2022 first half unaudited £m	Total 2021 first half unaudited £m	Total 2021 year audited £m
17.1 Cash from operations					
Profit/(loss) from operations	85	(3)	82	40	97
Share of results of joint ventures and associates	(29)	–	(29)	(18)	(57)
Depreciation of property, plant and equipment	14	–	14	11	24
Depreciation of right-of-use assets	26	–	26	28	54
Depreciation of investment properties	1	–	1	1	1
Amortisation of other intangible assets	3	3	6	8	18
Pension payments including deficit funding	(29)	–	(29)	(29)	(42)
Movements relating to equity-settled share-based payments	4	–	4	3	7
Gain on disposal of interests in investments	–	–	–	(7)	(26)
Profit on disposal of property, plant and equipment	(3)	–	(3)	(3)	(4)
Other non-cash items	(1)	–	(1)	1	1
Operating cash flows before movements in working capital	71	–	71	35	73
(Increase)/decrease in operating working capital			(45)	123	281
Inventories			(5)	11	11
Contract assets			9	23	74
Trade and other receivables			32	6	(22)
Contract liabilities			(13)	90	147
Trade and other payables			(73)	(5)	43
Provisions			5	(2)	28
Cash from operations			26	158	354

¹ Before non-underlying items (Note 8).

17.2 Cash and cash equivalents

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Cash and deposits	779	614	766
Term deposits	311	198	250
Cash balances within infrastructure investments	20	21	17
Bank overdrafts	(1)	–	(34)
	1,109	833	999

17.3 Analysis of net cash/(borrowings)

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Cash and cash equivalents (excluding infrastructure investments)	1,090	812	1,016
Bank overdrafts	(1)	–	(34)
US private placement	(347)	(187)	(192)
Net cash excluding infrastructure investments	742	625	790
Non-recourse infrastructure investments project finance loans at amortised cost with final maturity between 2022 and 2072	(262)	(339)	(260)
Infrastructure investments cash and cash equivalents	20	21	17
	(242)	(318)	(243)
Net cash	500	307	547

17 Notes to the statement of cash flows continued

Included in cash and cash equivalents is restricted cash of £10m (2021: first-half £10m; full-year: £10m) 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: £217m (2021: first-half: £179m; full-year: £249m) within construction project bank accounts which is used for project specific expenditure; £285m (2021: first-half: £321m; full-year: £261m) held in joint operations which is used for expenditure within the joint operation projects and £20m (2021: first-half: £21m; full-year 17m) relating to maintenance and other reserve accounts in the Infrastructure Investments subsidiaries.

	Infrastructure investments non-recourse project finance £m	US private placement £m	Bank overdraft £m	Total £m
17.4 Analysis of movements in borrowings				
At 31 December 2020 audited	(339)	(189)	–	(528)
Currency translation differences	–	2	–	2
Proceeds from new loans	(3)	–	–	(3)
Repayments of loans	3	–	–	3
At 2 July 2021 unaudited	(339)	(187)	–	(526)
Currency translation differences	–	(5)	–	(5)
Proceeds from new loans	(5)	–	(34)	(39)
Repayments of loans	3	–	–	3
Disposal of Woodland View Hospital	41	–	–	41
Disposal of North West Fire & Rescue	40	–	–	40
At 31 December 2021 audited	(260)	(192)	(34)	(486)
Currency translation differences	–	(23)	–	(23)
Proceeds from new loans	(5)	(132)	(1)	(138)
Repayments of loans	3	–	34	37
At 1 July 2022 unaudited	(262)	(347)	(1)	(610)

In June 2022 the Group raised US\$158m of debt in the form of new US private placement (USPP) notes on terms and conditions materially the same as the existing USPP notes. The new debt is comprised of US\$35m of notes maturing in June 2027 at fixed coupon of 6.31%, US\$80m of notes maturing in June 2029 at fixed coupon of 6.39% and US\$43m of notes maturing in June 2032 at fixed coupon of 6.45%. This new funding will be used towards the repayment of the US\$259m in USPP notes that remain outstanding, with the next tranche of US\$209m being due in March 2023 and the final tranche of US\$50m being due in March 2025. The refinancing exercise has extended the debt maturity profile of the Group.

18 Retirement benefit assets and liabilities

Principal actuarial assumptions for the IAS 19 accounting valuations of the Group's principal schemes	2022 first half unaudited %	2021 first half unaudited %	2021 year audited %
Discount rate on obligations	3.80	1.90	1.90
Inflation rate – RPI	3.35	3.20	3.40
– CPI*	2.75	2.55	2.80
Future increases in pensionable salary#	2.75	2.55	2.80
Rate of increases in pensions in payment (or such other rate as is guaranteed)^	3.10	2.95	3.10

* Actuarial assumption applied to the Railways Pension Scheme was 2.95% (2021: first half 2.75%; full-year 3.00%).

Actuarial assumption applied to the Railways Pension Scheme was 2.95% (2021: first half 2.95%; full-year 3.00%).

^ Actuarial assumption applied to the Railways Pension Scheme was 3.10% (2021: first half 2.95%; full-year 3.05%).

Amounts recognised in the Balance Sheet	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Present value of obligations	(3,238)	(4,097)	(4,201)
Fair value of plan assets	3,599	4,263	4,432
Net assets in the Balance Sheet [†]	361	166	231

[†] This amount represents the aggregate of the retirement benefit assets of £407m (2021: first half £263m; full-year £321m) and the retirement benefit liabilities of £46m at 1 July 2022 (2020: first half £97m; full-year £90m). These 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	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Balfour Beatty Pension Fund	393	263	321
Railways Pension Scheme	14	(52)	(44)
Other schemes [†]	(46)	(45)	(46)
	361	166	231

[†] Other schemes include the Group's deferred compensation obligations for which investments in mutual funds of £22m (2021: first half £23m, full-year £24m) are held by the Group to satisfy these obligations.

Movements in the retirement benefit net assets for the period	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
At beginning of period	231	89	89
Currency translation differences	(4)	1	2
Current service cost	(2)	(2)	(5)
Interest cost	(39)	(30)	(61)
Interest income	41	31	62
Actuarial movements – on obligations from reassessing the difference between RPI and CPI	–	–	(10)
– on obligations from changes to other financial assumptions	921	163	20
– on obligations from experience gains	–	1	1
– on assets	(818)	(118)	87
Contributions from employer – regular funding	1	1	3
– ongoing deficit funding	28	28	39
Benefits paid	2	2	4
At end of period [†]	361	166	231

18 Retirement benefit assets and liabilities continued

In January 2020, the Group concluded negotiations with the trustees of the Balfour Beatty Pension Fund (BBPF) on the formal triennial funding valuation as at 31 March 2019. Under this agreement Balfour Beatty and the trustees re-confirmed their commitment to a journey plan approach to managing the BBPF with the Group agreeing to make total cash deficit contributions of £64m from 2021 to 2023, whereby the BBPF is aiming to reach self-sufficiency by 2027. There is an agreed mechanism for accelerating the payment of these contributions set out above if the earnings cover for shareholder returns (both dividends and other capital returns) falls below 2x. As a result of Balfour Beatty's share buyback programme and following discussions between the Group and the trustees, Balfour Beatty agreed to accelerate the above deficit contributions and also make additional deficit contributions of £2m per month from July 2022 until the next triennial funding valuation at 31 March 2022 is completed or September 2023 at the latest. The Group will now make deficit contributions to the BBPF of £38m in 2022 and is expected to make a deficit contribution of £18m in 2023.

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

The Group's balance sheet includes net retirement benefit assets of £361m (2021: first half £166m; full-year £231m) 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 2022, the Group recorded net actuarial gains on its retirement benefit schemes of £103m (2021: first half £46m net gains; full-year £98m net gains) primarily driven by an increase in the discount rate.

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 226 and 221, respectively, of the Annual Report and Accounts 2021.

19 Share capital

During the half-year ended 1 July 2022, 9.4m (2021: first half nil; full-year nil) ordinary shares were purchased for £23.5m (2021: first half £nil; full-year £nil) 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 second phase of its share buyback programme in 2022. As at 1 July 2022, the Company had purchased 18.7m of shares for a total consideration of £48m. These shares are currently held in treasury with no voting rights. The purchase of these shares, together with associated fees and stamp duty has utilised £48m of the Company's distributable profits and the cash paid in settlement during the period was £47m.

On 7 June 2022 the Company cancelled 50.3m treasury shares purchased as part of the 2021 share buyback programme. This led to a decrease in called-up share capital of £25m and an increase in the capital redemption reserve.

20 Acquisitions and disposals

20.1 Acquisitions

There were no acquisitions made in the first half of 2022. There were no acquisitions made in 2021.

Deferred consideration paid during the period in respect of acquisitions completed in earlier years was £3m (2021: first half £3m; full-year £3m). This related to the Group's acquisition of Centex Construction in 2007.

20.2 Disposals

In the first half of 2022, the Group disposed of one Infrastructure Investments asset as detailed below. This disposal was structured as the sale of the Group's equity interest in the entity which owns the asset.

Notes	Disposal date	Asset disposed	Cash consideration £m	Net assets disposed £m	Underlying gain £m
20.2.1	30 June 2022	Regard at Med Center	12	5	7

* Disposal of joint venture.

20.2.1 On 30 June 2022, the Group disposed of its Regard at Med Center multi-family property asset located in Houston, Texas, for a total cash consideration of £12m. The asset disposal resulted in an underlying gain of £7m being recognised in the Group's share of joint ventures and associates

Deferred consideration received in the period in relation to disposals in earlier years was £1m (2021: first half £2m; full-year £2m). The deferred consideration received in the period related to the Group's disposal of its Middle Eastern joint ventures in 2017.

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.

	2022 first half unaudited £m	2021 first half unaudited £m	2021 year audited £m
Financial instruments at fair value			
Financial assets			
Level 1			
Investments in mutual fund financial assets	22	23	24
Level 3			
PPP financial assets	28	149	30
Other investment assets	14	5	9
Total assets measured at fair value	64	177	63
Financial liabilities			
Level 2			
Financial liabilities – infrastructure concessions interest rate swaps	(2)	(28)	(4)
Total liabilities measured at fair value	(2)	(28)	(4)

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.

21 Financial instruments continued

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.

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.

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 (2021: first half £6m; full-year £1m) / £1m increase (2021: first half £6m; full-year £1m) in the fair value of the assets taken through equity. Refer to Note 15 for a reconciliation of the movement from the opening balance to the closing balance.

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 £33m decrease (2021: first half £50m; full-year £40m)/£35m increase (2021: first half £54m; full-year £43m) 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 £197m (2021: first half £167m, full-year £325m). 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.

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 2021.

24 Contingent liabilities

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

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

25 Events after the reporting date

As part of the Company's share buyback programme in the period from 2 July 2022 to 15 August 2022 (the last practicable date prior to the date of this report), the Company purchased a further 7.1m ordinary shares to be held in treasury with no voting rights for a total consideration of £19m (including stamp duty and fees).

On 11 August 2022 the Company completed the sale of its 67% interest in Aspire at Discovery Park, the on-campus accommodation at Purdue University in West Lafayette, Indiana. Net consideration of US\$62m was paid on completion by Purdue Research Foundation. The gain on disposal for this transaction was US\$47m.

There were no other material post balance sheet events between the balance sheet date and 16 August 2022, the date of this report.